



“Dhani Services Limited  
Q3 FY2022 Earnings Conference Call”

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COMMUNICATIONS - DHANI SERVICES LIMITED  
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- DHANI SERVICES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call of Dhani Services. We have with us today from the management Mr. Nikhil Chari - Head - Healthcare and Communications and Mr. Pinank Shah – Group CFO. 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. I now hand the conference over to Mr. Nikhil Chari. Thank you and over to you Sir!

**Nikhil Chari:** Thank you and good evening everyone. Thank you for joining our 3Q FY2022 Update Call. We will continue to make healthy progress on our laid-out plans over the course of the last quarter. So first coming to the progress we made on our One Freedom Credit subscription product. We are happy to report that in the third quarter of this financial year we grew our subscriber base by 82% quarter-over-quarter to 2.42 million paying subscribers from 1.33 million paying subscribers in the end of the second quarter. In line with our growth in subscribers our subscription fees from One Freedom credit grew by 84% over quarter to Rs.180 Crores from Rs.98 Crores in the prior quarter with the average subscription fees per subscriber also going from Rs.320 to Rs.346. Our One Freedom product now has been adopted by customers in all parts of the country with a subscriber base present in over 900 cities across India, which speaks to the broad base appeal of our product. We see a sizable opportunity for One Freedom ahead of us of more than 480 million Indians, these are working individuals who are formally a part of our banking system through pass loans and their registration with the credit bureaus, but do not have any access to any daily transaction finance power as we do not have any credit cards. We see a long runway for growth for this addressable opportunity as well since household credit penetration in India is only 16% of GDP and credit card penetration only 3% which compared very favorably in relation to other countries. We are also seeing strong synergies between our One Freedom Credit product and our online store. Our percent of customers coming to the online stores using One Freedom Credit has gone up from 15% in the prior quarter to over 60% currently. Given this strong trajectory we recently expanded the scope of our online store to include everyday grocery, household and personal care items as well in addition to medicines, and our One Freedom Credit users are guaranteed the best use on both everyday items and medicines. Given this value that the customer gets on everyday use products and cash backs on every transaction we see greater customer loyalty which creates a virtual cycle between both the products. Consequently our store deliveries increased by 150% quarter-over-quarter to 1.02 million deliveries from 400000 deliveries in the prior quarter.

Now coming to the broader adoption of our Dhani Cards. We are pleased to report that within 12 months of launch we are now the number one RuPay Card issuer amongst PPI

Issuers. The total number of Dhani Cards issued by the end of the third quarter was 6.3 million cards at a 45% increase over the 4.3 million cards issued by the end of the second quarter.

Now coming to the financial update for the quarter. We recorded revenues of Rs.502 Crores in the third quarter compared to Rs.334 Crores in the prior quarter at an overall growth of 50% quarter-over-quarter. Within this our digital business saw substantial growth which comprises our subscription in online store business it showed a growth of 83% to Rs.377 Crores in the third quarter from Rs.206 Crores in the prior quarter. Profit after tax for the quarter was negative 218 Crores, which was a 6% decline from the negative 206 Crores in the prior quarter largely due to the investments in customer care and collection personnel increase. Our legacy loan book continues to run down and at the end of last quarter stood at Rs.2722 Crores or an 8% decline over the prior quarter. In our digital business our One Freedom Credit loan book showed strong growth of 260% over the prior quarter and stood at Rs.1288 Crores compared to Rs.358 Crores in the prior quarter.

In summary we continue to make solid progress in all the areas and in addition to the business ramp up we continue to get excellent feedback from customers on our products it bodes well for the continued growth of our products. Our app rating on Google Play Store improved to 4.2 in the third quarter and it now rated by almost 2 million customers. On our app NPA scored by over 300000 customers and consistently score about 70 so our customers love our products and offerings, it bodes well for the sustainable growth of the company. Now this concludes our opening remarks and operator we can open up the line for 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 Craig Elliot from NWI Management. Please go ahead.

**Craig Elliot:** Good evening and thank you for your time. Congratulations on excellent subscriber growth numbers. Couple of questions one is in the context of Fintech investors and that the market seems to be shifting from an emphasis on growth to a lot more demand and in terms of profitability, will be interested in your thoughts on that and then secondly in terms of credit quality how are you sort of managing and micromanaging that aspect?

**Nikhil Chari:** Thanks for your question Craig and I think both of them are excellent questions and you know where they are interrelated questions. Now when it comes to balancing growth and profitability we think that we are really successful in the Fintech area especially in the Indian context it is all about how we execute on the recovery part and as you mentioned on the credit quality as well. So we have a two part approach to this, so one is on the product construct itself, so we gave our credit line to our customers in a very measured manner so

for instance when a credit line expansion to our customers on the first day on the 10% of their credit limit is available for a customer to utilize and then based on the payment behavior of the customer and their interaction on our platform then we can adjust those credit limits using AI and machine learning, so that is inbuilt into the product construct as well so it starts in a conservative manner and then based on transaction behavior our model adjust those credit limits up or down and then we have created segments within the customer base itself in terms of what sort of transactions they are eligible to conduct. So for example if we identify a customer to be a high-risk customer then they are only eligible to use our bill pay facilities and by virtue of using our bill pay facilities for something like electricity bill or a water bill we also get to know the address of the customer so that is part number one. For a medium risk customers they are only allowed to use the product construct for bill pay facilities as well as making transactions on our Dhani Store and because we are making home deliveries to these customers we are again able to track these customers and then of course we have the good customers where who are allowed broader freedom for conducting their transactions and also eligible for upgrade so there is a segmentation happens within the product construct as well and by using our AI modeling we are able to segregate these customers into different risk buckets. The second aspect of this is actually the collection infrastructure that goes behind it and we are unique in this space compared to other Fintech because we come with a tremendous amount of experience in this space in lending and collecting in the physical domain as well and this is an expertise that other Fintechs do not have. So for example just to give an instance in any town or city where we have more than 300 one freedom customers we are in the process of building out our own physical collection setup and officers who can then execute on the collection part. So to answer sort of both your questions in a two-part way it is a combination of the product construct as well as the collection infrastructure and the recovery infrastructure that goes behind it and we truly believe that this is something distinctive that we bring to the table as compared to other Fintechs.

**Craig Elliot:**

Thank you very much.

**Moderator:**

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

**Gaurav:**

Good evening Sir. Can you just give an update on the offshore listing which was in news for the last one-and-a-half two years?

**Pinank Shah:**

Essentially we have made good progress on our preparedness for the filing of the ADR which the company is exploring. We expect to kind of file the first confidential filing with the SEC in the next couple of months so we are on track for that and we are undergoing the

final kind of audits and closures, etc., from the document so that is where we are on the offshore listing you are asking about.

**Gaurav:** Thank you Sir.

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

**Sriram Rajan:** Thank you. Wonderful performance in terms of growth so many congratulations and wishing you a great luck for Q4 as well. Two questions one is continuing from the question that the first question that was raised can we get a sense of what is the current levels of NPA on the legacy and the digital business and would you be able to share the PAT numbers currently I think we have given PAT at Dhani level PAT for legacy and PAT for digital?

**Pinank Shah:** The second one first I think PAT level segregation for a growing business like ours is still not quite clear for you to be observing that data I think as over a period of time as our legacy books keeps running off we will start adding more parameters there for you on a Q2 like we have done on the revenue side for now and your question on the NPA levels for the company the net NPAs which we have are about 1.36% for the company as of December.

**Nikhil Chari:** Just to add on that just to give you a better feel for the performance and our recovery capabilities, so in the presentation you would see that our cumulative credit disbursement for One Freedom is 3470 Crores and of that more than 2250 Crores has already been recovered so it is already money that has come in and every month more than 24 lakh customers pay us so we have a very high frequency and we have given the collection infrastructure as well as the product construct that we talked about in the first question we are able to collect our money in an efficient manner.

**Sriram Rajan:** Thank you Nikhil wishing you great luck for Q4.

**Moderator:** Thank you. The next question is from the line of Nihar Dave from AKD Securities. Please go ahead.

**Nihar Dave:** Good evening Nikhil. I just have one small question; I just wanted to find out regarding the 1200 Crores that you won the placement for sometime in November when is that money coming into the company?

**Pinank Shah:** That is expected to come during the course of this quarter.

**Nihar Dave:** In Q4 right?

- Pinank Shah:** Yes that is right.
- Nihar Dave:** So there is no investor has tried to withdraw anything of that kind if I am right correct?
- Pinank Shah:** We are in the process right now to draw all the money.
- Nihar Dave:** Alright thank you.
- Moderator:** Thank you. The next question is from the line of Rishikesh Oza from Robo Capital. Please go ahead.
- Rishikesh Oza:** Can you please share the retention rate and also the estimated number of years that the customer will stay?
- Nikhil Chari:** Our retention rate is at present north of 65% since it is very early days in the sense it has only been a year since we launch this in a product construct and so at present we have seen very high sort of stickiness in terms of customers who comes in and especially the ones that who transact on our store as well. While it is early days but given the value that we are offering to our customers our objective is that our customer should not leave our platform and sort of continue to use our product both on the credit side as well as on the store side so that is our objective, but it is early to say in terms of how many years would a customer stay on but the early signs are very encouraging.
- Rishikesh Oza:** What is the CAC?
- Nikhil Chari:** Our customer acquisition cost is roughly around Rs.700 and this is something that we have seen actually come down as we scale up so we anticipate in the coming fiscal year our overall spending to remain relatively flat or a very moderate growth because it is more of a digital business so we would expect this CAC to come down as we move forward into the coming fiscal year.
- Rishikesh Oza:** If I am not wrong in last quarter our annualized CAC was somewhere around 1200 Crores and now it has come down to 700 Crores you are saying right?
- Nikhil Chari:** No, I am talking about Rs.700 so you are talking about customer acquisition cost right per customer.
- Rishikesh Oza:** Rs.700 sorry.
- Nikhil Chari:** Yes, so that is also like I said this is something that will keep on trending down as we go ahead.

**Rishikesh Oza:** Sir very related query that I had so we are providing unlimited doctor service in our subscription pack and we are giving medicine discounts of 25%, 30% and at the same time we have mentioned in our previous calls that we have to maintain around one year of breakeven period so with all these you might have some threshold that certain customer might be ordering medicine for two times or three times whatever so with all these is not our economics very tight over here in other way like how are we going to maintain this one year breakeven period so do we like limit our discounts or like you said will lower our CAC can you comment on that?

**Nikhil Chari:** If you look at the extra benefit that we give to our customers is focused on the One Freedom customer so if you are using the One Freedom Credit facility then you are eligible for these eligible discounts like a 20% cash back and our profits on the One Freedom Credit product are superior enough to absorb those costs as well so on the store part we do not make any margins and our objective is to focus only on the One Freedom customers and we see a very healthy sort of virtual cycle between these two products as well. As I mentioned earlier our percentage of customers who are coming onto the online stores who are using the One Freedom Credit facility grew from 15% to more than 60% right now so our One Freedom customers are really seeing value in that so the objective is to grow our One Freedom customer base. There is a strong evidence now that we have seen over the last quarter that our One Freedom customers value the benefit that they are getting on the online store both on the medicines and everyday use products as well so the increase in number of transactions on the platform and the avail of more money as well and we see excellent repayment behavior as well as they continue to use our store so the objective is not to make huge amounts of money on the store the objective is to provide excellent benefits to our One Freedom customer.

**Rishikesh Oza:** My last question what is our operating profit per customer?

**Nikhil Chari:** You can look at our overall EBITDA and PAT numbers and you can see our overall number of customers and so you get sort of indirectly derive that using our financial statement.

**Rishikesh Oza:** No basically I am just focusing on our One Freedom.

**Nikhil Chari:** Yes, as we have disclosed in the prior quarters our gross margins around the One Freedom product are around 70% factoring in the credit cost and the interest cost and the cost of the additional benefit.

**Rishikesh Oza:** Okay got it thank you.

**Moderator:** Thank you. The next question is from the line of Sumit Bhalotia from MK Ventures. Please go ahead.

**Sumit Bhalotia:** Sir, thanks for the opportunity and congratulations on the phenomenal growth in the customer count, so my question is it is an extension of the previous question on the unit economics, so we used to share on a quarterly basis earlier about the unit economics on each of the product. If you can share something more on that in terms of average utilization so what is the current limit that we provide, what is an average utilization that a customer is spending and entire model of this new online store other than the healthcare part how are we managing it, is it completely third party sourced or we are managing our own inventory something on that front if you can share that will be very helpful?

**Nikhil Chari:** Coming to the second part of the question first so we are still maintaining the same model that we had earlier for the pharmacy so we are managing our own inventory and it is not very complex compared to pharmacy because the pharmacy has more than 200000 SKUs to manage and in the sort of everyday personal care and household items it is only 5000 to 6000 SKUs so it is a very small added on benefit from a logistics point of view and the supplier base is also there is a significant overlap, so from operational complexity it is very incremental add on, but the end customer benefit is huge because the usage of sort of everyday items would be 10, 20 times that usage of medicines, so with minimal sort of incremental complexity in terms of operation we have been able to add huge sort of customer benefit so that is point number one. On point number two we are continuing to see increase in terms of average utilization level so at present our average utilization on the One Freedom product is around \$250 or around Rs.18500 and this is sort of reflected in our average monthly subscription fees also that we can see in the presentation which grew from Rs.320 to Rs.346 and this is something that we would sort of continue to see going forward.

**Sumit Bhalotia:** This average utilization I think few quarters back it used to be around Rs.3000, Rs.4000 that has gone up to 18500 per month?

**Nikhil Chari:** That is the limit stands.

**Pinank Shah:** Yes, so what Nikhil is referring is the average limit value the utilization continues remain in that handle of about 35%.

**Sumit Bhalotia:** Utilization continues to remain low?

**Pinank Shah:** Yes.

**Sumit Bhalotia:** So our effective cost would be on that utilization right so even though we are charging Rs.340 per month is what we are realizing our cost would be for 5000, 6000 per month only?

**Pinank Shah:** Yes that is right.



- Sumit Bhalotia:** On the utilization when you say that the overlap between this online store users and One Freedom card has become 60% does that mean that utilization so effectively 35% of 18500 is the average utilization which is say around Rs.6000 so 60% of the transaction of this Rs.6000 for the online store is that correct understanding?
- Nikhil Chari:** No, we are talking about the customer base so if let us say 100 customers come on the online store to make a transaction of that more than 60 customers would be those who would be using the One Freedom Credit the amount may vary so we are talking about on a customer base.
- Sumit Bhalotia:** As you said the cost of acquisition of customers will come down going forward because of the increase in scale what is your view on the breakeven in the next six, nine months per customer number of months it will take us for us to breakeven?
- Nikhil Chari:** On an aggregate basis we see breakeven sometime in the next fiscal year.
- Sumit Bhalotia:** The credit quality you did mention about that checks and balances that you have under product level, under infrastructure level can you share any number on how the credit quality has been on this 1288 Crores book which is this new book in terms of the GNPA or stage two, stage three I do not know whether that reporting is applicable for this BNPL book or not but any sort of metric that you can share?
- Pinank Shah:** Yes, so our stage two and three number will be about 20% on this book.
- Sumit Bhalotia:** Stage two and three?
- Pinank Shah:** Yes.
- Sumit Bhalotia:** Any number on the effective yield for these new customers?
- Pinank Shah:** No so we do not have an interest income on this so it is all based on fee income so there is no interest.
- Sumit Bhalotia:** Okay that is something we have to probably calculate. So coming on the legacy book you mentioned about the net NPA number what would be the book size of this 2700 Crores book that you mentioned that is on book so what will be our off-book number also so that our exposure would be on both on and off book right so what would be the AUM for this legacy book which is left with us?
- Pinank Shah:** So AUM will be about 5800 Crores but our exposure in terms of our risk which we are running is only on the on-book assets.

- Sumit Bhalotia:** Only on the on book which is only 2700 Crores?
- Pinank Shah:** Yes, that is right.
- Sumit Bhalotia:** So effectively in this quarter we have booked around 2.5% to 3% credit cost in this quarter so around 68, 69 Crores is the impairment cost that we have taken that is purely because of the legacy book?
- Pinank Shah:** That is right.
- Sumit Bhalotia:** So can you give some guidance on how much of the pain is left and how much of impairment would be left for the legacy book are we largely done there?
- Pinank Shah:** There will be credit cost which will come on the legacy book but which were something directionally expected with vintage of the portfolio as we have indicated in the previous quarter as well. So there will be some credit costs but with our kind of capital we will manage.
- Sumit Bhalotia:** Last question on the networth breakup that we have given in the presentation so other assets mainly ARC and brokerage related assets that we have if you can talk something on those what are the kind of numbers and return because anything is given in the consolidated number we do not have the breakup of how those segments are performing that would be very helpful?
- Pinank Shah:** If you look at our results page you will have a breakup in terms of revenues, etc., segment wise revenues which will give you a little texture around ARC, financing and broking, all three separately but just directionally to give you a perspective these are legacy businesses which we have done and as we go along we expect all of these businesses to run off over a period of time so our focus is completely on One Freedom and Dhani store sales these are the two businesses which we will continue to expand.
- Sumit Bhalotia:** So are we planning to run it down or we are planning to do some kind of a thing for all these businesses?
- Pinank Shah:** You see how things are moving. You would have seen legacy book has shrunk as compared to the previous quarter and it will continue to shrink so the point is over a period of time it will run off either organically or if there is an opportunity inorganically we may explore.
- Sumit Bhalotia:** Thank you so much.

- Moderator:** Thank you. The next question is from the line of Yash from One Advisory Limited. Please go ahead.
- Yash:** Good evening. Thank you for the opportunity. I have a question regarding play store reviews. There are lot of negative comments. What are the main reasons and what will be the management doing so that these customers are retained?
- Nikhil Chari:** No, see Gaurav you will always get one off comment and we take all these comments extremely seriously and customer service is something that definitely we have ramped up but if you look at our aggregate scores and we have been now ranked on play store by more than 2 million customers and if you look at our aggregate score is 4.2 which was 3.9 in the previous quarter so definitely the ratings are trending in the right direction and are above 4 as of now. Secondly we also have a pretty comprehensive way of capturing NPS scores for our customers and now we have been ranked by more than 3 lakh customers on NPS scores and that is consistently scoring about 70 so given the large number of customers that come on a platform and a large number of transactions that happens. Clearly I think we keep take every comment extremely seriously but I would encourage you to also to keep sort of both aggregate scores in mind and if you look at those they are very healthy and trending in the right direction as we continue to go forward.
- Pinank Shah:** Yash just to add to what Nikhil mentions on your question I think what you need to also take in perspective is the rapid growth in customer franchise which the company has done so naturally with the kind of growth which you see there will be some kind of customer complaints which is what you are referring to, but having said that as Nikhil referred we are facing things very seriously in terms of what the customer feedback we continue to receive on ground and how we continue to improve our products and services including the fresh interface on the app which you may have experienced that is all basis customer feedback that we continue to improve.
- Yash:** One more question I have regarding the Dhani Pharma so are there any plans like to focus on the pharmacy delivery just like PharmEasy we can have a online e-pharmacy store like just focusing on pharma because like online medicines lot of people are choosing to order these days and we can capture great market share by giving great discounts like what is the plan for that?
- Nikhil Chari:** I am not sure how much context you have but we started that way, we launched our online pharmacy in March of last year and that is something that have very good traction and in December of last year we expanded the scope of the pharmacy to include everyday items like household and personal care items and groceries so we clearly already present in the

online pharmacy business and we have sort of expanded that scope to include everyday grocery and household and personal care items as well.

**Yash:** Yes, I was referring we have no plans to just grow that business as a standalone like we can demerge it or maybe just focus it more on that because we are focusing more on one card what I have understood one card customers like one card customers will be given more discount if they are ordering on Dhani pharma or the Dhani store like if an individual customer is not a one card customer and just wishes to shop on Dhani so are there any plan for that?

**Nikhil Chari:** Yes, absolutely our customers are open to shop and those who are not One Freedom customers they can also come to a platform and get very attractive discounts; however, those who use One Freedom Credit they get additional benefit but our platform is very much open to any customers who wants to come and shop on a platform both for medicines as well as everyday items.

**Yash:** What about the delivery time like what is the average delivery time we take to serve our customers?

**Nikhil Chari:** Our average delivery time is between two to three days.

**Yash:** What is happening like PharmEasy and other brands are coming up and they are like giving one day delivery so usually customers would prefer to get the medicine delivered as soon as possible so any roadmap ahead to meet that gap maybe stores in the metropolitan cities so that we can deliver the medicines in a day. Any plan for that?

**Nikhil Chari:** No plans as of yet for that. Our primary focus is to service the One Freedom customers and what we have also noticed in the course of the last one year now that it really drives customer behavior is the value that they are getting and you can see it in the numbers of our store deliveries and these kind of deliveries you can also compare to sort of what standalone pharmacies do and how much time they took to get there which probably took them a few years to get there so as long as you give customers good value a day or two does not make that much difference frankly and this is something that we have seen through our own experience.

**Yash:** Thanks a lot for your time.

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

**Keshav:** Good evening, I have couple of questions first one as we started venturing into new business in terms of daily groceries and deliveries so what are the unit economics over there and are we similar to the unit economics which we had for pharma in the previous quarter?

**Nikhil Chari:** Yes, so in terms of unit economics the average order value is the same as what we saw in the earlier part of a pure pharma and in terms of the margin structures also is the same so the unit economics really had not changed by shifting this focus by expanding the scope I would say.

**Keshav:** You mean the daily groceries it remains the same that is you give 35% discount to our One Freedom holders and around 10% to 12% discount to our bill users?

**Nikhil Chari:** You see on the everyday product it varies a lot by product because the discounting levels are not as flat as they are in the pharma space because in the pharma space the gross margins are pretty much the same across all products because the distribution margin is set by the All India Association of Chemists and Druggists, but on the personal care and the home care product side the individual product margins can vary so the discounting levels also vary, but what we do ensure is that our One Freedom customer get better deals than they could get anywhere else through using the One Freedom Credit facility.

**Keshav:** Can you just throw some light on the average delivery time is it similar in Tier-1 and Tier-2 cities or is it little different?

**Nikhil Chari:** No it is different in the sense that in the metro cities where we have our own warehouses is significantly faster and as you go down to Tier-2, Tier-3 cities then the delivery time is longer.

**Keshav:** Do we have the cold chain management as few pharma OTC drugs require a cold chain supply?

**Nikhil Chari:** Yes, we do have cold chain facilities and cold chain supply infrastructure.

**Keshav:** So are we looking to expand further into it?

**Nikhil Chari:** No, so our pharmacy is already established so that is something that we are anyways doing like I said in December of last year we expanded the scope to include personal care and household items.

**Keshav:** Do we still give back all our margins to customers the discounts for One Freedom?

**Nikhil Chari:** Are you talking about the personal care items?

- Keshav:** Pharma and personal care both.
- Nikhil Chari:** So essentially all the margins are passed on for the One Freedom customer essentially all the margins are passed on to the customer through a combination of discounts and cash backs.
- Keshav:** Do we have seen any significant increase in terms of other users and subscribers because of our homecare and daily products?
- Nikhil Chari:** A surrogate of that is the increasingly trending usage of our One Freedom Credit customers on the online store as we had mentioned earlier the percent of customers now using the online store those who use One Freedom Credit has gone up from 15% to now over 60% so that is an indication of the value that our One Freedom customers are seeing in the store and that for sure is increasing customer loyalty and stickiness on the platform.
- Keshav:** Also can you throw us some light on with the number of warehouses that you currently have and do we have any plans to further expand it?
- Nikhil Chari:** At present we have six warehouses and that is the plan as of now.
- Keshav:** So going forward the medicine which we deliver generally are we delivering it through a prescribed prescription or without prescription also are we doing it?
- Nikhil Chari:** No, if a medicine delivery required prescription as by law then quoted by prescription and then there are certain OTC products which do not require prescription for example like multivitamins, etc., and those are delivered without prescription.
- Keshav:** Alright thank you so much for your time.
- Moderator:** Thank you. The next question is from the line of Sriram Rajan, an individual investor. Please go ahead.
- Sriram Rajan:** Thanks for the opportunity I just came back into the queue. Hearing your inputs in that are we interested to pass on as much as discounts to our subscribers so the margins on the product we almost pass off and suppose a subscriber buy something for Rs.10000 a month and we give 2% cash back more or less the subscription fee also goes back to the subscriber and then we have the cost of credit having to do the buying out pay later spread it over two parts so where are we actually making the money and where is the bottomline coming for Dhani Digital?

- Nikhil Chari:** See one has to look at the average utilization of the credit facility that we have given to our customer and as Pinank mentioned that is only 35% of the overall credit limit that is assigned to our customer that is only utilized so that creates significant favorability in the unit economics and then of course the transactions also that a customer gets 2% cash back it depends on there are certain transactions that are exempt from that so overall if you look at the unit economics that comes out to be quite favorable in the vicinity of around 70% in terms of those profitability.
- Pinank Shah:** Sriram just to add to what Nikhil said also you referred our profitability adjusting for cash back, etc., to credit cost. So obviously it is only a good customer who is going to enjoy cash back and there is no credit cost on that.
- Sriram Rajan:** Yes, exactly when I say credit cost actually maybe I used the wrong word so you are going to give a buy now pay later which is pay tomorrow then 30 days and 30 days so that is on cost of credit for that I was referring to that?
- Pinank Shah:** Yes, we are essentially a transaction finance player and what we mean by transaction finance for us unlike in a buy now pay later where the ticket sizes are higher I think for us it is a very small, controlled environment in which we are aligning our credit and hence we are different than the buy now pay later kind of a construct.
- Sriram Rajan:** I purchased a stock at a fairly elevated level so question is, is there some timelines that you are working internally for the PAT to become positive sometime at least the guidance in terms of which quarter, which year?
- Pinank Shah:** I think we had answered this question on one of the earlier questions from someone and as Nikhil mentioned we are hoping that to happen in the coming fiscal year.
- Sriram Rajan:** Okay I am sorry I perhaps missed it.
- Pinank Shah:** No worries.
- Sriram Rajan:** Lastly I am a user of Dhani One Freedom card. I used it before I actually bought the stocks so actually it is wonderful UI/UX is constantly changing so that is a feedback I want to give and it is quite easy to buy it as well quite inching up. The one feedback I have is that it is very difficult to reach your folks on the service line maybe there are multiple touch point options and then you ultimately do not get to speak to the person this was about a month-and-a-half ago maybe it has improved that is just a feedback and I think there is a little bit of a comfort especially in India somewhere I want to speak to somebody things goes out I think that helps.

- Nikhil Chari:** That is one of the areas that we are definitely ramping up and if you would have noticed in one of the slides where we have increased our strength from almost 17500 people to 23500 people and a good portion of that is enhancing our customer care capability.
- Sriram Rajan:** Fantastic all the best thank you very much.
- Moderator:** Thank you. The next question is from the line of Christy Or from HSBC Asset Management. Please go ahead.
- Christy Or:** I have a couple of questions first one is on the pharmacy side. So my understanding of e-pharmacy nowadays is that the last mile delivery for a prescribed drug it has to come from pharmacy given that you need a prescription from the pharmacist in the store so I am just wondering how you get doing that so far or are you partnering with offline pharmacy?
- Nikhil Chari:** No we have our own in-house pharmacy and we have more than 200 licensed pharmacists who check the prescription uploaded by the patient and then who are able to dispense it, so it is all in-house operation that we have.
- Christy Or:** So you guys have offline pharmacies work?
- Nikhil Chari:** I mean we are registered as a pharmacy and all our warehouses also have the retail license so you need a retail pharmacy license to be able to dispense prescriptions and all of our stock locations are licensed to do retail business as well and each of our locations has its own set of pharmacists who check the prescription and then dispense it.
- Christy Or:** My second question is on the warehouse numbers so you mentioned that you guys have six warehouses so far you are not planning to expand that anytime soon so I am just wondering to cope with the number of deliveries going forward are you guys trying to purchase any offline stores to build a hub and spoke model to speed up your delivery time going forward?
- Nikhil Chari:** Not in the plans as of now and even though our delivery numbers are increasing quite rapidly we have adequate capacity to cater to that through this existing set of infrastructure that we have.
- Moderator:** Thank you. As there are no further questions I now hand the conference over to the management for their closing comments. Over to you!
- Nikhil Chari:** Thank you everyone for joining the call. For any followup questions please feel free to reach out to us at the contact information given at the back of the presentation. Thank you.



**Moderator:** Thank you. Ladies and gentlemen, on behalf of Dhani Services that concludes this conference. We thank you all for joining us and you may now disconnect your lines.