# "Dhani Services Ltd Q3 FY-21 Business Update Conference Call"

## February 12, 2021

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**Moderator:** Ladies and gentlemen, good day and welcome to the Dhani Services Q3 FY21 business update 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.

To discuss the quarterly performance of Dhani Services Limited, we have with us Mr. Sameer Gehlaut – Founder; Mr. Divyesh Shah – Chief Operating Officer; Mr. Pinank Shah – Group CFO; Mr. Himanshu Nautiyal – Chief Technology Officer; Mr. Anish Williams – Chief Product Officer; Mr. Nikhil Chari – President Healthcare; Mr. Ankit Banga – Chief Marketing Officer. I now hand the conference over to Mr. Sameer Gehlaut. Thank you and over to you, Sir.

**Sameer Gehlaut:** Thank you. Good evening ladies and gents. I thank you for attending the business updates call. I'll begin with by saying that last quarter has been quite busy for the company. Lot of execution happened in the quarter. And I'll begin with update on Dhani Health. So, last quarter we did over 200,000 doctor consultations only from 900 in the quarter before because our product was launched end of September, so there was a lot of traction in the initial days itself. We were also able to open over 30 Dhani pharmacies in three months in 20 cities to enable one-hour delivery of medicines. Going forward we plan to operationalize one-hour delivery of medicines in additional 50 cities in the current quarter and next quarter onwards we plan to operationalize 75 additional cities each quarter. So, all in all within the next six months from today we should be present in over 200 cities delivering thousands of packets every day within one-hour of consultation with doctors on the Dhani app. We also plan to operationalize Dhani doctors in UAE in the current quarter or perhaps early next quarter. We have been in the approval process for months there and hope to have the final permission anytime now. We further launched our unique offering of Health 365 last week where only for a sum of Rs. 750 per month, a family of our can get unlimited doctor consultation and unlimited medicines prescribed by our doctors. To dissuade subscribers of Health 365 to unnecessarily order, we have retained a nominal delivery charge of Rs. 100 per delivery. We are further working on a monthly family health bag for a subscription model again which would include discounted essential vitamins, minerals, Chyawanprash, etc., that a family needs. So this product is expected to get launched early next quarter.

Now coming on the finance side, as indicated in the last call we stopped giving any loans a few months back. So we don't do any traditional lending which is up to 36 months or 48 months. The legacy book of finances in the wind down mode and being replaced by our subscription-based transaction finance which is only available to a maximum tenure of three months. And the money gets paid to us starting from T+1 or T+30 basis, depending on what type of subscription products the customer takes. We have also now started issuing several thousand

Dhani Rupay cards on daily basis with embedded transaction finance power in different formats whether it is (4.40) at 0% interest or no EMI finance again on basis of monthly subscriptions. Soon we will be also launching our checkout finance products for our top customers where they can buy today and pay later in four equal installments at 0% interest. This is expected to get launched early next quarter.

Now coming on the subscription, as you know this entire business of subscriptions very affordable for the mass markets were introduced in May, 2020. Now we are 10 months old. We had a strong quarter. We doubled our subscriptions and in the last quarter itself we added 1.9 million subscribers. This includes people who take our subscriptions in the initial trial free period of 30 days just like some of the global companies offer like Netflix and Spotify. So net of people choosing to not renew our subscriptions, we ended the quarter with a total of 1.3 million paid subscriptions with products stabilizing over the next couple of weeks, a month. We see more traction on paid subscribers going forward.

On the financials, we spent heavily on execution on all fronts, whether it was marketing or ramping up physical infrastructure for medicines and manpower on the ground for one-hour delivery, etc. We also hired a lot of talent on technology. And as a result of that we have been able to launch a new product at a record speed. Now we have almost close to around 8 subscription products overall, four on the digital healthcare side and four on the transaction finance side. We are adding one product on the health side and one product on the finance side making it a total of 10 different monthly subscription products. On the financials we made a loss of 0.8 billion for the quarter and this was a result on this continuing traditional lending business. We also spent heavily to grow Dhani's business on subscription and also, we focused on taking provisions on our balance sheet for all the gross NPAs to keep the balance sheet as a zero net NPA balance sheet. So going forward we intend to keep spending heavily on all fronts to ramp up our prescriptions and our ability to deliver medicines in one hour in over 200 cities within the next six months from today. And as a result of this we see Dhani not making any money in the foreseeable future. Also, the good part is that Dhani is well capitalized and we don't envisage any new capital raise in the foreseeable future. We sit with very healthy liquidity. We have a very low bearing and the traditional old legacy book is getting wounded down giving us more cash every month. What I see is Dhani gaining more and more momentum on subscriptions going forward. Our paid subscriptions cost today is around Rs. 750 currently to acquire a paid subscription. Given the unit economics of around the Rs. 730 of profit per subscription on an operating basis annually, the revenues are approximately Rs. 2300 per paid prescription. I expect the breakeven period for a paid subscription currently standing at 12 months to come down to 10 months going forward and the two levers in our hand for that are lower paid subscription acquisition costs as we gain momentum and also start getting more customers organically. And the second important lever is our average subscription value amount goes up as people take multiple products and also keep moving in higher buckets for transactions finance which costs them more. So a person paying us Rs. 200 a month in the next two months, a successful guy would move up to Rs. 300 a month. So that will increase our average subscription payment monthly basis. So to sum up, basically I'll just say, we will exceed our upgraded target of 25 million customers for this financial year. Initially we assume that 30% of our subscribers will become paid subscribers. These are early days, but it seems that the ratio there is going to be more like in the range of 40% which is good and healthy sign for our subscription products. And the main reason for this is that after doing an age analysis we found that 86% of Dhani paid subscriptions are from people who are less than 40 years old. So, we are going after the massive mass markets and the encouraging sign is that 33% subscriptions are actually from people who are less than 25 years of age. So an early engaged user is more profitable for the company in the long run and we are quite excited by this. We are also able to give some transaction power to an intern as young as 18 years' old who is still in college. Back in the days I remember receiving my first transaction power by way of a small limit on a credit card when I was 27 years old in college and this was after founding India Bulls. So now things are a lot better. We are able to provide this finance and also control the credit costs very carefully through technology, not through data because the young Indian is a first-time borrower. So we have a product for this customer base. There are 426 million Indians who are born after 1980 and called the generation Y people and almost close to 500 million Gen Z people who are 25 years old or younger than that. So this forms a very formidable growing and untapped market for Dhani. Dhani being the only company in India providing a transaction finance, has a promising future on that basis. The fact that 86% of our paid subscriptions are from Gen Y and Gen Z is a very encouraging sign on the acceptance and willingness of this massive and growing population of India for our subscription products. So, this makes the future of Dhani full of promise and in growth in paid subscriptions as we move forward. Thank you and now I along with the Dhani team would be happy to take any questions.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Robert Sheward from Toscafund .

**Robert Sheward:** Just a couple of things. Firstly, I was wondering if you could talk a little bit around the mix of subscribers and who is also subscribing to the cards at this point probably not too many given that the launch date, etc., but you getting good traction with the health subscribers and the cart. The other thing I was just a little confused on from the presentation was the amount of lapsed subscribers or maybe it's better to look at it from people that you have acquired any subscribers but on a trial, period flipping back out of that. I was wondering if you could talk a little bit about that dynamic, how many people actually end up taking the full paid subscription. And then the final one is just on the kind of usage expectation. So you mentioned in the conversation that you had about 200,000 doctor calls. Is that sort of metric in line with what you would be expecting at that point? How's that plan? Thank you.

**Sameer Gehlaut:** Thanks for your different question. Basically, our transaction finance product has embedded Doctor products as well. So, these are products that are offered to the customers and the ecosystem that we build is around transaction finance because that is something people need on daily basis and the healthcare offering is what they need few times a year as and when they get sick. So that's the model of the business. Now in terms of the total subscribers that we added which was like 2 million subscribers so a bunch of these guys are also in the free period, so what happens is that some people take the free services and they choose not to renew after the free period. So net of all such people we were able to close the quarter with 1.2 million paid subscribers. Going forward, what's going to happen is that we will keep acquiring new subscribers, people take a consultation, they experiment and for the next one month they won't show up. When they will need it, they will again show up. So it's a constant process where they keep coming and going out. So it's not that we will charge them for the 12 months at one go. It's pretty much like what Netflix or Spotify would do. You can choose to come in and you can choose to go out anytime. So that's our business model around that. The way we think about this is that we need to get customers addicted to our services and how will they get addicted, once they experience the ease and convenience and affordability of these services. For example, if you are able to get access to a doctor in 10 seconds and also able to get medicines within one hour and all of this costs slice a fraction of what it would cost otherwise, if you go out and consult a doctor and buy medicine from a chemist shop, it's not just about the money that you are saving which is over 50% but also the time you are saving as a customer. So these are new offerings. So the goal of the company is to get people to experience this so that the next time when they need us they choose us because of convenience as well as quality and affordability. So that's how this whole system works. But currently we are seeing ratios of around, from the total subscriptions that we add, we are seeing around 35% of these people becoming our paid subscribers. My thinking is that as we go along this 35% should sit about 40%, anywhere between 40% to 50%, because as the services become more popular people then tend to keep renewing their subscriptions and sometimes also opt for straight away 12 months' subscription, because again it doesn't cost too much. It's only about close to around $15 that you would pay for the entire year also. So that's on that. And on the last piece which is on the doctors, when we didn't expect to do 200,000 consultations but probably it is also getting dictated by the free period that the Doctor facility has where we have a system where we give doctor facility free for first 30 days. So there was so much traffic that we had to curb it down to 7 days. Now we have again increased our capacities to be able to give more consultation and we are reverting back to the 30-day free trial period.

**Nikhil Chari:** Hi, this is Nikhil, just to add to what Sameer mentioned, just in terms of a global context, Teladoc which is the global premier tele medicine firm, it took them almost a decade to reach to the 3000-4000 consultations on a daily basis which we are today. So, definitely in terms of customer engagement this is a very-very healthy sign.

**Robert Sheward:** That's very helpful. Thank you. Can I just put up and check? You mentioned the buy now pay later proposition that you will be launching. What sort of model are you using that on that in terms of the revenue model? And then the other question is just around the amortization of the customer acquisition costs. Are you doing that over a kind of 12-months to a year, 3-year period? What's your plan there? Thank you.

**Sameer Gehlaut:** So, in terms of the buy now pay later, the way Indian context is, it's different from what it is believed. So all the other guys, if you see whether it is Afterpay Klarna in Europe and a firm in US, they all get paid primarily from the merchants, that's the business model they have. Wherein in India, for example, there are no online merchants of any size or significance other than Amazon or Flipkart. And these guys they won't give any money to a checkout finance provider because they themselves are just a market place. They are not the manufacturers. As Indians, we don't shop on nike.in, we go around and shop at the Nike showroom. And for that purpose only we have designed our products where the customer actually pays for that transaction finance and the customer not only pays it, gets this facility online, but he also gets this facility by way of a physical Dhani card which is available to him within 48 hours of opting for our transaction finance business. So he can go to the physical showroom, use the transaction finance power and this is at 0% interest. It is on a subscription-based model. And the way we control the credit is by deducting a sum of money immediately from the customer bank mandate and then allowing him to pay us back on T+30 and T+60, so that's the model. So it's like in the Indian context and this is why we are also able to provide this facility to a new-to-credit customer which is a vast population in India. So it's like quite a technology breakthrough product and we hope to get a lot of traction on this product and also control costs very-very carefully. The credit cost in India, if you see some of the recent reports by CIBIL, they talk about fintechs having delinquency to the extent of 18% on their books. That's why if you see all the fintechs have essentially shut their shops, nobody's giving any credit because again after COVID situation is a lot worse on the unsecured personal loan front and we are very happy that we could see the early signs, we discontinued traditional lending and moved on to a model where technology controls everything and we are seeing the bad credit getting distant from the good credit on a daily basis with thousands of bank mandate presentations that we do through our subscription based products. So, that's on the first part. On the cost amortization finance?

**Pinank Shah:** Hi Rob Pinank here. So essentially from an amortization perspective, the acquisition costs are being amortized over three years. But if you look at what we are expecting and if you refer to the deck which we have put out, you will see that we are expecting that our annual paying customer, it typically covers the acquisition cost, we recover the acquisition cost in a period of a year basis the net return from a paying subscriber.

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

**Hariharan:** Quick question for you. Just focusing on the health side for a minute I have a couple of questions. What is the acquisition strategy? How are you doing it? Is it advertising or word of mouth? What are you doing? How are you getting customers? That’s one. Secondly, in terms of guys coming in for consultations, what percentage, what fraction of that is converting into an order for a pharmacy product from you? Or is it just a consultation and I just want to get a sense for how integrated the sale is. Thirdly, in terms of a rollout across India, there's a map here where you say that you are already functional, I think it says 20 odd cities, does that mean that in each of these cities now your model applies that it's 10 seconds and medicines within an hour? Am I getting it right? Thanks.

**Sameer Gehlaut:** Thanks for your questions. To answer the first one, how do we get customers. As I said our entire ecosystem is built around transaction finance that people need on daily basis and the markets that we are going after is essentially bottom of the pyramid if you see. The top 30 million guys get credit cards, they have some level of transaction power in their pockets, but the rest of the market which is essentially almost close to 400 million people who have loans but they don't have any transaction power, so that's the market we are going after. And the way in which we get our customers are the following, the most successful channel for us are Dhani Dost where people which runs on the reference program. One guy refers to the other one, who gets paid a little bit, so that is a sort of community channel which is quite helpful to us. And at the same time, we do performance campaigns, we started doing TV campaigns. We have different other mediums such as, also people who are sitting at the last page, we would send them a letter with a physical card to entice them to take our offering. So, we have different ways, there are no set rules, if something is working well we kind of push the button on that. If some initiative isn't working, which is what we saw with, some YouTube influencers, it was like a very heavy cost per paid subscription, so we discontinued that. So it's a constant process and I would say it is not constant, even for all the products in every product you have to kind of tweet and experiment as to what works better than the other initiative, so that's the first part. The second thing is, in terms of how many consultations do result into medicine orders? So that number today is 26%, so 26% of our customers also order. And a decent percentage also take OTC products. So when they are checking out, buying their medicines, they would take one or two OTC products also from us which increases the value of the total order value. The third thing is that in 20 cities, we are present with one-hour delivery and within 10 seconds you get access to a doctor, within one hour we would send the medicine. So that's already operational in 20 cities and we would be operational in 200 cities within 6 months from today, delivering several thousand packets on daily basis, so that's there. And at the same time we have also opened our e-pharmacy where we are expecting our last license which would basically allow customers to also order branded drugs from our platform, just the way they can order from other e-pharmacies in the country that have been operating for a long time. So we would be present in the entire spectrum of digital healthcare services with this offering of e-pharmacy as well, which is not core to our business model because our business model is all around giving discounted and cheaper medicines to customers, but e-pharmacy some people if they are hell bent on getting a particular brand only, so that's also available. And we have done this to make sure that over the next few years we are not just able to cater to just the bottom of the pyramid, but we keep increasing the socio economic strata also of our customers and our aspiration is one day to give our services to different segments of society.

**Hariharan:** I want to follow-up Sameer and in the following sense, outside of the rush created by people trying to take advantage of free trial periods and so on; in an industrial plant utilization capacity kind of a concept, what kind of doctor visitation volume do you think you are going to be able to handle steady state, that's number one. And secondly going back to you said, if I understood you correctly currently 26% of people who are consulting doctors are basically ordering something from your pharmacy. In your model where you talk about profitability, where you come up with a Rs. 2300 or whatever it is, what percentage assumption and you have in that model in terms of how many people who come for consultations order from you because I have seen that a significant portion of the profitability of your model depends also on the pharmacy product, right?

**Sameer Gehlaut:** That is true Hari so just to answer this basically we have assumed that on an average the paid subscribers, that person is only going to pay two orders of delivery on an annualized basis however so typically a person who is engaged on the doctor front would take at least 7-8 orders on yearly basis but we have kept it two to just demonstrate an average subscription because there may be guys who are not interested in health care at all. In my opinion we have averaged it out and made sure that we have kept that percentage at around 25% on the overall subscribers versus just the health guys. Now the second aspect is around, your question around the free subscribers, what was that Hari can you please repeat?

**Hariharan:** I was just thinking that from a steady state perspective given that you have doctors on-call and so on and so forth. What kind of capacity can you handle in terms of visits, doctor consultations?

**Sameer Gehlaut:** Hari as India is full of very talented high-quality doctors who are very experienced, we only hire from the top 100 colleges. Our capacity today is around to handle calls of around 10,000 calls on daily basis. We can ramp it up to 100-1000 calls on daily basis as and when we need it. When we initially launched it, we didn't expect so many calls so we had to curb the pre-period to only 7 days and then we ramped up our capacity and now we are opening it up again for 30 days for people to experience our services. Again, I on the standalone health piece it's going to be a slow progress because people pay attention to Dhani only when they get fit, everybody is not getting fit and fortunately enough our population if you see 33% of our population is less than 25 years old. When you are at that age group even if you are fit you don't care and you get okay on your own and the balance is 53% is from 25 to 40 years. The capacities in terms of handling volumes is no problem at all and we will be able to handle any number of calls etc. that shouldn't be a problem and I do expect that once we are present in 200 cities with this 1-hour delivery and if our deliveries are only 26%, at that time also in terms of prescriptions to order, that also would-be thousands of packaged on daily basis.

**Moderator:** The next question is from the line of Vivek Panda, an Individual Investor.

**Vivek Panda:** Hi Sameer actually I am also from IIT Delhi. I am investor in your stock so I bought it at around Rs. 8 and thanks for all the wealth that you have created for all your investors. I just want to thank you for all the wealth that you have created in the Indiabulls stock for all your investors. Thanks.

**Sameer Gehlaut:** Thank you for the compliment.

**Vivek Panda:** Sameer you are a role model for all IITians, thanks.

**Sameer Gehlaut:** Thank you my friend.

**Moderator:** The next question is from the line of Robert Sheward from Toscafund.

**Robert Sheward:** I just wanted that you have going to if you have got me kind of updated targets around subscriber numbers you are thinking about over the next 2 years what you couldn't achieve when, thank you?

**Sameer Gehlaut:** Rob again this is going to be speculative but if you asked me let me give you an idea. I expect that we will keep getting more and more momentum around the paid subscriptions and I hope we will have a strong growth but if you ask me well, what would make us happy is that in the next financial year if we can get 10 million paid subscribers already and we feel that this is achievable because we have the proof of concept, lots and lots of people consult our doctors, lot of people use our transaction finance. We already are giving almost close to 10,000 RuPay Dhani cards on daily basis to our customers. That's what we think that by end of next financial year if we are at that number we would be very-very happy.

**Moderator:** The next question is from the line of Pranav Tendulkar from Rare Enterprises.

**Pranav Tendulkar:** First of all for a doctor how many patients or how many calls in a day breaks even? Whatever is your cost for the doctor how many patients; so how you charge it? What is the math that you understand and so if this doctor gets this many calls then we are breaking even?

**Nikhil Chari:** On a daily basis our doctors are able to handle about 40 calls. What we have observed based on the subscription that we have, the breakeven cost for a doctor from a subscription point of view is around Rs. 65. So roughly on a Rs. 150 per month that we charge our customers we have around 50% margin.

**Pranav Tendulkar:** If I am right you mentioned that you now do a 3000 daily consultations and then you have a capacity to expand up till 10,000 calls?

**Nikhil Chari:** We already have a capacity so we have around 250 doctors so we have a capacity of already around 9000 to 10,000. Month-on-month as we keep on ramping up the volume we have adequate capacity to address that and to just give you a market sense of what is available out in the market so if you look at Practo today, they have almost 20,000 doctors engaging on that platform and we at 250 doctors can handle almost 10,000 calls on a daily basis so just that the sense that Practo has 20,000 doctors engaging on the platform, there is a very large pool of doctors that can be tapped into and brought into our fold. From a capacity point of view really there is no constraint and over the last 3-4 months we have no issue in hiring the top talent in the market.

**Pranav Tendulkar:** You also said that 26% of the consultation that happened with the doctors result in purchases including medical and others, right?

**Nikhil Chari:** That is correct.

**Pranav Tendulkar:** In your model, in your presentation you have mentioned that in the variable cost you have mentioned the discount but as I understand there are many platforms; discount is actually part of the revenue that they get from the seller?

**Nikhil Chari:** The reason is that because this is something that we might vary over time and it also gives a better sense to investors that what is the gross value of the prescription so just in the spirit of having more transparency in a way of disclose as to what the gross value is, what the discount percentage is and therefore what the net value is and also we disclosed what we is our COGS is. This is more in the spirit of having more disclosure rather than less disclosure.

**Pranav Tendulkar:** It's an income to you, right? I am little bit confused because…so suppose a subscriber buys of say Rs. 100 and you are offering it at say Rs. 80 and Rs. 20 discount then actually the seller is giving it to you at Rs. 80 and you are selling to Rs. 85 to your subscriber. So Rs. 5 should be an income to you but you are saying that it's a cost?

**Nikhil Chari:** No, I think you are mixing two things. Your first question referred to the medicine discount which is the cost of medicine so on average the gross value of a prescription for us is Rs. 600 today and then we give a 40% discount on it which is Rs. 240 per prescription and then that gives us the net realized value and our cost of medicines because we have a 70% gross margin so our cost of medicine is around Rs. 180. You can do the math and see what is the realization to us. Given that we have given you all the moving parts of how the economics flow-through, you can by yourself see whether you want to discount the revenue or you want to take it out of the cost. We have given that flexibility to use in terms of analyzing the business. In our view that's a more transparent way of displaying our business to you.

**Management:** Just to add to that what Nikhil said Pranav if you look at the medicine discount which is there which is essentially based on the two delivery discounts Rs. 240 x 2, that's what the annualized number of 480 is and the commensurate revenue is already taken up in that 2340 up in the revenue line.

**Pranav Tendulkar:** In India lending platforms that you have, have you ever thought about co-lending because there are a bunch of middle or small size banks which are actually in want of technology and technological platform and they don't have any hope whatsoever to implement it as efficiently as you have and on the other hand you would also be required or you would also be in a better position if you don't take all the risk on your balance sheet but co-lend with somebody else, or is there any problems.

**Sameer Gehlaut:** We are not in the lending business at all and neither do we want to be an agent of a bank. We are not intending to do anything that is related to building out a balance sheet either directly or indirectly. Our business model is 'buy now pay later' and that in the Indian context it comes in different forms and means and as I mentioned earlier that the maximum tenure of a loan that we give out is 3 months and we start collecting as early as T+1 also in some of our products like Dhani One Freedom and in the other products we would collect at T+30, T+60. T+90 and in the checkout finance it is going to be four instalments of 15 days each. In all the three different variants of transaction finance the velocity of money coming back to us is very high and we would like to just focus on building this out on subscription basis and we don't have any desire of sourcing loans or doing this type of thing for any other partner.

**Pranav Tendulkar:** I think there is insurance also that you do, right, health?

**Sameer Gehlaut:** We have introduced health insurance because that's a core to our digital healthcare platform. We don't want a customer to go somewhere else, if he is interested in an insurance product and so yes, we have a third party only health insurance product, we don't have a life insurance product.

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

**Nihar Dave:** Globally telemedicine stocks like American Wealth, Teladoc and Ping An are normally being valued between say 15 to 25 times sale. According to you would that be the right way to value Dhani given that profitability is many quarters away?

**Sameer Gehlaut:** I would suggest that you guys are experts in valuations but the way we look at our business is on basis of subscriptions and what would be the growth in subscriptions, going forward and what is the markets we are going after. The one way to look at this is let's say if there are 500 million potential people out there, what percentage of this market can we capture through our subscription products over a period of 5 years. That would give you a sense of what this company can be worth given some global peers who are also in the subscriptions business in entertainment or music or even something else. If you see a model of let's say a firm, they have reported their earnings yesterday or day before, they have 4.5 million customers globally. The company is worth $35 billion not on basis of what it is today because it's making losses and they have said that they won't be able to make profits until next 2.5 years also. It is worth this much because they are going after this untapped massive market that exist even in US where Gen-Y and Gen-V guys they are looking forward to these 'buy now pay later' products and more and more adoption is coming through, very high growth is coming through, quarter-on-quarter basis. Companies like ours initially are in a buildout phase, the companies continue to lose money because of various investments on technology, physical infrastructure, delivery infrastructure, marketing etc. but when the inflection point happens, the breakeven happens and everything else there upon is all profit. I won't be surprised if we are able to capture a significant percentage of this massive 500 million people population that exists in India and what are we asking for, you imagine, you are giving a doctor for $2 a month, Rs. 150. It may go out they will spend for one consultation they will spend $5 and it will take 2 hours for them to even get that consultation. Our model again of discounted medicines also, we think we will get adapted in the psyche of the customers as they experience the ease and affordability and as and when we keep reaching out to customers more and more, paid subscribers would come through our doors and that is what we are building out for.

**Nihar Dave:** Another follow-up question Sameer on the health insurance part which you were talking about. Are there any aspirations of going in for an insurance license in this company, in the future or you are not continuing that anymore?

**Sameer Gehlaut:** No, for us we don't want to do any insurance business or anything and insurance also for us it's like a very marginal product. We have it because there was a survey that we did and people did demand that as a composite health platform but we very frankly it's not going to be even 2% of our business, 3% of our business because it's a third-party product, we are more focused on our own proprietary products.

**Moderator:** We will move on to the next question that is from the line of Sumit Bhalotia from MK Ventures.

**Sumit Bhalotia:** My question was on customer acquisition. We have seen a phenomenal growth since the inception started on boarding customers for the healthcare app. What is the strategy going forward in terms of new customer acquisition, we had earlier mentioned of getting into newer geographies, that is one and second is what is the strategy on increasing our penetration of the paid subscribers? Incrementally we have added 20 lakh people in last quarter but our paid subscribers base is gone up 3 lakh subscribers. Now out of this the 10 lakh subscribers that we had last to last quarter, few of them might have dropped off so what is that number if you can share, that would be helpful?

**Sameer Gehlaut:** To give you a big picture flavor, we have had more than 2 million paying subscribers so 7 million have, they don't happen to be our subscribers because they didn't pay for December so as I said people would pay for 1 month then they would show up after 2 months, it's easy come-easy go type of situation because people take subscription for 2 months-1 month and then they don't show up, they again show up. Our focus is to get people to experience the affordability and ease of our services, get them addicted, build that whole ecosystem around transaction finance power and digital healthcare power in their pocket at a very a paltry sum of Rs. 100-200 on monthly basis. So that's how it is the churn is happening and I will leave Ankit to answer on the marketing side.

**Ankit Banga:** In terms of acquisitions we try a lot of things, we experiment a lot. Last quarter we did our first ever television campaign that helped us reach lot of people and also create a visibility for the brand. Apart from that digital is one thing we do, like Sameer mentioned Dhani Dost is a big-big platform for us where we have people recommending Dhani Health as a platform for doctor consultations so that is the other thing that we do. This year we had also focused towards triggering more alliances and integrations opportunities that will give us the next leg of growth and we keep experimenting, we keep seeing, we keep evaluating between what works and what does not work and we take wise calls and change our strategies swiftly. Does that answer your question Sumit?

**Sumit Bhalotia:** Yes, one question on the lending side. So we have mentioned that our pro forma NPAs(53.20) were around 9.82% and you have completely written that off. The standard asset positioning of around 5% is something that you are carrying additionally, right?

**Pinank Shah:** We have not written these loans off. These are presently not classified as NPAs but we have made the provisioning as if they were NPAs. If you look at the total provisioning which we are carrying on balance sheet which is at about 5.33 billion which includes 2.49 billion of provisions for loans which are in Stage 1 and 2 and the balance is the excess provision which is being run for loans assuming that some of the loans would move into Stage 3 if there was no standstill from Supreme Court.

**Moderator:** The next question is from the line of Anant Krishnan, an Individual Investor.

**Anant Krishnan:** I would like to ask about your stock broking whether it is a focused area or still it is an unfocused area?

**Sameer Gehlaut:** It is not a big focus area for us. It is a product that we are working on but for us it's also a subscription product there. We will charge only Rs. 500 per month for accessing unlimited trading on options, future, stocks everything else, no brokerage whatsoever but it's certainly not a flagship product for us. We are building it out and I will let Anish talk about this product buildout.

**Anish Williams:** As Sameer mentioned our flagships have cost a transaction finance and what we are doing on the doctor side and on the stocks, we are currently in the process of building this out on the same lines as what we have all other product where customers have a flat subscription fee to pay every month and which allows them to then enjoy the services of trading across different asset classes every month. This is in the process of being built out, we expect it to be starting to take more traction by the next quarter and that's our mission. This adds on to the basket of products that we have available for you as available on subscriptions.

**Moderator:** The next question is from the line of Vivek Panda, an Individual Investor.

**Vivek Panda:** Sameer I wanted to ask for the interest part. So your other company Indiabulls Integrated so it has already applied for the insurance and you just said that insurance have, it would be a very small part. Is Indiabulls group going for the insurance?

**Sameer Gehlaut:** That company licensed office etc. is happening on a different track. It will come when it will come, I don't know about the timelines on that but certainly for Dhani insurance is not a major business area for us.

**Moderator:** The next question is from the line of Jonathan from Clemon Group.

**Jonathan:** You mentioned that entry into the UAE market, are you looking at any other international expansion opportunities in Tela Health in organic acquisition in larger markets like the US or Europe or rest of Asia?

**Sameer Gehlaut:** Jonathan we keep evaluating different opportunities as and when they come so we are participating in one of two processes in different geographies through different banks, so there is a process going on right now as well. We do think that there is a big arbitrage in terms of the cheap-high quality Indian doctors to be able to do a lot of heavy lifting in Western countries but we are not chasing anything per se. If some lucrative opportunity comes by, we will go for that but it's not something we are working overtime on so we are quite happy with the organic expansion of our business and that's how the next stop for us was UAE given the massive Indian diaspora there and also Indian doctors are in a position to give consultations only with one exam and they can then sign up on the prescription. So that's what we were working on for last couple of months and we are expecting that permission now and for other geographies as and when things mature we will keep everyone upgraded.

**Jonathan:** Two questions on the subscriptions. What is the run rate of new subscriptions on a daily or weekly basis and secondly out of the total 1.3 million paid subscriptions, can you give us a sense of what percentage is pure health or has health imbedded versus ones which are purely transactional?

**Sameer Gehlaut:** The current run rate on daily subscriptions would be almost like we have touched 40,000 subscriptions on daily basis and as I said the percentage of paid subscribers is also inching forward from 30% to higher numbers. So that's when we asked today and in terms of the mix out of 1.3 million people and don't hold me to this but it would be fairly accurate, I would assume around 25% to 30% of these people would also would be the health subscribers.

**Jonathan:** Other than revenue of Rs. 3.37 billion in Q3, what sort of the rough percentage that comes from subscriptions versus more the legacy business?

**Sameer Gehlaut:** Subscription we have the paid subscriptions right in front of us so you can do that math. For the quarter the paid subscriptions you can decrease that number a little bit and then you will get the average.

**Moderator:** The next question is from the line of Gautam Behl from Mauryan Capital.

**Gautam Behl:** You gave an idea on the revenue and profit model for the health subscription side of the business. Can you give me something similar on the 'buy now pay later' piece as well, any broad guidance or number to that?

**Pinank Shah:** Essentially if you see the unit economics we have put out it is actually not just for the healthcare business, it's really a combination in terms of how the overall product proposition works for us as a bundled offering because it includes the finance offering as well in terms of a customer choice. That's something similar which will eventually get built out together with the checkout financing options so it will not be a standalone unit economics. It will start blending somewhere similar to what we have put out here as well.

**Gautam Behl:** When you have aspirations for 10 million paid subscribers next year, that would imply about 25 million total subscribers with a 40% conversion? Is that the way to think about it?

**Pinank Shah:** Gautam if you were to look at a present-day ratio, you are right, those are the numbers but I think what's important to note is considering that our journey is relatively new and the customer acquisition which we have done is in a very short period of time; we can certainly expect a better ratio and an improvement in our conversions. For example, the 22 million customers we already have it's a very small fraction of that customer franchisee today are paying subscriber base which is only 1.3 million so there is definitely a large possibility for us to be able to add to our penetration numbers from our existing base as well as our future expansion court. If we were to actually project it, we should definitely do better. We may not need that large total customer franchise for us to reach that 10 million paying subscriber base.

**Gautam Behl:** Just so I am understanding this correctly so the page #7, the unit economics per subscriber on your presentation. That basically implies if you get 10 million subscribers, you get about Rs. 23 billion of top line, right?

**Pinank Shah:** Yes, that's right.

**Gautam Behl:** And a $100 million approximately?

**Pinank Shah:** Yes, absolutely you are on spot on Gautam.

**Gautam Behl:** That implies if you are already profitable on unit economics you won't need any more capital to fund your growth?

**Pinank Shah:** Which is what, yes you are right, which is what if you refer back to what Sameer mentioned in his opening remarks is exactly what we are planning our businesses as, we need any additional equity capital.

**Gautam Behl:** Would you say that, that's the case for the next 3 to 4 years or how many years do you think, growth plan, right?

**Pinank Shah:** Absolutely so it also depends on how are we able to exceed our expectations in terms of our customer acquisition targets and how the business gets built out but as we see right now in the near future we don't need any additional capital.

**Gautam Behl:** You had a partly paid Rights issue of there, that was still waiting its last call or has that been done already?

**Pinank Shah:** That's still to happen.

**Gautam Behl:** Any idea when that would be, you can give us some color?

**Pinank Shah:** There is no explicit timeline around that but there is definitely discussion around in our board, that is something which we will come out with formally but it should happen pretty soon.

**Moderator:** As there are no further questions, I now hand the conference over to Mr. Sameer Gehlaut for his closing comments.

**Sameer Gehlaut:** Thank you everyone for joining in. I look forward to giving some good, exciting updates, next quarter we are very excited every day. We have watched all the numbers very carefully and super excited about our path going forward. Thank you very much for joining in.

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