



“Wall Street Finance Limited Q2 & H1FY-20 Earnings
Conference Call”

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Moderator: Ladies and gentlemen good evening and welcome to the Q2 & H1 FY20 Earnings Conference Call of Wall Street Finance Limited. As a reminder all participant lines will be in 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 this conference is being recorded.

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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 sir.

N. Srikrishna: Thank you Bikram. Good evening. This is Srikrishna here along with my colleague Dipesh. It’s a pleasure to connect once again with our investors and present our Q2 & HY1 results.

I would go through a small presentation on the company and performance and also the strategic direction of the company. We have also uploaded the presentation on the Company’s website as well as the on BSE website.

Wall Street Finance Limited is authorized dealer category II concentrated in the FOREX business. The company has a long history, It’s 30 years plus old company and listed with BSE. Now it’s a pure FOREX company providing a range of solutions for the international traveler and also for outward remittance to various categories. the Company has digital solutions for every segment. We also facilitate travel insurance. Today we operate with a network of around 21 branches pan India. We have tie-up with lot of leading banks like Yes Bank, IndusInd Bank, Axis Bank and process outward remittances. We also issue Yes Bank cards and Thomas Cook cards. The Company has launched its our own card in the last quarter. We have leading corporate like E&Y, Schindler, Siemens, Synopsis, HDFC Credila who uses our services.

The key highlight of the Company in Q2 was launch of our own WSFX Smart Currency forex card and app. It’s a very successful launch and within one month we were able to clock \$1 million of sales in our product. It’s an industry first smartcard with the Smart App. What’s unique about it is, its multi-currency FOREX and INR card which comes with its own Smart App which helps you manage the card on the go. We have collaborated with Yes Bank and it’s a Visa card which ensures worldwide acceptance in around 31.4 million Visa merchant outlets. It’s an FOREX and INR card it has been accepted internationally and also has domestic acceptance. Its contactless, it has wallet to wallet transfer which you can move currencies between wallets. We

can reload the card remotely. We can also encash to the INR wallet. It's a very safe and secure product. Through the Smart App we can do a lot of things in terms of management of the card, both from a security perspective and also in terms of reloading the FOREX card. Some of the features are you can generate your PIN, change your PIN. You can monitor your transaction history; you can download your statements. You can transfer from one wallet to another, within that you can also transfer to your INR wallet within that there is also security features like you can temporarily block the card, temporarily block the POS usage or ATM usage. So, essentially what we have done is we have taken feedback from what the customer wants and have tried to put it into a single product and also married it with a Smart App which ensures that you have total control on your card product.

Q2 is generally a student season literally where lot of students travel overseas We had a good season, when you look at it we had growth and profitability in Q2. We grew over our Q1. we had revenue from operations of 989 lakhs against 590 lakhs which is a 68% growth and at PBT level we are at 68 lakhs for Q2 this year against the 5 lakhs last year. we have shown a substantial growth of 1148%. When it comes to comparison between Q2 over the Q1, revenue grew by 21% and PBT by 110%.

The half year for 19-20 is around 1809 lakhs is revenue from operations as against 1156 lakhs of the previous year's half year which is a 57% growth. In terms of PBT we are at 100 lakhs or 1 crores for this half year as against loss of 39 for the same period last year, so we have shown a 357% growth. Essentially we have grown our FOREX business and this season we were able to get a good share of the Remittance business also from the student segment. So key drivers for this segment has been leisure segment driven by students, we grew 63% quarter-on-quarter. Remittance segment we grew 59% quarter-on-quarter. So we were able to capitalize on the student segment and the season.

In terms of digital transmission as I already mentioned we were on track and launched our Smart Currency Card and App which has got a very good reception from customers. In terms of our other platforms we have been able to onboard customers and have increased the digital throughput. Now Dipesh will give a small brief on the financials. Over to you Dipesh.

Dipesh Dharod:

Good afternoon everyone. With regard to the financials; this is the eighth quarter purely in FOREX, the company is in after selling MTSS business in October '17., revenue from operations 988 lakhs, total revenue of 1035 lakhs along with other income, total expenditure of 957 lakhs getting a PBT or a profit before tax of Rs. 68 lakhs. Less taxes and other comprehensive income, total comprehensive income after all adjustment is Rs. 34 lakhs. In the previous quarter the company had clocked revenue of 872 lakhs and total expenditure of 839 lakhs, giving a profit of 32 lakhs in the previous quarter that is ended June '19 and a profit after tax including comprehensive income of 23.43 lakhs.

For the half year ended September '19, total revenue is 1908 lakhs and then expenditure of 1807 lakhs, giving a profit of 1 Cr for the first half and less taxes and other comprehensive income we are at 57 lakhs for the first half against the previous half we were at negative 21.28 lakhs. On quarter-on-quarter, the company has substantially grown from 412 lakhs in December '17 to 988 lakhs in September '19, vis-à-vis negative till June '18 which has now turned to positive in September '19 quarter on quarter and with regard to the topline, the company has grown substantially and also on the profit after taxes or profit before taxes too.

The revenue from operations from Quarter 1 to Quarter 2 during the current year has grown from 413 lakhs to 989 lakhs and our selling and distribution expenses have been in line with the major expenses which started at about 4 Cr or 400 lakhs, now we are at about 554 lakhs including all selling and administrative expenses.

With regard to our priority segments; I would like Mr. Krishna to just brief you on our priority segment. Over to you, sir.

N. Srikrishna:

So, two key areas are of importance to us, one is the corporate and second is the student segment. One of the key products which we track is the prepaid card and the outward remittances. If you look at it over the last eight quarters we have grown. Obviously there is a peak every time on Q2 on the card product because that is where the students season peaks, July-August-September. So cards generally peak during this period. At an outward remittance level also if you look at it we have grown and now last we had a very good outward remittances season in Q2.

Now we move to finally an update on our digital transformation; our vision has to be an omni channel FOREX tech company. We started out building platforms for each of our consumer segments. We are live with our Corporate platform and app. Today we have lot of big customers who are using our corporate platform and it has gained lot of traction. 20% of our business turnover is through a Digital platform. Agent platform is also live, we have on boarded a number of agent partners into this platform and we are slowly increasing the throughput in agent platform. Consumer platform and wholesale platform, work is on. We are targeting that before the end of this financial year we will have both the platforms up and running. That's the overall plan. The biggest breakthrough which we had was we were able to launch our prepaid card. Today we can say that it's really going great guns and we are able to convert all our existing customers to our card product and we feel that the WSFX Smart Currency Card will be a key driver in terms of creating substantial value for the shareholders.

With this I come to the end of the presentation. I would like to hand over the conference to the

moderator. Thank you.

Moderator: Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session. We have a first question from the line of Bhavik Mehta, an Investor.

Bhavik Mehta: The question primary is on this company called GoNiYo and they also have a similar kind of offering, so I first wanted to understand that what is the differentiation in terms of functionality and rate because there is a company which is fairly popular in the card segment and it's more or less a lot of people in and around are being using it and there being a lot of appreciation towards that as well. So just wanted to know your prescriptive that how does our company compare to within the same segment and what would be the differentiation?

N. Srikrishna: GoNiYo is an INR product where they have tweaked the cross currency and ensured that there is a cross currency waiver. Ours is a FOREX product, primarily it's a multi-currency foreign currency product with a prepaid INR wallet. Primarily our base product is a foreign currency product, so the fundamental difference is the product per se is itself differently positioned. In GoNiYo it's an INR product. So where exactly what is positive and what's negative? In an INR product let's look at one instance. Suppose you had taken my product, you're going to US and you had last week taken foreign-exchange for \$10,000, you would have locked the rate at around 70.40 approx. and taken the foreign-exchange from me. Now today roughly you will get your dollar at 72 approx, so essentially you are locking the rates in foreign currency in foreign currency and mine is a prepaid FOREX card so it's a travel product. So you are able to lock the rates and travel overseas whereas GoNiYo being an INR product they have tweaked the cross currency to make it appear as a travel product but primarily it's an INR product. Now you are exposed to fluctuation, so today when you swipe the card actually it is Rs.72. So this is where the fundamental difference comes. So product per se itself the product positioning is different. Obviously they have tweaked one parameter to make it appear as though it's a very convenient product. But it is not an apple to apple comparison so that is a fundamental difference between both the products.

Bhavik Mehta: In terms of marketing do you think they have been a bit aggressive towards their product positioning or do you think that just because of maybe it's a specie funded business they can afford to do that versus we are trying to do a moderately low-key marketing affair as compared to other products?

N. Srikrishna: As I said it's a new positioning which they have taken up. Yes they are aggressive, we don't know whether at a P&L level how profitable it is but they have been making some splash in the market trying to position it as a travel product. We are in fact studying that model also because per se we are looking at it from a compliance angle because when you look at foreign exchange there is LRS rules and guidelines and a FOREX product may transaction level KYC is required whereas the positioning of that product doesn't require a transaction level KYC. So we are

studying that product and looking at the implication. In case it's feasible we will also work on a similar sort of a product but today we are analyzing it. In case we feel there is a feasibility we will also work on it but at this juncture there are certain grey areas which needs to be looked at.

Bhavik Mehta:

My next question is around I think that even in the last call someone had pointed out that in spite of having a reasonable amount of cash balance we are indeed having finance cost due to certain amount which is locked in the fixed deposits versus we are borrowing on our basis whereon as and when required. So has there been anything in this quarter that we have done trying to reduce this finance cost by utilizing our existing fixed deposits?

N. Srikrishna:

What happens is if you look at our turnover; so our turnover is growing so the margin FOREX business margins are pretty low compared to the turnover because that is the nature of the business. So there is a credit involved if you look at it when we do a corporate segment or when we have to get limits from the card issuers, even when we issue our own card we need certain amount of credit line. Today the credit line needs to get under written by a bank guarantee or a lean on your fixed deposit etc. So what we have tried to do with our fixed deposit is use it as a kind of securitization for raising our credit limits because when our business grows, we need to move from 1:1 to 1:3 times the capital. So that is the way we have now tried to raise the limits, let's say when we are issuing our Thomas Cook Cards we have a limit with Thomas Cook, we have a limit with our Yes Bank so we are trying to use this judiciously so that in such a situation we also earn interest on the deposits, we are also able to raise an additional limits from the banks. So that is the logic we have followed and we have been able to raise our limits with the bank also.

Bhavik Mehta:

This quarter on even on excluding the other income we have been marginally profitable, so what is the revenue stage wherein we think that even excluding the other income part; we will be reaching a point wherein including all the margins, the employee costs could be a reasonable revenue number for us to show, profitability excluding the other income?

Dipesh Dharod:

With regard to as you mentioned other income; the other income as rightly mentioned is the interest income that is there and as Mr. Krishna in your earlier question did mention that these FDs are used in the business itself to get a 2X limit or a 3X limit from the banks. So ideally we should not be excluding this income for the purpose of working the PBT levels but of course as you have mentioned though against a 68 lakhs profit in this current quarter 47 lakhs is attributable to interest income. We have still made a healthy profit of about 20 lakhs which is not there in the last 7 or 8 quarters also of the company.

N. Srikrishna:

We cannot exactly discard the interest income because today the business needs working capital and we are raising the working capital in a different form altogether.

Moderator:

We have next question from the line of Nimish Sheth from GT Advisory.

Nimish Sheth: Just wanted to know if this growth momentum will continue; you have a cyclical business, you have a lot of travel in the first quarter, you have student travel in the second quarter, third-quarter potentially may be some travel and fourth quarter I presume is your leanest quarter. However if I was to compare second half of FY20 with second half of FY19, you have already shown in the first half very good growth momentum because you have launched products and all that. Can we as investors expect the momentum to continue in the second It may be a revenue de-growth versus first half but versus second half of '19 it would be a growth.

N. Srikrishna: The peak season is obviously always the Q2 but if you look at it from a business perspective we have been growing. So Q3-Q4, Q3 is normally the weakest quarter in foreign exchange not Q4. In Q3 which is normally there are no peaks actually but as I said we have started from a smaller base and we have tried to build our FOREX business. We have been building on our corporate business also which has picked up. So Remittance obviously comes down a little bit in Q3 because the seasonality, the students' things come down. But we are confident because now in all the segments we have started firing. It's not that we are doing good in only one segment, so we are confident that the growth momentum will be maintained because our aspiration is to build this company to much bigger size than what it is currently. So we are very confident considering that there are multiple segments in which we are growing and also the Digital proposition which is slowly picking up will ensure the momentum, so as a management we are confident that we will deliver good results in the HY2 also.

Moderator: We have the next question from the line of Imran Contractor from Quantum Investments.

Imran Contractor: I just want to know what is the tax rate, have you gone to the new tax regime or we are still in the old one? Another aspect is we have had a good increase in our debtors as well as creditors, can you throw some light on it please?

Dipesh Dharod: With regard to the tax portion we have analyzed it. At the moment the book as of now stands at the old rate. We will be doing a detailed analysis with our auditors and we plan to migrate to the new tax regime but it is still not confirmed and concluded at the moment. There would be some tax advantages and disadvantages. Advantage will be in the form of reduced provision but disadvantage will be in the loosing deferred tax aspect, we will be probably taking a call in Q3 which would be later in the year.

Imran Contractor: As I understand you have about 2.5 crores of MAT credit?

Dipesh Dharod: No MAT credit we don't have 2.5. There is no MAT credit at the moment; it's about only Rs. 1 lakhs or Rs.1.5 lakhs that is there in the book as of now.

Imran Contractor: So what is this income tax assets 247 lakhs?



- Dipesh Dharod:** That is just provisioning and advance tax (net).
- Imran Contractor:** Deferred tax asset is only 78?
- Dipesh Dharod:** Absolutely. With regard to the debtors and the creditors as Mr. Krishna mentioned we have been growing in most of the segments and the corporate segment is a growth aspect here. So with regard to corporate segment there is a major overdue from rather outstanding from there, so hence the receivables and the payables and as Mr. Krishna did mention again that we have taken lines with our issuers hence the creditors has also increased on the other hand which is very much in control and have been monitored by us.
- Imran Contractor:** If you can just give us an idea on what was your gross turnover and how are your spreads working?
- Dipesh Dharod:** Gross turnover with regard to only Quarter 2 is about 974 crores vis-à-vis Quarter 2 of last year was 729 crores and with regard to Quarter 1 this year was 713 crores.
- Imran Contractor:** So your spreads were...
- Dipesh Dharod:** You can say about 1% and some bps more.
- Imran Contractor:** Your spreads has little bit come down because in your second quarter 713.
- Dipesh Dharod:** In Q2 it was 713 against 820 and Quarter 2 is 974 and 988, so its 1.01 you can say and may be 1.15%.
- Imran Contractor:** I was just looking at Thomas Cook Financial Services, I'm not sure whether it's purely FOREX. But they are having an about 40% margin but probably because it's because of the size. I'm not sure about that.
- Dipesh Dharod:** 40% may be some other.
- Imran Contractor:** Because as its coming, their EBIT is coming to only 7% or 8%?
- Dipesh Dharod:** I may not be able to comment on this, could be a different segment which is included in their financials also.
- Imran Contractor:** How are we looking now on a year-on-year basis what sort of a growth rate can we say?
- Dipesh Dharod:** At the moment half year-on-half year is 28%.

N. Srikrishna: all the segments have picked up if you can look at eight quarters we have shown the growth so we are growing. In wholesale we have grown, in Remittance we have grown, in Corporates we are growing, even in Leisure we have shown growth. So as I said from the beginning that we are working towards higher and higher growth, so I don't want to put a percentage to that. I don't want a percentage to restrict us; we would like to aspire to may be in a geometric proposition. So we are working on number of aspects like as I told you Digital is one of the key aspects for the company. The company is totally focused on digital and the Smart Currency Card is one of the major launches and the market has shown a thumbs up to our product, so we are working more and more on to that and we will be building that as a very big value proposition. So we are very confident that the key focus areas which the company is concentrating on the corporate vertical, the students' segment all this will be substantially growing in the forthcoming quarters.

Imran Contractor: This intangible assets, we have done some reclassification or something because on a total basis if I take intangible assets doesn't increase of 57 lakhs from March, 2019 to September, 2019?

Dipesh Dharod: As we had launched our Smart Card App and Smart Card portal which we had so that has been capitalized during the current half year. So the B2C launch which is yet to be launched is the residual value in the intangible assets which would be capitalized when it is up for the public use.

Imran Contractor: So as I understand about 1 crores which was under development as of March has now moved to other intangible assets?

Dipesh Dharod: Absolutely correct.

Imran Contractor: How are we writing-off this intangible asset?

Dipesh Dharod: As per our financial record also what we have given in our March '19 financials, we are expecting a shelf life of 7 years to this and of course there won't be every quarter or every half-year, it would be add-ons to it to keep the product running and picking, in that fashion.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to Mr. N. Srikrishna and Mr. Dipesh Dharod for closing comments. Sir over to you.

N. Srikrishna: I would like to thank everyone for joining us on this call. In case there is any further queries please visit our website or you can reach our Company Secretary. I now request the moderator to conclude the call.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Wall Street Finance Limited that concludes this conference. Thank you for joining with us. You may now disconnect your lines.