



“Wall Street Finance Limited Q3 FY19 Results
Conference Call”

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**MANAGEMENT: MR. N. SRIKRISHNA – WHOLE-TIME DIRECTOR &
CHIEF EXECUTIVE OFFICER
MR. DIPESH DHAROD – CHIEF FINANCIAL OFFICER**

Moderator: Ladies and gentlemen, good afternoon and welcome to the conference call of Wall Street Finance Limited.

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I now hand the conference over to Mr. N. Srikrishna – Whole-time Director and Chief Executive Officer and Mr. Dipesh Dharod – Chief Financial Officer. Thank you and over to you.

N. Srikrishna: Good afternoon. I would like to thank you for joining this call again. It is our pleasure to connect with you through this conference call. I would like to take you through a small presentation on the company and the Quarter-3 results. We have already uploaded the presentation on our website www.wsfx.in as well as the BSE website.

Now onto the presentation, I will talk about the company. To give a brief, we are a company which is 32 years old. We are one of the first public companies to get a money changing license. We got our AD-II license in 2006. We are the first public company to also get the AD-II license. Today, we provide a range of Forex solutions through a network of 20 plus branches pan-India. We are tied up with most of the leading banks like Axis, Yes Bank, ICICI Bank, even with Thomas Cook for providing the prepaid travel card solutions. We are also tied up with banks like Indusind Bank, Yes Bank, and RBL for our outward remittance solutions. We also facilitate travel insurance. All this besides doing the traditional mode, we also have come out with digital solutions. In fact, we have launched our corporate and agent platform which is one of its kind. With this network, we provide for the international traveler currency notes, Forex cards, and outward remittances. We focus on student remittances and tour remittances majorly. We also facilitate inward remittances, travel insurance, and travelers' cheques.

We will quickly go through our Q3 performance. A brief about the market scenario because foreign exchange markets are very dynamic and we are in a very dynamic industry. The Q3 was a very volatile period. In fact, there was extreme fluctuation in rates. Heightened compliance as you are all aware Forex and banking sector where there is an increased compliance. Today, PAN numbers have been made mandatory for all the people who want to take foreign exchange – be it remittance, currencies, or prepaid cards. There has also been a kind of a market consolidation which we saw in January first week the announcements were made and also generally there was a little slowdown in business because of all these factors. So, where does Wall Street figure in this quarter? We can say that this has been our second consecutive quarter of profit. So, as such, now we can say we are in a sustainable model of doing our Forex business where we have got 2 consecutive quarters of profit post our MTSS sale and we have achieved this with a reduced cost

base. In fact, we have not increased our cost but maintained the reduced cost. So, in terms of Q3 PBT, we closed at Rs. 2.84 lakhs. As far as Q3 revenues are concerned, it was 6.26 crores INR. When we look at our YoY (year on year) growth percentage, we have grown by 46% in turnover. In terms of revenue growth, it is 25%.

Coming back to the quarter, what have been the key drivers and where we had a shortfall, corporate has grown quarter on quarter because we have been concentrating on corporate business, one of the key drivers. We have also got our corporate platform. We should a 9.09% growth over the previous quarter. Retail and remittances showed a drop of around 10% but then again Q2 was a student season, Q3 doesn't have that same student flavor but still we didn't suffer that much but we held onto it. But where we got affected due to adverse market condition was on the wholesale segment where we had a 32.39% drop on our turnover.

Coming back to our growth drivers, one of the key growth drivers are our digital platforms. We can say that it is definitely taking shape besides our corporate platform which has gone live. Our Agent platform which was under a beta testing has gone live. So, we have started onboarding customers in both the platforms.

Now, we will go quickly through the financials. I will give it to Mr. Dipesh to take it forward.

Dipesh Dharod:

Good afternoon investors and good afternoon everybody. With regard to the quarter-on-quarter results as declared a few days ago, this would be the fifth quarter where the company is into pure Forex play. December, 2017 was the first quarter, December 2018 now is the fifth quarter. The journey has been good. December, 2017 our revenue from operations was 412 lakhs or rather 4.12 crores which has grown by about 31% and is now 5.43 crores. Total revenue from 313 lakhs has grown to 438 lakhs almost a 40% jump. This is quarter-on-quarter basis, quarter 2017 to quarter 2018 December ended. With regard to the previous quarter September to December, as Mr. Krishna mentioned, we had a small drop both in terms of revenue and turnover. Overall, the revenue dropped by about 8.5% from the existing 590 lakhs to 543 lakhs and the total revenue from 448 lakhs to 438 lakhs. This is about 2%. Overall, on the cost base, the finance cost we have been able to monitor it better and it has come down. With regard to other selling and administrative expenses, more or less it is in line, a marginal drop by about 3 lakhs from the previous quarter. In all, the last quarter that is September 2018 quarter was a 5 lakhs profit against which our December quarter is 2.84 lakhs profit, and profit after tax post tax adjustments and other comprehensive income for December ended quarter is about 8.14 lakhs. Again, on the quarter-on-quarter basis if you see, slowly and gradually the company is moving forward and moving better of quarter on quarter. It has been increasing its revenue from operations and has been consistent in controlling its costs. There are certain costs and certain expenditures that have been fixed in the nature and have been continuing in the business and will continue further.

With regard to the priority segment, definitely there is a great concentration on the outward remittance and prepaid cards. If we take Q3 2017-2018 as the base year where we started our pure Forex play, on that quarter we are on 80% rise on the outward remittance fees and about 39% rise on the prepaid card fees. Last quarter in the prepaid card fees, we had an exceptional jump as Mr. Krishna mentioned that we had the season which is there which was favoring us. Hope the company has much more seasons to come in this fashion which will eventually give us greater profits.

Now, for some digital updates, I would like Mr. Krishna to update you on the same.

N. Srikrishna:

Thanks Dipesh. You have talked about priority segments where we are focused on retail remittance and prepaid cards. From a segment perspective, our drive is on retail remittances and corporate sector. This is what drives these products. One of the key drivers which we feel is going to take us forward in our journey is the digital transformation which we are trying to drive in Wall Street. We have tried to build a digital ecosystem consisting of a platform for every consumer segment, i.e., the beta Corporate, agent, consumer, and also touching the wholesale sector. So, essentially today we have 2 platforms which are up and live.

Corporate platform: Corporate platform is an automated Forex order processing system which end-to-end we can customize and integrate with any large, small, or medium corporate for its Forex ordering process. Now this has been up and running and we have got quite a number of customers on boarded. We have got a good customer acceptance. Now we are in the process of migrating our existing corporates to the platform. Q2 was where we started, we in fact launched this platform. From Q2 to Q3, there has been a 300% growth in number of transactions because in the beginning when we do a digital transformation, we look at the number of transactions as an indicator of adoption. We have also come out with multiple workflows and we have also got a payment gateway enabled in the platform. So, we feel that there is good acceptance, and we are confident that moving forward, there will be much wider acceptance.

Now, coming back to agent platform, last quarter we did a soft launch, we did a beta testing. Today, we can say we are comfortable and we have gone live with this platform. This provides a referral partner or an agent an automated platform to order his tour remittances. Parallel, also he can refer his customer – be it in the form of a lead or he can also place an order. This provides him with a very high visibility of his transaction and there is also a certain amount of trust and transparency which comes with this digital platform. Now we have gone live. We are onboarding existing agents. We have also got a few agents signed up. We have also got a payment gateway integration done where he can do the fulfillment up to the payments. These are the 2 platforms which are live and we are expecting them to become big successes in the coming quarters. When it comes to consumer platform and wholesale platform, we are working on it, work is in progress. We are building a very intuitive B2C platform and also we have planned to have a card management app integrated with it. One another key development is our own prepaid cards where we have been working for the last 2 quarters. Much progress has gone in. We are now,

you can say, in an advanced stage of launching our digitally app-enabled multicurrency card. We have got the tie-ups in place with the banks and technology provider, and our development is there and we hope to closely integrate it with our consumer app and launch it shortly. So, we are very confident that with our focus on these consumer segments and our digital transformation, we will be able to build on our Forex proposition and path to profitability.

That will end my presentation. Now, I would like to thank everyone and I would like now to hand the conference over to the moderator.

Moderator: We will now begin with the question and answer session.
The first question is from the line of Imran Contractor from Quantum Investments. Please go ahead.

Imran Contractor: Can you get a sense of what would be our revenue growth going forward and what would be our revenue model which you are looking which would be taking us past breakeven points and what would be a steady state of our expenses?

N. Srikrishna: Essentially, we are targeting 3 segments; the retail, remittances, and the corporates. These have been the key focus areas because we felt these are all the growth drivers. Considering the LRS remittance statistics, there is a huge growth year on year, more than 100%. Even this year, it will be 30% to 35% growth in the LRS remittances. Parallely, the cards business market size is also a substantial market. So, at Wall Street in the last 9 to 12 months, we have tried to focus only on these areas. Parallel, we want to bring in the digital flavor because that is where we will ensure our cost base remains low and we can have a higher expansion possible and a key differentiator from what the competitors offer. So, these areas are what we are considering as our key drivers for growth. Today we work on an asset-like model where we have in fact rationalized quite a few branches and we have tried to look at digital as a key growth driver for us. So, we don't expect our cost base to go up substantially when we go for our drive towards increasing our revenues.

Imran Contractor: What would be the level of operation do you think how far we are from an optimum level of operation do you think we should reach?

N. Srikrishna: Today if you look at it, we have been building the proposition and if you have seen the growth also, in all 4 segments we have grown. In fact if you look at it, the overall revenue growth has happened from when you looked at 2017 to now where both turnover has grown and revenue has grown. So, there is a huge scope. As I said, today we are on a digital strategy but if you look at it, there is a huge opportunity for growth considering the market size. So, I would like to say we have started and I can say that big growth is possible.

Imran Contractor: What is the cash now on the balance sheet?

- Dipesh Dharod:** The proceeds from the MTSS sale that we had done – the inward money transfer – partially has been dividend out and partially is in the form of FD which is there in the books which is worth about 25 crores and organically or inorganically, it is the board decision of course how do we invest, where do we invest. As the management, we are working towards the betterment of the company and the board will direct us if there is any opportunity there.
- Imran Contractor:** This quarter we have some 82 lakhs other income. Is there anything exceptional in it?
- Dipesh Dharod:** Yes, we have received some exceptional incentives during the last quarter. It is a nonrecurring thing. So, that's why it is shown as other operating and not part of the revenue operations.
- Imran Contractor:** It includes in the 82 lakhs other income, I presume.
- Dipesh Dharod:** Yes, absolutely. There is interest income, there is this one-time other incentives that we have received, the majority part of the other income.
- Moderator:** The next question is from Lalaram Singh from Vibrant Securities. Please go ahead.
- Lalaram Singh:** My first question is that within all the existing product categories, can you rank them according to their profitability, say outward remittance or is it Forex or if you can do that for us?
- N. Srikrishna:** Primarily there are 2 things we can look at. One is in terms of segments, other is in terms of products. I will tell in terms of primarily first segments and then I will come to products. If you look at it segment-wise, the highest profitable segment would be the retail leisure segment. Next would be retail remittance segment. Third would be corporate. Fourth would be wholesale. Wholesale by its nature is a wholesale business, so it is a volume driven game.
- When it comes to products, the highest margin would be in the prepaid cards. Next highest margin would be remittance and retail currency, because currency we sell in retail, we will sell in wholesale. And the last would be the wholesale currency.
- Lalaram Singh:** Secondly, how do you differentiate between corporate segment and wholesale?
- N. Srikrishna:** I will explain to you. When you talk of foreign exchange, there are 2 major segments. One is the retail and corporate segment where we deal with public. What we call of wholesale is where we deal with other authorized players like AD-II or money changers or banks.
- Lalaram Singh:** As of today, how would the mix of revenues be between the segments or products if you look at it?
- N. Srikrishna:** If you look at it, our primary growth driver is the retail and remittance segment as of now followed by wholesale and last by the corporate.

- Lalaram Singh:** Within retail, generally how does the customer acquisition take place? Is it through the branch network which we have across the country? Is that the primary...
- N. Srikrishna:** Essentially, today in the traditional model, it is through the branch network but we are building our digital proposition where tomorrow once we have our Agent platform live, that will also be an important platform for us to acquire customers and also once the B2C proposition starts, that will also be a major tool for us to acquire customers.
- Lalaram Singh:** So, going forward, we should not expect much of expansion in physical network. That is what you mean to say?
- N. Srikrishna:** Absolutely. What we feel is that the digital is going to be the growth driver which will ensure that we do not have corresponding expenses for every increase in sales.
- Lalaram Singh:** In the digital framework, the customer will directly transact with us. There won't be like an intermediary or agent or is it wrong?
- N. Srikrishna:** Actually, we are in the regulated space. So, today there is a need for us to meet the customer to fulfill the KYC requirements. So, that is why the branch network is essential. If you look at it, Wall Street today has around 21 branches which are in 19 cities. We have coverage in all the major metros where most of the Forex transactions happen. We will also try to cover other areas through tie-ups.
- Lalaram Singh:** Generally, we invest in these branches or just like a franchisee model? How does it work?
- N. Srikrishna:** Actually, these 21 branches are our own branches because as I told you we are in the regulated space. RBI expects us and our team to complete the KYC. We cannot FedEx our foreign exchange.
- Lalaram Singh:** Can you give us some color on the industry size and who are the major players, market share, and where do we stand if possible?
- N. Srikrishna:** The industry size if you look at it, it is actually a guesstimate because there is nothing except for the LRS data which is available in RBI website which talks of last year around \$11 billion market. Overall prepaid cards and currency market which is of question to us from the retail and corporate side is around another \$15 billion to \$16 billion. These figures are all guesstimates because there is no statistics available except for the LRS data which is available in the RBI website but these are all an estimate based on what we assess. So, the market size if you look at it from the retail and remittance space, the remittance, card, and currency on the retail side would be close to \$20 billion to \$25 billion.
- Moderator:** Next, we have a follow-up question from Mr. Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: If I want to understand the current cost structure which we have employee and corporate overheads, is it possible to get a color on how much of that is attributable to corporate level or center cost and what are attributable to branch level, the 21 branches which you have?

Dipesh Dharod: HO cost and branch cost basically. We have, as you have seen in the figures, about 4 crores of quarterly expenditure which is there which is more or less fixed in nature. Since our operations are more digitalized and we are moving to the digital platform, the digital operations are all concentrated at HO and everything is managed from here. Branch here has become only to get the sales and do the servicing. The major cost will sit with HO and the branch will have only the servicing and the sales cost. It would be a ratio of about 60% to 40%.

Lalaram Singh: Within this HO cost, do we foresee incremental investments because still we are a young company – in the sense that we are still small – so this 4 crores should ideally do we want to scale it up, invest more, or how does the management look about?

Dipesh Dharod: Investment would definitely happen. It would happen in the way of fixed assets like we are building a digital platform. So, ideally the spends that are happening will have a capitalization effect and once all the platforms are up and running, then would be the cost that would be attributed to upgrade the platform and run it across. That time, you would see more of a revenue expenditure happening around.

N. Srikrishna: There will be some increase in costs. Obviously, when we acquire revenues, there will be some cost, but as I said, today in a traditional model, the cost will be much higher. For every dollar, you may have to spend 70% to 80%. Today in our model which we are following, that sort of a cost structure will not be there because we are going the digital way.

Lalaram Singh: Also, the way we report revenues, I believe that what we show is the net revenue, the commission which we get, right?

Dipesh Dharod: Yes.

Lalaram Singh: Okay. So, generally can I understand typically what is the margin say if gross is 100, net what exactly is that generally differentiates between the two figures, gross and net commissions?

Dipesh Dharod: The net would be 65% of the gross levels. Commission or the direct cost would be about 30% to 35% of the gross revenue but of course segmentally it will be very much different. Overall, you can say that it is about 30% of the gross revenues.

Lalaram Singh: Okay. And if I take a product like a retail prepaid card or a leisureed currency for retail people, the direct cost can be as low as 20% to 25%?

Dipesh Dharod: We may generalize it to that. Every market, every place has its own different set of revenues coming in. Some come through the agents, so obviously there is a commission attached. Some come directly because the place or the location where we are also matters.

N. Srikrishna: Essentially, each business segments have their own dynamics because we acquire some customers directly, some are through our agents. So, every segment has its own direct cost associated.

Lalaram Singh: Okay. So, the blended as of today is 30% to 35% of direct cost as of today?

Dipesh Dharod: Yes, right.

Lalaram Singh: Do we track internally as a company how much business is sourced directly and how much is sourced through an agent? Does that metric matters to us internally?

Dipesh Dharod: Yes, definitely it matters.

Lalaram Singh: So, what would be that figure as of today, the sourcing between agent and direct?

Dipesh Dharod: Gentleman, the figure is not upfront ready. We will come back to you. You may drop in a short mail on this. It is not ready upfront here on the call here.

Moderator: As there are no further questions, I would like to hand the conference back to the management team for closing comments.

N. Srikrishna: I would like to thank everyone for joining us, and if you have any further queries, please visit our website or you can reach out to our company secretary. I now request the moderator to conclude this call.

Moderator: On behalf of Wall Street Finance Limited, we thank you for joining us, and you may now disconnect your lines.