



“Wall Street Finance Limited Conference Call”

July 31, 2019



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

Moderator: Ladies and gentlemen, good evening. And welcome to the Conference Call of Wall Street Finance Limited. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

Material and information in this conference call is general background about the company's activities as at the date of this presentation. Information in this presentation should not be considered as advice or a recommendation to investor, or potential investors, in relation to holding, purchasing or selling securities, and does not take into account your particular investment objective, finance situations or needs. This information is given in summary form and does not purport to be complete.

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. Good evening. This is Srikrishna here, along with my colleague, Dipesh and it's a pleasure to connect once again with our investors and present our Q1 results.

I would like to start with a small presentation on the company, which outlines our result and also the progress the company has made. We have already uploaded the presentation on the Company's website, as well as the on BSE's website. Now I will go to the presentation.

For new people who joined this call for the first time, a brief about the company. Wall Street Finance Limited was incorporated in year 1986 and today it is more than around 33 years, it has an illustrious history of being in foreign exchange and MTSS business. Now we will be concentrating more on the last two years, post sell off MTSS business and are concentrated on our FOREX business, where we are trying to create or cater to a niche segment, where we are looking at our digital FOREX business.

so, essentially, today where is Wall Street? Wall Street today is one of the key players in the foreign exchange front. We have got digital solutions for our corporate, agents, and we also launched our card product recently, which I will update you. We also facilitate travel insurance. We have a network of 21 branches across the country. We have partnered with the YES Bank, Thomas Cook, HDFC Bank, IndusInd Bank for various solutions of outward remittance and prepaid cards. We have large corporates, companies like E&Y, Schindler, Siemens, Synopsis, we also deal with HDFC Credila which is one of the leading education loan providers for the students.

So, what are our products? We sell foreign currency notes, buy and sell foreign currency notes; forex cards, we are one of the largest players in outward remittances; and traveler's cheque is for American Express.

Before we go to the financials, we would like to update our investors that we have launched our own Wall Street Smart Currency Card on 29th of this month. What's special about this card is it's our very own product, it's a co-branded product with YES Bank. What's different in the card is, it's a multi-currency FOREX and INR card. There is no other product in the market which marries both FOREX and INR in a single card. so, it has 10 wallets, 10 foreign currencies and INR, so you can use it for your international spends, also you can use it for your domestic purpose.

Some special features we have got is, you can transfer between wallets, you can do remote reload, its highly safe and secure, I will explain to you how. We have a smart app which comes along with the card. One of the key features is, we have got an INR wallet, where you can encash to your INR wallet, there are certain limits which apply. It is a Visa card, so obviously it's acceptable worldwide at around 31.4 billion Visa merchant outlets, wide acceptance, 24/7 access of funds.

so, besides the card we have tried to be innovative? We also have a smart app for managing the card. Now what's special about this Smart App is it gives you total control in your fingertips. so, if you want to do a wallet to wallet transfer, you can smartly do it through your app. If you want to transfer foreign currency to INR you can do it through your app, you can also reload your card, you can monitor transaction history, you can check your balances at any time, you also have security functions like if have misplaced or lost your card you can temporarily block and unblock the card, you can even lock POS transactions, you can generate pin. so, everything, a whole host of features on how you can manage your card, it comes right in the smart currency app. so, that that becomes a major game changer. We are happy to say that today multi-currency FOREX card with INR no one else has in the market. So, we are confident that this is going to be a game changer down the line.

Now coming back to our results. so, as such, our money changing foreign exchange market has been very mature. There has been a lot of compliance related measures. Axis Bank, which is one of the leading banks which was distributing cards through the channel, that is the money-exchange channel, has withdrawn from the channel business. So, you can see the market is still a very mature business with lot of compliance related areas being highly strengthened.

So, where is Wall Street as far as quarter one is concerned? So, we have shown good growth in our profitability, our revenue from operations has gone up, gone up by around 19%, quarter one has been good quarter for us where we have grown in some of the key segments we have focused on. So, if you look at it from revenue from operations, we were at Rs. 820 lakhs against Rs. 688 lakhs for the previous Q4, which is a 19% growth. Other income we booked Rs. 52 lakhs against Rs. 100 lakhs last quarter, because last quarter we had some exceptional items in the income. so,

PBT is Rs. 32 lakhs against Rs. 43 lakhs, but now PBT is more driven by operations revenue than other income. so, that's a very good thing for the company.

As far as the key drivers, we are focused on corporate segment and remittance segment. so, there has been a good growth, corporate segment grew by 11% quarter-on-quarter, our remittance segment grew by 9% quarter-on-quarter, even leisure segment saw a substantial growth of 23% quarter-on-quarter. We also have started an arrangement with HDFC Bank for servicing their corporates and that became operational in April. HDFC customers get serviced by the Company.

so, a quick update on our digital platforms. Last quarter, we launched our Smart Agent App, because as you are aware we have a corporate platform, we also launched our agent platform. We also launched our Smart Agent App and we find that the acceptance has been pretty good. We have started onboarding customers to corporate and agent platforms. once Dipesh digs deep into the financials, I will give you an update on our digitization program. Over to you Dipesh, for the financials.

Dipesh Dharod:

Good afternoon, shareholders. With regard to the financials, this is practically the seventh FOREX quarter for Wall Street as a pure FOREX player. Looking at the current quarter that we finished for 30th June, 2019, revenue from operations was Rs. 820 lakhs against Rs. 688 lakhs for the previous quarter. For the previous year same quarter was Rs. 565 lakhs. There has been substantial growth, from both the aspects. Total profit for the quarter, i.e. PBT is Rs. 32 lakhs against last quarter Rs. 43 lakhs, or against the last year same quarter was loss of Rs. 44 lakhs. So, things have been stabilizing, things have been going good for the company, and that's evident from the results.

Further with regards to the profit after tax, it's Rs. 23 lakhs for the current quarter vis-à-vis for March 2019 is Rs. 31 lakhs, and June 2018 is Rs. (39) lakhs. Well, if we compare quarter-on-quarter revenue, so we started in Q3, that is at Rs. 413 lakhs in quarter three in 2017-2018, from there we have almost doubled today at Q1 2019-2020, this is about seven quarters from now, which shows that the company is progressively doing very good. With regard to other expenses of majorly selling and general administrative expenses, which have been almost in line with the business that we are doing. There has been certain amount of growth in expenditure or rather increase in expenditure, which is proportionate to the growth that we are having across.

As Mr. Krishna mentioned about the priority segment, outward remittance segment has been shown a good growth over the previous quarter and we have been growing there. Vis-à-vis our prepaid card, as there was a little mix up in the market because the banks moved away from the channel business, it's almost stagnant from the previous quarter. But hopefully from the current quarter we see a good growth from the prepaid card segment here after.

Now with regards to the digital transformation, I will hand over to Mr. Krishna who will update you on the digital space.

N. Srikrishna:

Thanks, Dipesh. So, now coming back to what we have been doing in the digital front, as the Chairman had said in the AGM also, we are trying to focus on digital as the growth driver. And in the last 1 - 1.5 years we have really worked hard and we launched multiple platforms. One was the corporate platform and later we launched the app. Today we have seen a very healthy adoption, lot of large corporates have joined in. We also have been onboarding lot of corporates, both the existing and new ones into the digital platform and we have got very positive feedback from the market.

Then we launched our agent platform a few months back, we have been onboarding customers, that is a new product which is showing the acceptance. Once we launched our agent app two months back, we found that acceptance has grown. Today, in fact, things have moved very positively, in corporate we are having a substantial turnover now getting routed through digital. As far as the agent platform is concerned, we are hoping over the next couple of quarters our throughput will increase.

so, obviously, the good news is our launch of cards, our own card, which is totally integrated with our core ERP. so, essentially, like it's not a standalone product, we have completely integrated it into our system. so, you can say its end to end sort of a solution which will also get integrated with our corporate platform. so, we with corporate agent and our prepaid card today are half way in our transformation of the FOREX ecosystem.

so, next two steps are our consumer platform, which we expect that we should be going live in the next quarter, I think in next couple of months we should be able to come out with a consumer platform. Then obviously, we are also looking at a wholesale platform, because no one has at wholesale platform, we are also working on it. so, once we are done with the corporate platform, we will concentrate on the wholesale platform so that literally we have a digital solution for each of our customer segments, and tie it up nicely with our own prepaid card. so, in essence, we are trying to create our own niche in the FOREX market.

With this, I will come to the end of my presentation. Now I would like to hand over the call to the moderator. Thank you so much.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Nimish Sheth from GT Advisory. Please go ahead.

Nimish Sheth:

Good Evening Sir and Congratulations for steadily building business up, I have just a couple of questions, more on the finance side. We pay about one point, or let's say on average about Rs. 10 lakhs a month is our interest bill, that must be on the working capital mostly, correct?

Dipesh Dharod:

Right.



- Nimish Sheth:** so, what is the working capital that we actually utilize? Either that, or what is the interest rate we pay on the working capital, is it 10% or...?
- Dipesh Dharod:** Yes. Interest rate is the market rate that we have pay to the bankers, which is approximately in the range from 10% to 10.5%, because it is based on the bank MCLR.
- Nimish Sheth:** so, basically your average borrowing, and it would fluctuate, but would be Rs. 12.5 crores, right, for you to be paying about Rs. 1.25 crores a year, is that correct?
- Dipesh Dharod:** Yes, it's about Rs. 15 crores and of course, we do have a different working capital set also, which is not on the interest front.
- Nimish Sheth:** Okay. Now, we also have a fixed deposit of I think about Rs. 25 crores, if I am not mistaken, correct?
- Dipesh Dharod:** Yes, it's about Rs. 24 crores.
- Nimish Sheth:** So, the arbitrage interest earned on that would be, I don't know, 6%, 7% max may be 7.5%, here we are spending 10.5%. so, there's at least 300 bps spread on the Rs. 15 crores. Which is a saving of Rs. 45 lakhs if some of the fixed deposit is taken into the working capital, that means we don't utilize much of the working capital, you save Rs. 40 lakhs - Rs. 50 lakhs. See, the profitability of the company is reasonably low for you to actually attempt that. Now, I mean, this is a shareholder feedback, I mean, at this stage every Rs. 10 lakhs, Rs. 20 lakhs, Rs. 50 lakhs matter to the earnings. so, if there is a Rs. 40 lakhs, Rs. 50 lakh annual saving on the Rs. 12.5 crores or Rs. 15 crores, why don't we attempt doing that? It's just the arbitrage, your interest will drop, your other income will also drop, but your interest is more expensive than your other income, the spread is 300 bps. so, net, net, you will actually gain at PBT level.
- Dipesh Dharod:** Sure. We will take this into account.
- Nimish Sheth:** Okay. The other second question I have is on your new card that you have launched. You said you were already in the FOREX card business, is it?
- N. Srikrishna:** Yes.
- Nimish Sheth:** And this is now your own co-branded card?
- N. Srikrishna:** Yes, correct.
- Nimish Sheth:** So, for a customer of Wall Street what is more advantageous, to have a Wall Street co-branded or just have someone else's co-branded sold by Wall Street?



Wall Street Forex

Wall Street Finance Limited
July 31, 2019

N. Srikrishna: Okay, so I would like to answer the question.

Nimish Sheth: On the customer side.

N. Srikrishna: Yes, consumer side, what we have tried to do is, so we have been at this project for the last 1 year - 1.5 years, even when the distribution model for all the banks was intact. You must have understood that in the last one-year banks have withdrawn steadily from the channel, HDFC withdrew, Axis withdrew because of various compliance related matters, they wanted to regress back. But we had an idea that we need to have a card product which will be different, which will address the customer need, because the only innovation in the FOREX card has been, a single currency became multi-currency in the last 18 years. So, what we felt was, what is it that we should do, which makes it interesting for the customer, not to think of Wall Street only as a company which sells foreign exchange, because foreign exchange as such is episodic in nature, right? You don't take foreign exchange all the time, you take a FOREX card, either encash it or keep it out of your pocket. So, we tried to figure out, one, from a customer angle how do I engage him more so that if I can work on this INR plus FOREX, my engagement with a consumer is more.

Second is, what does a consumer get? If he takes a bank card, one is the service aspect which Wall Street scores, because we do personalized service. The consumer today gets a net banking app, which is not actually a very nice app to manage his foreign exchange. Today if you have taken from your own bank, you have to manage your FOREX card through your net banking app, which is not really focused on the FOREX product. so, what we tried to do is let's say let's give him a product where he is going to get all the things which is already there, like multi-currency, he can transfer between wallets, he can do his remote reload through the app. So, what we said is, a digital product where card is married to the app, and through the app we give the entire control of the card to him. So, essentially what we are doing? We are trying to ensure that he has total control on his product, which is what a new age customer likes now. If he wants to switch off his access of ATM easily, he can switch, POS usage, all the security features also we have built in. And we also integrated it. so, one is, the way he's going to use the product, because essentially, it's a money product, it's a Visa or a MasterCard where acceptance is already guaranteed. But how does he use the product is what is important to us, we have tried to attempt to that.

Besides that, we are trying to also marry in specific segment related offers like promotions, like today for the students segment we have launched a promotion that we will give a free ISIC card along for everyone who takes a FOREX card. Like that we are also marrying some promotions into the product. Second is, we can also later, since it's my product, customize solutions to my target segments, like for students segments I can work around my product in such a way that it caters to specific segments. So, this gives me more control on my product to cater to segments. Today, per se, straight forward this product is going to bring the total control in his hand, that is what I will say, which is not available to him in any other product. And INR proposition which is unique.

Nimish Sheth: Okay. And one last thing, just a technical question. Suppose I have this card and I want to load \$1,000 on it, so this how do I load, this card gets connected to my bank account or I can use any bank account, how do I load the card?

N. Srikrishna: Okay. so, first thing is, today we have only given a card management app where we are supporting reload. My B2C solution which I am launching in the next couple of months will have the entire ability for you to do the transaction through your app. So, today first time we are doing it still as a normal process, but reloads for the same trip, which is because I don't need a signature from you for reload for the same trip, you can automatically reload. And we have got the payment gateway connected, so through your net banking, we have a net banking option through which you can make the payment to us and your card will get reloaded. So, for our fresh card loading alone you will have to wait for another couple of months, because then becomes part of my overall B2C proposition.

Moderator: Thank you. The next question is on the line of Imran Contractor from Quantum Investments. Please go ahead.

Imran Contractor: Good Evening, can you just show some light on the gross margins, how they be moving in the business?

Dipesh Dharod: With regard to gross margin, as mentioned in our presentation, quarter-on-quarter numbers as we were through in the pure FOREX play, quarter three 2017-2018 we were at Rs. 413 lakhs, next quarter Q4 2017-2018 were Rs. 460 lakhs; Q1 2018-2019 were Rs. 566 lakhs; Q2 were Rs. 590 lakhs, Q3 Rs. 544 lakhs, Q4 2018-2019 were Rs. 668 lakhs.

Imran Contractor: I understand, I just want in terms of percentage, like how much, have we been able to improve the gross margin, are we stagnant or static?

N. Srikrishna: Are you talking about margins?

Imran Contractor: Yes, the cost of you are selling the products and buying

N. Srikrishna: so, you are talking of per dollar profitability, right?

Imran Contractor: Right, something like that, yes.

N. Srikrishna: If you look at it over the last three quarters or four quarters, there has been a consolidation in market. Compliance has become very high. so, non-serious players – one is, the consolidation is a big threat, also a big opportunity. Non-serious players, a lot of FFMCs have shut shop, RBI has been very strict, they have closed a lot of FFMCs, and also a lot of compliance is in terms of wholesale, in terms of tour remittances. So, in a sense if you look at it, the market is now more

compliance oriented. But parallelly because of all these actions, there has also been an improvement in the margins. so, in most of the segments there has been at least anywhere from 0.05% to 0.10% improvement in margins also. So, would like to add, Wall Street has got very strong systems in terms of compliance.

Imran Contractor: Okay. Can I have just to compare, like in Q4 we had 22% growth in FOREX business, and operating revenue grew by 27%. In Q1 we said that operating revenue has grown by 19%, but we don't have the corresponding FOREX, probably you have given on the segment pages, 11%, 9% and 25%.

N. Srikrishna: Yes.

Imran Contractor: Okay. Now, another question, there has been a good increase in employee costs to Rs. 3.32 crores, compared to about for the full year we were Rs. 10.39 crores. So, is this a permanent increase or is there any extraordinary?

Dipesh Dharod: I would like to address that. The fund increase is because of the yearly increment that has happened during the month of April onwards and the other thing is, as Mr. Krishna mentioned in his presentation, we have taken up a new activity of HDFC servicing model where a lot of manpower is required, which is built to HDFC. So, a revenue from that comes as my operations revenue, but the cost goes as manpower cost. So, that is why the increase is there.

N. Srikrishna: So, essentially, there are two, three items; one is obviously the annual increases which come in. Second, see our business is such that, yes, we have tried to digitize processes, we have tried to digitize a lot of things catering to a niche, but basically foreign exchange is also about delivering to the customer, because we need to take wet signatures of the passengers So, corresponding businesses increase there will always be increase in service executive costs and as Dipesh was telling, we have taking an activity from HDFC where we expected to be a revenue spinner in a particular area, for which we are now supplying some manpower where there has been a cost increase. But if you look at it overall from a growth aspect, because today in fact we are launched our platforms, we have started having some throughput from there. When you look at it from a growth aspect, I think the corresponding increase in expenses is in acceptable levels and as per budgeted.

Imran Contractor: And what is the amount of cost capitalized for products development or anything this quarter?

Dipesh Dharod: In this quarter we have capitalized about Rs. 31 lakhs.

Imran Contractor: And so, what would be our now gross cash and bank balance equivalents and net?

- Dipesh Dharod:** The FD that you are talking ours is still intact of that Rs. 24 crores. The working capital which is required and which changes day in day out is there in the system and it's being there.
- Imran Contractor:** Okay. so, that fluctuates depends on the back services.
- Dipesh Dharod:** Yes, absolutely.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I now have the conference over to Mr. N Srikrishna and Mr. Dipesh Dharod for closing comments. Thank you and over to you.
- N. Srikrishna:** Thank you, everyone, for joining us. It's been our pleasure. If you have any queries, please visit our website or you can reach out to our company secretary. I now request the moderator to conclude the call. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Wall Street finance limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.