"Vakrangee Limited Q4 FY 2017 Earnings Conference Call"

May 30, 2017

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Moderator: Good Day, Ladies and gentlemen, and Welcome to the Q4 and FY 2017 Earnings Conference Call of Vakrangee Limited hosted by Maybank Kim Eng. 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. Manish Modi from Maybank Kim Eng. Thank you and over to you, Mr. Modi!

Manish Modi: Thanks, Margret. Good afternoon, everyone. Maybank Kim Eng is pleased to host the management team from Vakrangee Limited to discuss their Q4 and FY 2017 Results. We have Vakrangee management team, represented by Mr. Dinesh Nandwana -- Managing Director and CEO; and Mr. Ammeet Sabarwal -- President Investor Relations and Corporate Communications.

Now, I will hand over the call to Mr. Dinesh Nandwana for his opening remarks. Over to you, sir!

Dinesh Nandwana: Thank you. Good day, ladies and gentlemen. It is a great pleasure to greet you all once again on behalf of our Board of Directors and senior management.

We begin by thanking all of you for having spare time in joining us here today to discuss our fourth quarter and full year earnings for the financial year 2016 - 2017.

As the start of the financial year 2017, we had set four key milestones for our company. Firstly, our target was to complete 35,000 outlets by March 2017. I am pleased to share that as on 31st March, 2017 we have completed and met operational overall 35,206 outlets across more than 16 states, which includes 25,131 rural outlets and 10,075 urban outlets.

Secondly, we had targeted to be fully debt free long-term as well as short-term. It gives me immense pleasure to share with you all that our company is now fully debt free as on date today. In last five years, I would like to highlight that our long-term debt at peak was Rs. 390 crores, which is now fully paid-up and we are long-term debt free. Also, our short-term debt at peak was Rs. 750 crores which is now fully paid-up and we are short-term debt free as on date today.

Thirdly, we had committed to have Big Four as statutory auditors, we would like to highlight that our Broad has already approved the appointment of Price Waterhouse & Co. Chartered Accountant, LLP as a new statutory auditor.

Lastly, we had approved our dividend payout policy to maintain the dividend payout in the range of 15% to 25% of profit after tax on consolidated financials.

For 2017, we have declared a dividend of Rs. 2 per share equivalent to 200% of face value and resulting into a payout of 24% of consolidated profit after tax. In absolute terms, this is 60% more than as compared to dividend paid last year.

We are committed to create sustainable shareholders wealth for all our shareholders. Our company agreed to distribute an optimal and appropriate level of the profit earned during the year.

This month, we also released our vision statement which is Vakrangee aims to be the most trustworthy physical as well as online convenience store across India. We promise to give every India their rightful access to the wide range of products and services that are fairly priced and high quality. We will keep expanding this network until we are in close proximity to the last excluded person within the country.

Today, we are very much confident that we shall complete our target of 75,000 outlets well before the targeted timeline and now, actually plans to do much more expansion than the earlier set targets. I would like to say that we are now entering a new orbit of growth with a clear focus to deepen our presence and reach enhance our portfolio of offering and creating a seamless experience to our customers.

Our key growth driver has been the government massive push towards financial inclusion through the Pradhan Mantri Jan Dhan Yojna. These Jan Dhan accounts shall be linked with Aadhar number of accountholder and will become a single point of contact for receipt of all direct benefit transfers from Central Government and State Government and local bodies.

On a regulatory front, I would like to highlight that the scope Direct Benefit Transfer has been expanded and it has been universalized to cover all central sector and centrally sponsored scheme where cash benefits are transferred to individual beneficiaries.

As par latest data available, the total Direct Benefit Transfer cumulative till date stood at Rs. 1.94 lakhs crores and for financial year 2017 - 2018 stood at Rs. 11,770 plus crores number of DBT transaction for financial year 2017 - 2018 stood at more than Rs. 15.07 plus crores.

Our company is at forefront to leverage this growth opportunity and have become the largest player in implementation of financial inclusion in India.

Today our company has evolved as a unique technology driven company focused on building India’s largest network of last-mile retail touch points to deliver real-time banking and ATM, insurance, e-governance, e-commerce, and logistics services to the unserved rural, underserved, rural and urban markets.

Our business model has evolved as aggregators, aggregator and emerge as one-stop convenience store for various kinds of products and services under one roof.

Recently we have added new tie-ups such as tie-up with Aditya Birla Health for health insurance; First Flight for courier booking and IRCTC for railway e-ticket bookings.

On the operational front, for the e-commerce vertical Amazon service rollout is well on track. We have been receiving fairly encouraging response from Amazon services. And the response during January sale period as well as the sale period last month was phenomenal.

With respect to bus ticket booking services, Redbus services are now activated across all our outlet, gold products booking is also activated across all outlets.

With respect to insurance services, life segment, LIC, HDFC Life, Bajaj Allianz are activated across all our outlets. Non-life segment, TATA AIG and Reliance General Insurance are activated across all our outlets. HDFC ERGO and CIGNA TTK are in the integrate stage. Also Jan Dhan Micro Insurance Policy are available across all our outlets.

With respect to logistic services, we had started the pilot for delivery and Aramex across 19 postal courses, post successful completion we have extended the same to new 39 postal course and successfully delivered (+2)lakhs packet till date.

Our strength strategic tie-up with Indian Oil Corporation Limited, India’s largest commercial enterprise gives us the opportunity to open Vakrangee Kendra Outlet at more at more than 20,000 IOCL Petrol Gas Stations. This gives us a clear competitive advantage in the market place. It provides us with the ready platform of more than 20,000 retail distribution outlets on a Pan-India basis.

Currently 135 plus outlets are operational and another 75 plus outlets are in go-live stage in the state of Maharashtra, Rajasthan, Uttar Pradesh, and other few states.

We were currently in process of doing multiple dealer road shows to get them onboard and we shall see good ramp-up traction over the next few months.

Commenting on our financial result for financial year 2016 - 2017, our revenues from operation increased by 25.4% on year-on basis to Rs. 4,000.4 crores. Our revenues from Vakrangee Kendra Business segment stood at Rs. 2,526.8 crores in financial year 2016 - 2017, registering a growth of 49.8% on year-on-year basis.

Our e-governance segment revenue has declined by 4% on year-on-year basis to Rs. 1,422.1 crores which is in-line with our strategy as we are purposefully shifting our focus from capital intensive e-governance segment to assess like Vakrangee Kendra retail outlet segment.

Our Vakrangee Kendra business segment now contributes 64% of overall revenues. Our EBITDA stood at Rs. 951.3 crores in financial year 2016 - 2017, registering a growth of 15.1% whereas profit after tax stood at Rs. 530.6 crores in 2016 - 2017 registering a growth of 34.5%.

The EBITDA margin for the Vakrangee Kendra outlet retail segment have been at 21.5%. We expect these margins to stabilize around 17% to 18% on a long-term basis as our commission sharing ratio with franchises changes based on milestone revenue targets.

Our profit after tax margins are at 13.3% as against 12.4% for the corresponding last year. Further our pre-tax operating free cash flows generation for financial year 2017 has been of Rs. 961.7 crores.

There is a positive operating leverage in our Vakrangee Kendra Retail segment as our expansion is mainly through franchise route with no major CAPEX. Economics of scope will further improve as new services are added leveraging the same technology driven platform.

With low incremental CAPEX and operating cost additions of more and more services and increasing transactions volume over a period of time will result in further positive operating leverage. Therefore, our incremental ROC is expected to further improve.

With this, I would like to hand over the floor for the question-and-answer session. Thank you very much.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Drashti Shah from Investec. Please go ahead.

Drashti Shah: My question is that could you tell me the break-up of revenues as to what is the banking revenue, e-commerce revenue, logistic, Aadhar, insurance, ticket booking, mobile recharge, and gold?

Ammeet Sabarwal: Drashti, so this information we are currently not sharing, it is not in public domain, so it would not be under our purview to share this information on this. Basically, we are sharing the information only on the two-segmental break-up which Vakrangee Kendra business and the e-governance business, which is already part of our Investor Presentation. So, if you see…

Drashti Shah: Okay. So, could you just give me the percentage like what would be the revenue from the banking, e-commerce, at least on a broader basis?

Ammeet Sabarwal: It would not be right on my part to share any non-public on a platform like this.

Drashti Shah: Not a problem, okay. My second question is that what is the time remaining for the contracts of the banks to get renewed for our Vakrangee Kendra's?

Ammeet Sabarwal: Yes. So, if you see basically any banking contact is basically for a period of basically, five plus two that is seven years, from the date of the operation of the outlet. So, if the outlet starts today than it is seven years from today. So, it is on rolling basis for each of the respective outlets on outlet basis with the respective bank.

Drashti Shah: Okay. So, for our matured outlets do we see any risk of renewal of contracts because banks might reduce the commission because banks have the bargaining power in our case. So, do we see any risk on that behalf?

Ammeet Sabarwal: No, we do not foresee any such risk, actually right now many banks are, more and more new banks are also approaching us to have a tie-up. So, I think so that would not be an issue and even if you see the ageing of our outlets, even our mature outlets, if you see 2015 there were only 12,000 outlets. So, even if I take 2015 March as a benchmark in 2022 is where those 12,000 outlets come up for renewals.

Drashti Shah: Okay. So, in the short-term at least we do not have any such risks….

Ammeet Sabarwal: No. So, we do not foresee any such risk and actually the situation is opposite actually more and more new banks are coming up and more and more banks are approaching us to have a tie-up with us.

Drashti Shah: So, the new banks which are approaching us added, could you just share with me that are they the private ones or the public-sector banks?

Dinesh Nandwana: Definitely private banks.

Ammeet Sabarwal: Private banks.

Drashti Shah: Private banks because till now we have no alignment with any private banks. So, the new ones we would see private banks joining hands

Dinesh Nandwana: Now, they have start approaching us.

Moderator: Thank you. The next question is from the line of Shaleen Kumar from UBS. Please go ahead.

Shaleen Kumar: Can you just update about the Amazon, how many centers do we have now Amazon present providing products?

Ammeet Sabarwal: Basically, as far as number of outlets are concerned, everything is online. But as far as we are having the agreement with the Amazon, we cannot share the exact figure of the how much outlets we are having.

Shaleen Kumar: But sir, the quantum like we discuss like because we were having somewhere around 1,000….

Ammeet Sabarwal: No, it is currently more than 2,000.

Shaleen Kumar: Okay. Yes, okay. So, it is more than 2,000 centers we have. And sir, Ammeet, can you provide some more light on e-commerce vertical. I understand you cannot share the revenue but how it is growing your something more on that?

Ammeet Sabarwal: So, if you see Shaleen, basically lot of more and more new services or new tie-ups are actually happening in the e-commerce segment. So, if you see, our e-commerce initially started only with mobile recharge and DTH recharge as a service then we actually added Redbus, then we added Amazon which is more B2C, so it is business-to-consumer services, then we added gold product. So, we are also now offering gold products from our outlets. In addition to that, recently we did the railway ticket offering also which would be part of the outlet. And in this, we are also contemplating few more services going forward one of them which we are currently thinking about or discussing is B2B e-commerce. So, currently, Amazon is a pure B2C portal, so we are not allowed to do a bulk ordering or a wholesale purchase. But we are also planning to have a B2B tie-up. So, we are currently in talks with few of the vendors including Amazon. But it is too early for me to comment anything but that is another one more services that we are looking at the overall picture. So, if you see e-commerce is the one where major growth is coming from. If you see verticals, across verticals, I would say government and banking services verticals are more stable services whereas the growth is actually coming e-commerce and insurance and logistics these are the verticals where the major growth is coming from.

Shaleen Kumar: Ammeet, can you give some more information about how the product e-commerce has grown in this quarter vis-à-vis year-on-year and how the services e-commerce has grown? Only the growth I am looking for, for the product and the services.

Ammeet Sabarwal: So, e-commerce as a segment is growing is growing at more than around 12% to 15%.

Shaleen Kumar: Okay. And how is the contribution from product and services in this?

Ammeet Sabarwal: It is mainly coming from the product side.

Shaleen Kumar: Mainly coming from the product side. But services are not growing….

Ammeet Sabarwal: See, the services are basically mobile recharge, DTH recharge, and bus ticket booking, so these are already the services recharge which are already there at our outlet.

Shaleen Kumar: But they must be growing very strong given that Jio penetration and…

Ammeet Sabarwal: Yes. But those services are already in place, so we do not get a huge chunk in terms of volume. So, volume is already there. So, basically, we get the chunk is basically in the value. If there is a improvement in the value. Whereas, the product is a completely new thing, so for example, wherever Amazon gets activated even if we are supposing, we are giving you as a thumb rule, if we are getting just 15 - 20 orders a day with a ticket size of say Rs. 500, it is a 10,000 of GMV per day. If we do that for a month it is Rs. 3 lakhs of GMV**.** And even if we get a 5% to 6% commission it is almost Rs. 15,000 to Rs. 18,000 of additional revenue to the outlet.

Shaleen Kumar: Okay, got you. Thanks. And some update on IOCL outlets, so we have 135 outlets.

Dinesh Nandwana: 135 are already operational another 75 outlets are in final stages, so they are going live

Shaleen Kumar: Right. But given that we have like what kind of outlet we are looking in next four years - five years in IOCL and any guidance on that given that they have somewhere around 20,000 outlets?

Dinesh Nandwana: So, we foresee that the major expansion is going to take this in the next two years to three years.

Shaleen Kumar: Any guidance on that what kind of outlets you will see over the next two years to three years on IOCL?

Dinesh Nandwana: There are more than 25,000 outlets are total as far as total number is concerned. So, we are targeting (+20,000) outlets.

Shaleen Kumar: So, basically the long-term target of 75,000 outlets, we can expect 20,000 outlets to come from IOCL?

Ammeet Sabarwal: IOCL.

Dinesh Nandwana: Contribution from IOCL could be around 20,000 outlets, you are right.

Shaleen Kumar: Right, fair to assume, okay.

Moderator: Thank you. The next question is from the line of Balthazar Florentin Lee from Sloane Robinson. Please go ahead.

Balthazar Florentin Lee: I wanted to ask two big picture questions, what sort of like-to-like growth are you seeing within your mature Kendra outlets? And then, secondly, regarding capital allocation, were your debt paid-off? And with such a cash generative business and CAPEX and working capital needs the planning, as you exit the e-governance space, what are your priorities for allocating this capital, it seems your expansion plant that you have may be a maximum trailing facility for new outlets of perhaps 15,000, is this one aspect that you are planning to address with the extra cash flows?

Ammeet Sabarwal: Okay. Balthazar, this is Ammeet, this side. So, if you see basically in terms of growth we would say my same-store sales growth on apple-to-apple comparison would be 7% to 8% and if you see because of addition of new services as we said the verticals like e-commerce or logistics or insurance, wherever they are getting activated they are driving the same-store sales growth to around 12% to 15% because of the addition of new services. So, if we see the vertical-by-vertical break-up we would say that e-governance for banking services are more stable like services they are growing at around 6% - 7% whereas the new verticals like e-commerce, insurance and logistics they are growing at around 12% to 15%. On a blended basis, we are getting a growth of around say 8% to 9%. With respect to the capital allocation, if you see we had come out with the dividend payout policy two years back, so we started in 2016 when we paid 20% of our consolidated profits. In current year, we have now paid 24% of our consolidated profits. So, till now the main idea was to use the cash flows to repay the debt. So, we think so, we have used our cash flows, we have repaid the entire long-term as well as short-term debt. Here onwards, current year onwards, with respect to the capital allocation, we think so we are open to idea of whether increasing the payout policy or doing a buyback or anything. But nothing concentrate has been decided. We think so, we will have a proper meeting with all our existing shareholders, all key shareholders and decided accordingly what is best for the company with respect to what is our capital requirement. Our capital requirement is very simple. So, our per outlet requirement is around Rs. 20,000, so if we are going to open a 15,000 outlet it is basically around Rs. 300 million of CAPEX. Plus rest some CAPEX for the training facility as told you but that is again, that is not a very big number it is a very small number in compared to the overall big picture what we are seeing. So, we think we are open to idea of whether it is increasing the payout policy or whether doing a buyback or can keep a ratio of everything. But we think that would be decided in the later part of this year.

Moderator: Thank you. The next question is from the line of Ian Smith from AXA. Please go ahead.

Ian Smith: I just wanted to kind of get a bit more in to the balance sheet over the last six months. So, clearly the net cash or net debt, cash position is proved very dramatically and just looking at where assets are being crystallized and get accounting for that with respect to what has been managing the U. P. state elections and other e-governance contracts as it went down. What was surprising is actually inventory and trade receivables have early declined, it is really the fixed asset and other current assets sorry, I think other current assets sort of decline quite remarkably. So, could you just take us through how the balance sheet has moved with respect to these things have been going on in your e-governance business and then going forward, would we expect a lot more cash to come through for example in trade receivables if we have got states that still have amount due to you in respect of these states elections?

Ammeet Sabarwal: Yes, Ian, this is Ammeet this side. So, if you see Ian basically, if you see receivable, you are seeing it in absolute number. But if you see in terms of number of days we have seen a significant improvement in last six months. But in overall, if you see even if you compare last two years, we have seen a significant improvement. So, even if we see my March 2015 receivable it was almost Rs. 12 billion. My March 2016 receivable number was somewhere around Rs. 8.5 billion, and current March also I am ending at around Rs. 8 billion to Rs. 8.5 billion. Whereas, if you see my sales my sales was Rs. 26 billion to Rs. 32 billion today to Rs. 40 billion. So, our sales have grown by almost more than 50% - 55%, whereas my receivables have actually come down in absolute terms by almost 33%. So, if you see in number of days, we have seen a significant improvement in terms of my receivables. And this is the trend that is going to continue because as we have explained that our receivable cycle for Kendra business is anywhere 50 days to 65 days whereas the receivable cycle for my legacy business use to be more than 100 plus days - 120 days. So, as that business is coming down the receivable number of days will keep on coming down and it will settle somewhere around 60 days - 65 days. In terms of inventory, you are absolutely, right, as my legacy business will keep on coming down, you will also see the inventory numbers coming off and this will also get converted into basically my cash balance as what you are seeing. So, we think so, we will get the benefit over the next few quarters when you will see that as my legacy business keeps on coming down my receivable in terms of, you have to see my relievable in terms of number of days because my outlet business is growing very fast. Our outlet business is growing by almost 50%. So, there is also some amount of receivable also in that business. So, if you see in terms of number of days we have seen a significant improvement. Inventory definitely, we will keep on coming down over the next few quarter and will keep coming off from the legacy business.

Balthazar Florentin Lee: Yes, I can see that the receivable days would have improved dramatically but over the last 12 months have gone down from about Rs. 8.5 billion to Rs. 8.2 billion…

Ammeet Sabarwal: Whereas my sales have gone up from Rs. 32 billion to Rs. 40 billion.

Balthazar Florentin Lee: But the fixed assets have declined from Rs. 1.3 billion to s 0.3 billion and other current assets have declined by $1 billion. So, the decline over the last 12 months have been very market versus the others in those two categories why would that be?

Ammeet Sabarwal: Because if you see in other current asset it was basically a lot of advances were given primary for the government projects. So, as those government projects are getting completed that advance is now coming off from that side. So, that was the advances that was given primarily for some of the government project like e-Governance projects and other things.

Balthazar Florentin Lee: Okay. So, almost quasi receivables.

Ammeet Sabarwal: Yes. So, you can see that also coming off. If you see our loans and advances specifically, so my loans and advances have significantly come off from that perspective.

Balthazar Florentin Lee: And fixed assets why did they decline so much?

Ammeet Sabarwal: Fixed assets, as you see that there is no incremental major CAPEX, my depreciation itself has reduced to half. So, if you see my depreciation itself was almost Rs. 169 crores - Rs. 170 crores this year it is almost Rs. 80 crores then next year when we do further depreciation, we do not think so there should be any major asset left. It would be a very small minute number because my incremental CAPEX business is only Rs. 30 crores to Rs. 40 crores a year.

Balthazar Florentin Lee: So, negligible depreciation cost going forward.

Ammeet Sabarwal: Yes.

Balthazar Florentin Lee: Okay. And just in terms of receivables, sorry last portion of the question. Would we expect to see a lot of receivables or other current assets being paid down over the next one or two quarters as given that we have had some lumpy business done by you recently in the e-governance business?

Ammeet Sabarwal: So, yes, both receivable as well as other current assets are expected to be coming down, so it is going to be taper off. We can say that. We would not like to make any forward-making statements but we can say that trend is going down.

Balthazar Florentin Lee: Okay. And as you say you will make any kind of assessment on capital management and disclose that later in the year?

Ammeet Sabarwal: Yes. So, with respect to capital allocation. As we have said that we would like to do a proper road show with all our key existing shareholders, gets everyone advise and according earning decide the proper capital allocation policy.

Moderator: Thank you. The next question is a follow-up from the line of Shaleen Kumar from UBS. Please go ahead.

Shaleen Kumar: Ammeet, can you just tell me what is this inventory for? What is the nature of this inventory?

Ammeet Sabarwal: So, inventory, see basically inventory is with respect to our business segment. So, one is the Vakrangee Kendra business also, one is the legacy business also. So, Kendra business we basically supplly the kits to the franchise, so the franchise has the option either you can buy the kit from the open market or you can buy the kit from us. So, one is the inventory that is for the kits that we hold. Second, inventory that we have is basically for example for the legacy projects, just to give you one example is like the election commission, so whatever electoral rules we prepare for any of the upcoming election that is electoral rules book let is a finished good to us. So, we sell that to the election commission. So, those are the finished goods which is their typically in our inventory. So, it is mix of those kind of things in our inventory.

Shaleen Kumar: Okay. So, when hatever the equipment you provide in the centers, so what do you get in return from them?

Ammeet Sabarwal: No, we sell it, it is a buy and sell model, right, so they have to pay like say Rs. 2 lakhs for a one proper kit. So, in that it will include the laptop, VSAT, power backup generator, a printer, and a safe box.

Shaleen Kumar: Okay. So, basically you are saying this is the unsold product which is right now with you?

Dinesh Nandwana: It is sold but not certified. Whatever suppose we have already delivered to the government say for example in the property registration project we have already did the property registration., we have already but say for example there is a pending of the certificate. Whenever only when we receive the certificate then only we can raise the bill. So, till that period there is a work in process, so that work in progress is a part of the inventory basically.

Shaleen Kumar: Right. So, that is like your e-governance thing. So, what about the Kendra, I think you were talking about the Kendra thing.

Ammeet Sabarwal: So, Kendra, Shaleen, basically if we are going to expand say 15,000 to 20,000 centers in a year at any point of time, we need to have say 3,000 kits to 5,000 kits readily available. That is the thing that we need to keep it ready because my expansion cannot be compromised because of that.

Shaleen Kumar: Okay. So, these are basically that is what these are basically the kits which you will be selling to your centers?

Ammeet Sabarwal: Yes, because 70% - 80% of my franchise typically buy from me. Because they get a better pricing.

Shaleen Kumar: Right. Got you and this trade receivables what is the nature, this trade receivables is pertaining to your e-governance project or how much proportion is towards e-governance project?

Ammeet Sabarwal: Typically, if you see my e-governance project, my receivable cycle is anywhere between 100 days to 120 days whereas the receivable cycle for my outlet business Kendra business is anywhere between 50 days to 65 days.

Shaleen Kumar: Okay. But why your 50 days to 60 days such a long cycle for your Kendra?

Ammeet Sabarwal: Because in Kendra business we build the respect partners. So, for example, we raise the bill on the bank, we raise for example in Amazon there is a bi-monthly billing, so accordingly for every respective partner we need to raise the bill and accordingly we get the payment.

Shaleen Kumar: Okay. So, it is a bi-monthly kind of a billing for you?

Ammeet Sabarwal: Different for different partners, different-different segments, ranging anywhere 15 days to 60 days.

Moderator: Thank you. The next question is from the line of Ankit Kohli from Pure Research. Please go ahead.

Ankit Kohli: I just wanted to check if you have any guidance around top-line, bottom-line for the next year or next two years to three years as a whole? I know you have already shared some guidance around the EBITDA margins, but anything on the top-line or bottom-line if you would like to share something.

Dinesh Nandwana: Yes. Ankit, so basically if you see we do not give any annual guidance but we have given a long-term guidance basically for 2020, so which is a proper public document from our side. So, if you see our 2020 target is to reach $2 billion of top-line with a minimal EBITDA of around 17% to 18% and around 10% to 11% of profit after tax.

Ankit Kohli: Okay, all right. And you feel that we are on track for that?

Dinesh Nandwana: Yes. Definitely we are on track for that.

Ankit Kohli: Okay. And anything which you feel could pose a risk based on what you know right now.

Dinesh Nandwana: We would not say risk but there are always challenges there are challenges of training my franchises, so reaching to such a large scale and training so many franchise at any point of time is a key challenging task. But we think so that is where your execution plays out. So, we are confident with our model with our processes in place. So, we think so we are on track to achieve our Vision 2020 target.

Ankit Kohli: Okay. And just to confirm you are saying 2 billion by 2020, right?

Dinesh Nandwana: Yes.

Moderator: Thank you. The next question is from the line of Anand Narayan from Credit Suisse. Please go ahead.

Anand Narayan: Ammeet, just one question from me. Firstly, if I look at your revenue per Kendra, it slipped from about Rs. 8.5 lakhs last year to about Rs. 7 odd lakhs this year which I think understandable given that your incremental Kendras would probably not be at steady state. But then, when I look at your 2020, assuming like close to about Rs. 16 lakhs - Rs. 17 lakhs of revenue per Kendra. I would think that as you get deeper into the country the potential revenue from each Kendra will actually be lower and then you will obviously have new service lines that add to that number. But the Rs. 7 lakhs going to Rs. 17 lakhs seem to be a fairly big jump. Are you confident of that happening and then what will be the big drivers there?

Ammeet Sabarwal: So, Anand, basically what is happening is first is thing is that when we are going to the new territories it is not that we are not that we are going in the same territory but in the internal part. But actually, we are going to new state, new geographies, and if you see outlets like IOCL outlets are more like an urban outlets, so they are comparable to my urban outlet rather than to a rural outlet. So, we think so, the number of outlets is more with respect to the urban as compared to the rural. Till now, if you see my rural outlet was more in the first two years to three years where as urban outlet were much lesser. My urban outlets have only started picking up in the last 18 months to 24 months. And if we do my typical urban outlet, my urban outlet does anywhere between around Rs. 1.5 lakhs to Rs. 1,60,000 on a monthly basis on a mature steady state. If you compare my outlets right now because what has happened in the last three months we have added 6,000 outlets. So, from 29,000 outlets in December we are today at (+35,200) outlets. So, comparing that number will not be giving you the right picture. What we can say is that you can do an aging on a quarterly basis which is there in public domain my number of outlets on a quarterly basis and we can give them kind of weightage, it takes four quarters basically to mature. So, you can give accordingly weightage and the numbers you can get will be much more in line with respect to our 2020 targets because we are tracking them on an every month-on-month basis rather than we would say quarter-on-quarter basis.

Anand Narayan: Sure, I understood, Ammeet. So, you are basically that the Rs. 17 lakh number is achievable number for 2020?

Ammeet Sabarwal: Yes. Because my urban outlets are actually doing more than that also in some of the states, so it depends upon location-to-location, and as we are expanding into newer states, expanding in the IOCL network, we feel the number for these outlets would be more towards urban outlets rather than towards the rural outlet.

Anand Narayan: Okay. And just final question on this. So, that 75,000 outlets target that you have is roughly 50,000 outlets rural and 25,000 outlets urban, right? So, similarly, what would be the corresponding numbers that we should think about when we look at this average revenue of Rs. 17 lakh per Kendra for urban separately and rural separately?

Ammeet Sabarwal: So, if you see urban is always in the range of Rs. 1.5 lakh to Rs. 2 lakh a month and rural is anywhere Rs. 60,000 to Rs. 80,000 a month depending upon location to location. So, if I take that as a basic starting math and if we do a basic 7% to 8% of same-store sales growth, we would be able to achieve that number.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Manish Modi for closing comments.

Manish Modi: Thank you, everyone for taking time out and many thanks to the management team for giving us this opportunity. Have a good day everyone. Thank you.

Dinesh Nandwana: Thank you.

Ammeet Sabarwal: Thank you, everyone.

Moderator: Thank you. On behalf of Maybank Kim Eng, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.