"Dhani Services Limited
Q2 FY 2022 Earnings Conference Call"

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MANAGEMENT: **MR. SAMEER GEHLAUT – FOUNDER AND CEO, DHANI SERVICES LIMITED**
MR. NIKHIL CHARI – HEAD OF HEALTHCARE AND COMMUNICATIONS, DHANI SERVICES LIMITED
MR. PINANK SHAH – GROUP CFO, DHANI SERVICES LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 FY 2022 Earnings Conference Call of Dhani Services Limited. We have with us today from the Management, Mr. Sameer Gehlaut, Founder and CEO; Mr. Nikhil Chari, Head of Healthcare and Communications; Mr. Pinank Shah, Group CFO. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. At that time, if you wish to ask a question, you may press '*' and '1' on your touchtone telephone. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. 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 in, so essentially we will just run through the presentation and then we will be happy to answer any questions that you may have. To start from the big picture, basically, Dhani is residing on two main revenue producing pillars. The first is fintech, which is 80% of our business, the second is pharmtech, which is 20% of the business, so it is a unique model which works very well in a country like India which has very massive base of people who do not have everyday transaction power and people who are looking for cheaper medicines for their ailments. In this approach we, last quarter, introduced a new user interface, which is very focused on our two main pillars. First being the fintech, second being pharmacy, and then there is a third pillar which is basically free value added services to our subscribers and we are seeing a lot of traction with the new interface and essentially anyone can straight away get to the pharmacy, they are not our existing users, no password, no logins required. You can order medicines within 3-4 minutes get off or else if you are a subscriber, you come to the app, put in your password etc. and then it is extremely easy to utilize everyday transaction power through the very, very simple interface.

Now coming to our overall market for One Freedom subscriber. As I was mentioning, if we see the total landscape, there are around 750 million Indians who belong to the working population. Of this, approximately around 250 million are the blue-collar workers and 60 million people are at the top of the funnel who have credit cards. In between is this fat belly of people who do not have any credit cards, but they are a part of the financial system, either they have borrowed monies for motorcycle loan, gold loan, home loan, loan against property or some other asset, so their credit parameters exist at the credit bureaus, but this entire population which does not have any credit cards, is approximately around 440 million people which is the market for Dhani One Freedom card. The next slide talks about how we have gone about getting subscribers on One Freedom. We have simplified even the format of the presentation from different subscriptions to unique subscribers, which is the feedback we received from some important stakeholders, so we have simplified the narrative, so it is now very, very easy to understand and sort of estimate as to how the business is going forward.

We launched our One Freedom card offering, which basically is an instant card that is offered to the customers in the virtual medium as well as physical card is delivered over the next two days, so this card we started offering in the month of January and since then, we have seen very robust uptake of this card and this card you receive a credit limit which you can utilize for making any purchase whether it is buying petrol at the fuel station, buying groceries, or going to a restaurant, so any transaction you are making, you can utilize the card but you cannot withdraw cash out of it, so it is basically for everyday transactions this comes in very handy to this population of 440 million Indians. The credit limit only starts after paying the upfront subscription fees, so at the end of September we had around 1.3 million paying subscribers who had paid to us and who are taking these services from us. Our total number was higher, but some people drop off because they either self-cancel or some people do not complete their full journey, so the paying subscribers as of September 30th were 1.3 million subscribers. We expect this number to be around 2.4 million by the end of December and 3.9 million by end of March 2022.

Each subscriber is giving us monthly subscription money of around ₹ 330 which translates to around $4.5 every month and this subscription money is going up in value as the subscribers season with us, so for good transacting customers, we increase the limits after three months and then subsequently three months. The way it works is a very tight control around the revolving credit limit, so each time you make a transaction, there is a certain credit limit which gets assigned to you on the next day and so on and so forth. With this comes very good discipline for people so that they are not overleveraging and they are not going ahead and let us say if somebody has $1000 limit, he is not going ahead and making a purchase of $600. This keeps them in a very good system of discipline, and at the same time, the person has a lot of incentive to behave well because there is a credit that is in front of him which he can get if he is behaving well, so this has taken us quite a while and many iterations on our offering and the way this daily limits work, but now we believe that we have already achieved the optimal solution and the winning formula, so our expectation is 3.9 million paying subscribers by end of March 2022 giving us closer to around $5 a month. One Freedom card subscriber again it is a product for the middle markets; as I mentioned, not the top percentage of people who already have multiple credit cards etc., so if we see within a matter of nine months, this card has reached to more than 900 cities and towns in India because there is a genuine demand for this product and the everyday used case for the customers is so compelling that we are seeing demand coming from all cities, Tier-2, Tier-3 cities and which is a very, very encouraging sign for us.

The next slide talks about our month-on-month experience, how it has been over the last couple of months, how our monthly subscription is getting increased and what is the total subscription etc., so if you see our month-on-month growth is approximately around 25% to 30%, and as I was mentioning, we have already in the month of September took the subscription money we received was $6.1 million, by December we are expecting this to be $12 million and $20 million for the month of March, so all in all this is going to be our second year of operations. We only started the digital journey on this front last year. We would make a revenue of over $100 million just on the subscription and we would have touched 1% of the market that we are going after which is of 440 million people. The unit economics is on the next slide. Basically, as I was mentioning the subscription fee per subscriber is around $4.5, it is inching up as we keep upgrading people from their existing limits, so assuming $4.6 for the annual subscription money, we receive is around $55. With the default rates in the vicinity of around 10% to 12% and the negative carry that we face on account of usage of card from the customers, the gross margins per subscriber after taking into effect the credit losses as well as the negative carry are over $40 on annualized basis, that is around 73%. Same on medicine delivery, the gross margin for us is around $1, which is approximately 8% of the gross merchandise value on per order basis.

The next slide talks about the online pharmacy. There are many established companies, leaders in the space who have tremendous market share. The current statistics are the following. It is approximately 9000 crores or around $1.2 billion in terms of the total market size, which is increasing to around $3.8 billion over the next three years, so that is almost getting 3X from the current levels. We are doing quite well on the pharmacy front as well. If you see the slide, we launched this product in the month of March this year where our deliveries were 5911 deliveries. Last quarter, we did 400,000 deliveries and in the next quarter, our estimates are that this would double up and then the following quarter, which is the last quarter of the current fiscal, we are estimating that we would do 1.2 million unique deliveries, so all of this is going to translate into 5% market share on the online pharmacy front. There are many companies with much higher market shares, but we are catching up very quickly and with very low customer acquisition costs because our main engine is fintech where we get a lot of traffic and we are able to incentivize our customers to use One Freedom card on Dhani pharmacy and even get more benefits and rewards. In the first year itself, our pharmacy revenues would be around 211 crores for the entire year and the sheet shows month on month how this is progressing. As we had mentioned last time, we would be doing 15,000 deliveries on daily basis. By March, we are sticking with that and the numbers are accordingly growing month-on-month basis.

Now, in the month of September, we had released a presentation on the stock exchanges which talked about our annual recurring revenue of run rate of around $170 million by March on the One Freedom subscription revenue which is recurring in nature. It is not a one-time transaction because the product is revolving in nature, so with the current momentum in the business, we are increasing that estimate by 47% and now we believe that our run rate in the month of March 2022 would be $250 million in terms of the annual recurring income coming from One Freedom subscriptions. Our annual GMV run rate on the pharma side would remain at $100 million, so all in all we should be in a good position of a run rate of approximately around $350 million annual run rate in the month of March, which you know is a very good encouraging sign for us. Within the second year of operations, we would have closed the year with $135 million of revenues coming from our app and we would be sitting at a position of annual run rate of $350 million assuming if we grow our business just by 50% next fiscal wherein our growth is much higher and we are just at 1% of the market. We are looking at revenue which could be as high as half a billion dollars for the next fiscal basis the growth momentum that we have in our business and the proof of concept gets fully tested out with these large revenues that are accruing to us month-on-month basis and for the current year which basically bodes very well for a very high growth trajectory over the next couple of years.

Now, as I was mentioning Dhani card is central to our business. There are many parallels of different businesses around the world, but Dhani card is unique for India. There is just one parallel that I know of where company has focused on card and has been extremely successful and that has been Nubank in Brazil. They started off with the same approach giving cards to millions and millions of Brazilians who never had a card in their pocket and they started giving them as low as $20, so the company has become quite successful. I hope the same situation is with Dhani as well in India, but Dhani card is central to our business. This is the central theme which people are enjoying a lot and loving our product, so if you see in the last 12 months, our card, we introduced Dhani card in the month of November last year. We have just completed 12 months, so the total card issuances as on date have been as of September 30th have been 4.3 million. By the end of this fiscal, we would be at 1 crore Dhani card issued by us which is basically making us number one card issuer in the country on RuPay railroads by any PPI issuer. Our market share here is almost like 90%, so this is a trajectory which is seeing sharp increase and would keep seeing this increase because as I said, we are only touching only around 1% of the market by March and this is growing very well for us.

Now if you see the transactions, the number of transactions people are making, with the increased use of our card, people are making lots and lots of transactions on monthly basis, so we started out with low numbers just like a million transactions in the fourth quarter after introduction of card in November last year and within just like six months, this has become 9X the total transactions for the last quarter Q2 were 9 million and these transactions are again going up by 3X in this quarter and these transactions should be 30 million and for the next quarter, the total transactions should be 50 million on Dhani cards. This all translates into the amount of money weekly through our cards, so on an average the transaction is around $12 for a subscriber and then from $147 million of transactions in value terms that happened last year, these transactions in the quarter would be 350 million and next quarter would be in excess of half billion a dollars. In terms of our P&L, our revenues from last quarter grew basically from 3 billion to 3.3 billion, which is all coming through from the subscriptions, the increase is coming through subscriptions and which has also compensating in a drop of revenues through the old legacy book which is contracting quarter-by-quarter, so we have given numbers on the revenues month-by-month in our previous sheet, so you will look at the revenues that have accrued in the last quarter.

Our expenses have been sort of same, which is around 560 crores and the PAT is leaving aside the non-cash items, it is around minus 1.7 billion. I think we have grown quite a bit, these numbers. In terms of the expenses, these expenses would keep growing as we are growing and adding on more and more people. We have added lots and lots of people on the customer service and our call centers etc., so Dhani's total strength as a company would be in excess of 20,000 people by March 2022, so that is the number. Actually, it would be in the vicinity of 25,000 people just in the number of calls and number of customers we have to attend to on daily basis. The next sheet is around our consolidated financial, so you would see now a breakup of One Freedom card loan book which is for 495 crores. Every customer's outstanding who is using our card is approximately ₹ 5000-6000 on an average basis. Our legacy book has contracted and it is now 34 billion and all in all put together net worth of $700 million. The good part here is that we have gone through our tough time of clearing out the legacy loans which got impacted by a major pandemic and people found, tried to really hard, so all that has been cleaned up and has been provided for, so as on date NBFC has a net NPA position of only 1.89%, gross NPA of 3.3%, which bodes very well for the foundations of future to scale up our business.

Overall, the things are looking up and if we just extrapolate, some of the numbers for the next quarter we are looking at very good encouraging signs in Q4, which is the first major quarter in my view where we would have crossed $100 million in revenues. Hopefully, the costs would stay the same and that is going to be quite a turning point for the company after embarking on this digital journey. The good part is that we have covered a lot of distance over the last 18 to 20 months since the time we have been at it tirelessly day in and day out. We have not lost a lot of money, our total money in terms of total losses in terms of building this out would in my view not be in excess of $150 million or so in aggregate and then of course as I was mentioning if we carry on with the growth momentum then next year can be very, very exciting with revenues in excess of half a billion dollars coming from Dhani app. Thank you guys and now we will answer any of your questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Varinder Bansal from Omkara Capital. Please go ahead.

Varinder Bansal: Thank you so much for taking my question. I just wanted to check did you mention around $500 million revenue from the fintech business in the next two years?

Sameer Gehlaut: No, I mentioned the total revenues of Dhani app, if our revenue run rate as of March 2022 is $350 million, if we grow at 50% for the next year, then in the next year itself our revenues would be in excess of $500 million.

Varinder Bansal: Can you also throw a bit picture on the legacy book, please?

Sameer Gehlaut: Legacy book is on two fronts to individuals as well as SMEs, so the legacy book is contracting month-on-month basis and we feel that it should be pretty much over by the next fiscal and it would be replaced by the One Freedom credit book.

Varinder Bansal: What could be the expected NPAs from the legacy book going ahead, like I just want to understand that what is the kind of hit which is still remaining to be taken on the books from the legacy book as per your view?

Sameer Gehlaut: We have taken quite a bit of hit already on our the legacy book. I do not think that there would be any major numbers that would come in and things are now quite good. On the ground, we are collecting from legacy book on month-on-month basis like the pre-COVID times, so I do not see any major impact coming from the legacy book. I do believe that we would be in a position to collect all of our money.

Tejas: Tejas from Omkara Capital, so this is the first time that I am attending the call and I am very new to this whole business model that you just mentioned, can you just help me first understand that how did you come about this idea and how has been your journey over the last 15-18 months? We have reached kind of a product, which can be scaled very fast from here, but what has been the whole model and how did we evolve, that is number one? Number two is like you mentioned that you are now giving a very dynamic credit limit almost on a daily basis, but if you could help us understand what is the risk management framework that you are following in lending to these new customers, what is the credit period that you give, I understand that subscription is basically the revenue that you do not make any interest rate and basically subscription is basically the interest that you make on these customers, but if you could help us understand what is the collection method and process like once you give a loan and if people do not pay up, what is the kind of the credit cost, metrics, and provisioning policies do you follow, if you can just throw some light on these questions?

Sameer Gehlaut: Basically, just from a big picture, our transactions that customers do, the total time period for them to pay back our money is 60 days, so there is as soon you do a transaction a third of the money gets due immediately, one-third is T plus 30, the balance one-third is T plus 60, so this is how the construct works. Then people have a certain limit which they can use their card and we assign daily limits basis, different populations and cohorts in terms of how that person is classified in a certain group, so the card gets blocked pretty much at 25% limit if we do not see any monies coming back to us and then the card can get unblocked if the customer has to pay all his due now at the same time, so it is a very easy product to understand with like a 90 second video on the app, I encourage you to sort of check it out yourself. In terms of our collections, we follow up very rigorously through digital means, so there is a full collection plan that comes in to picture right from T plus one and then the messages keep getting altered after T plus seven and after T plus 15 etc. if people do not pay up. After T plus seven which is the grace period we give, if somebody is not paid his dues now up to seven days we will not charge the interest. After seven days, we would start charging an interest which is shown transparently to the customer on the summary page itself.

The customers they get blocked at 25%, they have to pay up or their cards remain blocked, so we are basically able to catch customers. Two things happen, we are able to catch customers very early on if they are seasoned defaulters and they have no intention to pay, so they cannot sort of take 100% of our money and then we figure out well this guy was not the right guy, so we would figure that out very early, number one. Number two, for the guys who are because this middle market is they are not like really sophisticated people, so we do not want to over leverage anyone even if he has great intentions, so we would control the transactions that he could do on any single day and as I was mentioning if the limit is ₹ 25,000, he cannot utilize all 25,000 in one go, so there would be a certain limit assigned for the day, which is dependent on the number of transaction he has done and what kind of money he owes in terms of due now, what are his upcoming dues, so it is quite self-explanatory for the customers and that is how we are able to control the risk. Now, in terms of what is the credit experience so far, we have experienced these are early days, but again right now the total people, the percentage population which sits in sort of 90 plus bucket for us is around 8% and the percentage that sits in 60 plus which is another data point that is important is approximately around 5%, so we believe that the total losses in our system would be approximately around 10% of the total book that we lend out on One Freedom. The numbers that we are communicating are basis real experience on this population of around 1.5 million people.

Tejas: Just to get the mathematics right here, you said on an average the balance on each card is about ₹ 5000-6000 is what you mentioned?

Sameer Gehlaut: Yes, it is about that much.

Tejas: The fee or let us say the subscription that you are getting today is $4.5 right?

Sameer Gehlaut: ₹ 340.

Tejas: ₹ 340 per month, correct?

Sameer Gehlaut: Yes.

Tejas: So that is about ₹ 4000 annually what you collect from the customer?

Sameer Gehlaut: Right.

Tejas: That is almost a 100% kind of a charge on the credit limit whether he uses or not?

Sameer Gehlaut: No, that is not true, first of all on every transaction that the customer makes at our end, there is a cash back on that transaction, that cash back is 2%, so the person who has done transactions and he is continuously paying us back as well, so imagine if you have a limit of for ease for a new customer let us say ₹ 10,000 so your subscription is ₹ 300 wherein if you just utilize your monies in terms of transactions, you get a lot of money back, so whatever interchange we get from the usage of the card, we pass it back on to the customer, that is number one. The second thing is also with you know this card, there is a facility of unlimited free access to doctor consultations any time of the day which is a very important feature for our card offering, so the important point is that the affordability is great because it is only costing ₹ 300 on a limit of ₹ 10,000 plus cash backs that come instantly to the customer.

Tejas: Then what would be the actual yield on this portfolio, as on per customer basis what is the yield that you are getting?

Sameer Gehlaut: We do not look at yields in that way because if you know as the customers move up, these yields the way you are looking at it they drop down substantially, so a person who has a ₹ 5 lakh limit which is the top end that person's subscription is only ₹ 1800, so if you see at 1800 in that respect then it is not even annualized 6%.

Moderator: Thank you. The next question is from the line of Debashish from Centrum Broking. Please go ahead.

Debashish: I just wanted to ask you about the customer acquisition cost, what is the overall customer acquisition cost and what are your growth plans in terms of that, because you mentioned that the expenses are also going to increase, so in terms of expenses where do you see that in terms of revenue percentage?

Sameer Gehlaut: Our customer acquisition cost on One Freedom customer is approximately around ₹ 700 to ₹ 800, but then at the same time all customers do not become paying customers, so only 60% actually show up with subscription money and then they activate the credit limit on it, so then the acquisition costs become in the vicinity of around ₹ 1200 on per customer basis. These costs were there for the last quarter itself, so if you just extrapolate the numbers you will get to the numbers in terms of the marketing spends.

Moderator: Thank you. The next question is from the line of Jonathan Tatur from Clermont Group. Please go ahead.

Jonathan Tatur: Good Evening, thank you for taking my question. Two questions about users, you showed the subscribers for the One Freedom card, could you share the total number of subscribers that is comparable to the roughly 3 million paid subscribers in August? Also when you look at the trend that you are seeing on users on the e-pharmacy website, how does that compare to the app and how are you thinking about these two channels?

Sameer Gehlaut: As I mentioned, we have simplified the communication, so instead of subscriptions, we are now talking about subscribers, so you are referring in our August presentation subscriptions, so each One Freedom unique customer has two facilities, one is on the primary healthcare, the second is on the credit side, so these 1.3 x 2 you can straight away get to around 2.7 million subscriptions. Then we have a lot of other subscriptions as well which are only standalone doctor subscriptions or only standalone supersaver subscriptions, so all of those subscriptions if you put together, in terms of number of subscriptions, we would as of September 30th they would be over 3.5 million subscriptions, but that actually is a difficult sort of a narrative, the right ways to talk about unique subscribers, so those subscriptions we were pegging at each subscription at ₹ 136 wherein now we are saying that each subscriber is giving us ₹ 330, so that is the difference in terms of the narrative. In the second question, all these pharma sales are through online channel. We are not considering any other channel for these numbers.

Nikhil Chari: Jonathan, just your question on that, 90% comes from the app itself and 10% from the website if that is what your question was.

Jonathan Tatur: That is very helpful on both of those, and if I may in terms of sort of capital and so on, for the recent equity raise, can you talk a little bit about what you expect to use the funds for, whether you are considering M&A at all and then also if you can get a little bit of an update on that ADR process in the US and maybe something about the timeline?

Sameer Gehlaut: The recent capital raise is basically to fund the growth of the business and if you see our loan book is increasing quite rapidly and as I mentioned, the One Freedom credit book itself would be substantial basis, 3.9 million unique customers we would have by March and the total volumes that we are clearing in the quarter in terms of the overall Dollar values. The second thing is on the ADR, so we are looking to file in early next year with FCC, so that should be somewhere around January after we have the current quarter numbers in the bag we should be doing the filing and then two-three months from there the sponsored ADR would have happen where all the local shareholders would be able to tender their shares and the process should get completed I think in Q1 of next fiscal.

Jonathan Tatur: Final question, if I may which is in terms of some guidance about previously you were talking about EBITDA or maybe now you are looking over PAT, is there some guidance about when breakeven happens a few years out or how you are thinking about us and when you get to go?

Sameer Gehlaut: If you just see the revenues that we have projected for the last quarter, then the total revenues that would come from the app would be in excess of 500 crores, so $70 million would come from the app itself and additional let us say around $20 - $25 million would come from the legacy book, so we are talking about revenue number for the next quarter, just basis the projections in the ballpark of around 90 million, so I am quite confident that next quarter the Q4 of the current fiscal ending March ’22 would be a very major turning point for the company in terms of on the breakeven and the profitability path just basis these numbers that are outlined in the subscription revenues as well as the medicine sales through online pharmacy.

Moderator: Thank you. The next question is from the line of Keshav from HSBC. Please go ahead.

Keshav: Thank you for taking my question. Sameer if you would throw some light on your doctor consultation part as to how much consultations are happening and how much growth is there?

Sameer Gehlaut: The doctor consultations have sort of tapered down with the COVID etc. going away and our population is quite young, 86% of our customers are under the age of 40 years, so the consultations are few thousand consultations happening on every day basis, but the way we have started looking at our business is on only two fronts, what is the uptake on our One Freedom card subscription and how many packets we deliver, because these are the only two mediums through which we make money, there is no third medium. For us, doctor consultation is a free service that we provide to our One Freedom subscribers, so we are not necessarily watching that aspect very closely. It is a service, many people take it but the frequency of them taking this service is kind of like coming down with COVID going away from India. We define ourselves as 80% fintech and only 20% pharmtech.

Keshav: So can you help me also with your pharma business going around and you are expecting a revenue of around 210 crores in the current fiscal, how much of your revenue would come from your branded and unbranded medicines, if you could throw some light on that?

Sameer Gehlaut: This 93% of our revenues would come from branded, only 7% odd would come from unbranded. The Indian online market is today only geared up for branded medicines because the doctors write the prescriptions, the guy only wants that particular thing and wants it at discount so which is what we offer.

Keshav: Could you help me throw some light on the number of this sort of stores which you were looking out for franchise, so where are we at that end?

Sameer Gehlaut: That we have put certain brakes on that because our business has scaled up so well on the digital front, we do not see the need of doing anything on the ground because we do not think that those things can scale up the way we can scale up our online business because the magic of technology scale up has started showing in our business, so it makes no sense for us to get diverted and which you would also see from our UI. We have sorted the UI, we have left a lot of riff raff and low hanging item such as supersaver and some XYZ subscription and this and that, health 360, we have put all those products on the side. We have killed all those products because we have now are sitting on two horses which are galloping very, very fast and we do not want to do anything else but just gain more and more speed on these two winning formulas for us.

Moderator: Thank you. The next question is from the line of Sriram Rajan, an Individual Investor. Please go ahead.

Sriram Rajan: Congratulations Sameer, it is a wonderful performance in terms of how the numbers have stacked up quarter-on-quarter, this 1.3 million subscribers that we are talking in September 30, what would this number have been as of June 30, I think you were talking the subscription metrics at that point in time, so that is question one? The other question is I think you have got a phenomenal engineering team that you have on-boarded I think brought the CTO into the Board, so are there additional features you are planning to launch in terms of this product for Q3, Q4 or early next year such as more of peer-to-peer payments or is there a plan to overall broad base this into a buy now pay later market as well that is question two? Question three is I downloaded your app and I used Dhani, so it works very well especially the pharmacy and other features, they work very well, question is of course through Dhani you could connect to an ecomm site like an Amazon, buy policy, do stock trading, so is there a plan for fee-based income also chiming into the overall revenue mix sometime next year?

Sameer Gehlaut: Thanks for your questions, so the first answer is that if you see our Slide 6, because we have changed the narrative, so we have given month by month unique subscribers just to for everybody to kind of gets a hang of seeing our business on basis of unique subscribers, so in June '21 at the end of June, we had 600,000 unique subscribers on One Freedom who paid us around $3 million of subscription income in the month of June and the breakup is there for the entire quarter as well, so that is the first thing. The second thing is that we are definitely introducing some more features for giving more value to our subscribers, so the way we look at things is that India is a vast market, scale is no problem, Indian consumer wants value and if you can give value then scale up will happen massively and that value we are giving through various means and I just outlined about a cash back we give on every transaction the customer makes, extra discount if you pay by One Freedom. If you pay by One Freedom card on Dhani pharmacy, you get 35% discount, our gross margin is 35% from suppliers. We forego all our margin to give value to our One Freedom subscriber, so the things that are getting launched in the current quarter are all geared towards increasing value for the customer, so we are bringing out QR code scanning payment system, we are bringing out the auto pay system that you can connect your bank account as an auto pay facility for your One Freedom card so it never gets blocked and that facility has been allowed by RBI for up to ₹ 5000 for our customers, their outstanding are less than that, so it is a great feature for our customers to have. The third thing we are launching is a card for corporate, just sort of give out to their employees for their own cash management etc. so those are going to be free offerings as well because we believe that if a person has a card and he is using that card then sooner or later he will take One Freedom credit also because the product is so great, so our acquisition cost for such One Freedom customers will be very, very low, so net-net the products that we are launching are all geared towards providing extra value to our consumers and all roads basically lead to One Freedom subscription so that is the second answer. What was your third question please?

Sriram Rajan: Is there any plan to bump up the fee-based income that you get from services like insurance, stock booking, and the ability for the client to pay using your app into an Amazon purchase that is my question?

Sameer Gehlaut: We are not keen to launch any other product, so ours is actually a credit platform. We do not want to confuse this with the investing platform or anything and plus the belly of the Indian population that we are going after they are not necessarily, they do not have extra disposable income to invest in mutual funds etc., so that is not on our agenda, so we want to remain focused on two winning horses that we have and just keep pushing the pedal on these two fronts.

Sriram Rajan: The reason why I ask this question Sameer is in your Dhani app I find an icon that gets us to open a demat account and I also find an access for opening up insurance policies, so that is the reason I asked the question?

Sameer Gehlaut: Yes, the insurance is now gone within the new UI. What we have is that we have stocks and we are providing free stock trading services to our One Freedom subscribers, so as I was mentioning, we want to give more value so this is additional value which we are giving to our One Freedom subscribers though it is a very small overlap between One Freedom subscribers and people who are in the stock market, but we feel that once we have a great product which is like extremely easy to use and if we can provide that for free, then we will get a lot of those side of customers also into our loop and then they will also be paying a subscription through the route of a One Freedom and they would get free brokerage services, but we are right now improving our product on stocks and it would only be couple of months before that product is like a winning product, but once we have that then we will market it quite aggressively to get some even better customers become One Freedom users.

Moderator: Thank you. The next question is from the line of Vivek, an Individual Investor. Please go ahead.

Vivek: I am an individual investor, I have few questions so my first question is there a plan to expand outside India because I saw website Dhani.ae, so I am not sure that you are planning to expand outside India or not?

Sameer Gehlaut: We have been present in Dubai now for our pharmacy operations, so we have established our the whole ground work there because there is nobody who is doing online pharmacy deliveries in entire UAE, so they are not like very familiar with the whole the way the process will work and we are in the final stages of getting our license, but it has been the case for last you know three months now, so as and when we get the license then we would do the online pharmacy in the UAE market to begin with.

Vivek: Is there is a plan to expand to other markets also apart from Gulf?

Sameer Gehlaut: There is no plan to expand into other markets, we will go slow on that. We have like a very, very big market in India, so 99% focus is only India at this point in time.

Vivek: Sameer in the last investor call you talked about physical stores, so you told that the company is expanding and there would be you know 500 stores across India, so there were no update on those stores?

Sameer Gehlaut: As I mentioned just couple of minutes back, so our business on the online pharmacy has taken off so well that we have around 160-170 stores. We have started thinking that we should just scale up our business only on the digital front because it is extremely difficult to manage many, many stores, and I do not think the profits would happen on per store basis and even if they do, they will be very paltry profits which will not move the needle at our end, so some strategies we deploy. We always think positively about those things, so out of the 10 things that we think, we will happen some things do not make sense after doing those things for bit of time and getting the experience, so we are very quick in shifting gears because this is early stage of the company, so we just want to make sure that we are concentrating on long term winning bets. If a bet is not turning out to be the way we thought it would turn out to be, we are very quick in terms of tapering it off or even just shutting that initiative completely.

Vivek: Sameer that I can see because I am invested in this stock from last 11 years and I saw journey from ₹ 800 and now it is like ₹ 181, so I have seen that every few years business exchange in India, I totally agree on that, thanks for answering my question.

Sameer Gehlaut: Thanks.

Moderator: Thank you. The next question is from the line of Ajay Singh, an Individual Investor. Please go ahead.

Ajay Singh: My question is when you are present in fintech that is healthcare and technology, what is the synergy between these two?

Sameer Gehlaut: The synergy is basically quite a lot because both the verticals are addressing two very, very important areas of average Indian which is providing everyday credit facilities and providing cheaper medicines because Indian consumer is looking out for discounts etc., so in our One Freedom subscription, there is an element of healthcare where a person gets very deep discounts on medicines as I mentioned 35% as well as a consultation facility access to doctors 24/7, so these two things for us makes sense and that is why we do these two things and that also gets reflected in the revenues that we produce.

Ajay Singh: Sure but given the kind of opportunity there lies in the fintech space, so why not focus only on fintech and why are we competing in this space which has so many strong competitors like you yourself mentioned and we are only looking at say getting about 5% market share in this competitive space, so that was the?

Sameer Gehlaut: This 5% will not remain 5%, we had 0% around six months back, so in 12 months if we gain 5% market share, it is huge and I do believe that our market share would be substantial just because you know our growth engine is so massive through the fintech. Now, you look at our daily active users, it is like 1.5 million people. There are close to 90 lakh people unique individuals who come and visit Dhani app on a month. These numbers for the other players who have big market share only on the pharmacy are not even a fraction of these numbers, so we have all the traffic, so why not sell them something which, one, makes sense to us, it is very core to our other offerings, and third, even makes our product better because we are able to offer them 35% discount through One Freedom card payment which otherwise we would not be able to offer them because we get 35% from our suppliers. We pass it back to the consumer and our goal as a company is to keep giving value in the hands of consumers every day. We have such a big focus now on offer, so if you see on the app there are like offers around entertainment, offers around food, offers around shopping because if we can cut deals with other platforms and provide this value to One Freedom subscriber, he gets happier about the product and if he is happy then we are happy, so that is the endeavor to keep giving him more and more and that is the reason why I just mentioned that even stocks is absolutely free. No hidden fees, nothing, everything is just free as long as you are a One Freedom subscriber.

Ajay Singh: That is very helpful, the only concern that I sort of had was that on profitability and capital allocation, if you could just address that?

Sameer Gehlaut: You touched on a very important thing, the capital allocation was the one that was troubling me on the stores and that is why I put a brake on that because I realized that capital allocation on stores is something which is not the best use of capital and that is why you know our whole focus has over the last few months in two-three months has become just online pharmacy, which does not require any capital outlay, so we get medicines on credit. We supply the medicines, if the medicines expire we return it back to the supplier without any hit, so the capital allocation is nothing and we get to give value to our consumers.

Ajay Singh: Sure Sameer and also appreciate the fact that you have sort of remained so committed to growing this business and also avenues that you have step down from your other company to focus on this company full time, so wish you all the very best.

Sameer Gehlaut: Thank you.

Moderator: Thank you. The next question is from the line of Jonathan Tatur from Clermont Group. Please go ahead.

Jonathan Tatur: Just a follow up question on the health stores, they were also meant to allow for one hour delivery if I understand that correctly, how are you now thinking about delivery timing if the health stores are kind of out of the picture, is it back to sort of one-two days delivery through couriers or what is the thinking on that?

Sameer Gehlaut: We are able to do deliveries within the same day in metro, so we have like opened up large 100,000 square feet warehouses in places like Noida, Bangalore. Our warehouse in Calcutta would also be ready, so with the same day delivery we would do for these metros, but for the other cities it would still be like one or two days delivery. We also realized that if you and it was just like non-tested excitement that one-hour delivery. Well if a person is having a massive chest pain or a stomach ache, he is not going to rely on app or anything, he will just ask his spouse or somebody in the house to just fetch medicines from the next door chemist, because he wants the relief, so we do believe that this whole online pharmacy would remain more or less market for chronic patients who know what medicines they want for the next month or the month thereafter and who are looking for discounts. It will perhaps move towards instant solutions maybe in couple of years, but right now it is just not ready for that and this one-hour delivery promise that we had, we did a survey of our customers and we figured out that people do not value it too much.

Jonathan Thakur: Thank you. As there are no further questions from the participants, I now hand the conference over to the Management for closing comments.

Sameer Gehlaut: Thank you everyone for joining in and I am glad that we could give a good update and could simplify the business. From understanding point of view, it was kind of very confusing with subscriptions; now it is all about unique users, it is about unique deliveries of medicine, so it is much simpler story to understand, much simpler story to sort of extrapolate as we go along and very sort of easy to predict as to what is going to happen if the only number that moves is number of subscribers and every other number is a derivative of that, so we are glad that we could simplify the story for everyone and these are exciting times and we will keep coming back with new updates and more exciting updates and I am quite confident that when we meet next time, you will be pleased with the results from what if you see on the sheets. Thank you.

Moderator: Thank you. On behalf of Dhani Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.