



“Infibeam Incorporation Limited Q2 FY2018
Earnings Conference Call”

November 15, 2017



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Moderator: Ladies and gentlemen, good day and welcome to the Infibeam Incorporation Limited Q2 FY2018 Earnings Conference Call hosted by KR Choksey Shares and Securities Private 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pritesh Thakkar from KR Choksey Shares and Securities Private Limited. Thank you and over to you Sir!

Pritesh Thakkar: On behalf of KRChoksey Shares and Securities Private Limited, I take immense pleasure today in having with us here Mr. Vishal Mehta, Managing Director and Mr. Hiren Padhya, Chief Financial Officer, who are here today to discuss with us company’s performance Q2 FY2018. Let me hand over the floor to the honoured guests from the company. Over to you Sir!

Vishal Mehta: Thank you, Pritesh. Good afternoon to everybody. On behalf of the management of Infibeam Corporation Limited, I would like to give you a warm welcome to our Q2 and first half of FY2018 earnings call. We are very happy to announce that we have resumed our operation from our newly setup registered incorporate office at GIFT City located in Gandhinagar.

On November 14, 2017 our board of directors adopted the results for the first quarter FY2018 the results have been uploaded along with the press release and the earnings presentation on the Stock Exchange and also on our website. I trust you all had a chance to go through the same.

On slide #3, I would walk you through the agenda for today. We will be talking about the Q2 FY2018 numbers and highlights. I will talk about the Infibeam business model and evolution, Hiren will walk you through the financial performance for the quarter and finally I will walk you through the business developments and the value creation that we have created so far.

On slide #5, let me begin by quickly providing some key financial and business highlights. Consolidated revenues have grown 76% to Rs. 201 Crores in Q2 of FY2018. We saw a significant increase mainly due to Infibeam Web Services. Infibeam Web Services revenue grew 264% Y-o-Y which continues to maintain a very high growth momentum. Growth in our web services service revenue can be attributed to a very complimentary transformation of subscription revenue being complimented by transaction revenue in this particular segment. We will discuss about this transformation in a short while.

In Q2 FY2018, it marks the beginning of the shopping season, which is also a contributing factor to the growth in web services and as well in our retail segment. Our strong focus on cost optimization



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including operational leverage and strong growth in the revenue has led to an increase in both EBITDA and PAT by 90% and 168% Y-o-Y respectively.

I will walk you through the main business highlights, which will give you some idea in terms of scale of our operation. Infibeam had provided a platform to many, many large and small merchants and the number of transactions process on our platform as well as the addition of merchants has led to a stronger and stronger performance by the quarter. The total numbers of transactions processed on the platform where we earn commission in Q2 of FY2018 were 26.6 million. The total value of payment that is processed during the Q2 of FY2018 was Rs. 4579 Crores. The number of merchants also saw an increase Y-o-Y by 34% and we are very excited to share with you that we have moved to our new office in GIFT City in Gandhinagar.

It is spread across nearly half a million square feet of area. This location houses all our data infrastructure and we will be actively managing all our merchants from this particular location. We are also very happy to announce that we have added Adani Wilmar to our group and merchants to our portfolio. To give you some reference Adani is the JV Company of Adani group a very large Indian conglomerate, which had operations in India and abroad. We have tied up with Adani Wilmar to maintain their online omni-channel ecommerce platform, "Fortune Online" with integrated logistics.

We are also very happy to announce that we have engaged on the Government eMarketplace project and I will talk to you a little bit more in detail about what Government eMarketplace project is. The team is currently working on the systems. It is already live and we will start seeing more and more transactions flow through that system in subsequent quarters.

Since we have began work on Government eMarketplace, which is meant for central government procurement, we have seen that above 15 states have already signed up for procuring through the GeM port. GeM was built on the promise to bring transparency and the central government has set up a GeM website when all the statistic in terms of merchant suppliers as well as transaction value is published on the URL, gem.gov.in. We have created shareholder value in the process while we are obsessed on our customers and merchants, we track how the performance goes and they are happy to give the performance where we have been able to deliver so far which has translated into shareholder value.

Slide #6 operational snapshot, this slide is mainly a numerical summary of the headlines P&L numbers and operating matrix that we have already discussed in the previous slide. I would like to highlight on the product and services segment, the margins on the slides are provided. We continue to earn positive growth margin without burning cash from our product market based business. Our growth margins have improved to 4%. This is due to continue efficiency we are building in our operation with also our focus on the supply chain of the product base. With the introduction of GST,



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we believe it will continue helping us in terms of the gross margin profits. The services segment continues to maintain very strong margin, our margins on web services segmental are 38%. Apart from strong operating margin in this segment we also see very strong profitability as well as for Infibeam to continue growing in this segment. We will discuss this at length as we go forward.

Next slide, I would like to walk you through the business segments in our revenue market. Let me actually spend a few minutes to brief you about Infibeam so that the new people on the call have more understanding of our business model and then I will walk you through the transformation and the additions that we have made to be able to continue propelling growth in this segment.

Infibeam operates a business model vis-à-vis product platform infibeam.com and services platform, which is contributed to the Infibeam Web Services. The product platform on Infibeam platform is a market place, where merchants sell products directly to consumer as well as in some cases Infibeam processes the order by delivering it to customers. We earn revenue by selling products as it is typically done by online marketplaces; however, our focus and strategy is to focus on the supply chain distribution of the product tail or brand. When I talk about product tail it is the product, which has very low velocity. You see for every brand you have a portfolio of products and certain products contribute majority of your revenue. But you will always see a segment of products that are not big contributor of revenue.

And here the margins for the product tail are slightly higher compared to the very high velocity, low margin demand head. To walk you through an example, a new phone like an iPhone X or an iPhone 8 will have much larger take rate in velocity. But when you talk about the earlier model of a particular phone that you will not have such a large take rate and the company focuses on trying to go and establish a beachhead by telling in the product tail.

Product business now contributes to less than 40% of the overall revenue; this was earlier 70% last year. If you see consciously the company has focused on building out the Infibeam Web Services portfolio. In terms of the services segment, which we call Infibeam Web Services, we offer end-to-end cloud-based e-commerce technology solutions to merchants, so that they can drive consumption online for their products and services. This is offered through our flagship platform where merchants can setup their shop in few minutes. We have integrated the platform with payments with logistics with other value-added services to drive demands so that we become a one-stop solution to many of our clients.

We earn through platform subscription and also through transactions process on the platform. As we have more and more assortment in merchant and as e-commerce continues to growth in this country, their subscription as well as the transaction value will contribute more towards that is generating



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revenue for us. Our strategy in Infibeam Web Services is to focus on growing the merchant base and increasing the processing value that goes through us both in India and International.

We offer payment solutions through our fully owned subsidiary CCAvenue. The integration of platform payments and logistic along with other value-added services like the .OOO domain registry as well as demand generation in GeM site will enable Infibeam to perhaps have a dominant position in this particular crowded marketplace. This combination will help the company to engage a merchant through multiple hooks, hence driving consumption as well. If we were to use an analogy, we can compare with this bank and financial institutions which offer multiple services other than just CASA which is current account, savings account, like home personal loan, Demat, debit cards, credit cards, wealth solution and other services which become multiple hooks to scale revenue from a single customer. So finally with the combination of government contract a large brand and retail focus, value-added services coupled with payment gateway solution and logistics will make Infibeam a one-stop end-to-end e-commerce solution provider with a highly fragmented services industry in India.

I will move to slide#9 and I want to talk about the transformation that we have made in the last 10 years. In this journey Infibeam has evolved from being a marketplace to mature Technology Company, focused on offering cloud-based full-suite e-commerce platform, the small basic businesses, SMEs, large enterprises as well as recently government organizations, we have scaled our business from being India focused to global. We have developed multiple languages capability, multiple currency support, multiple logistics company integration as well as many other capabilities to power e-commerce across the globe. Over the years we have transformed and evolved our business to strengthen and sharpen our platform business. We power merchants for doing business online with our strong platform. We have enriched this platform by integrating payments through the merger of CCAvenue, a market leader in digital solution. The company has a strong logistic solution platform Shipdroid to manage logistics for e-commerce industry player while today it is not revenue generating but we expect to make it revenue generating in coming quarters. Furthermore, the company has forward invested in many of the other initiatives. In logistics we will plan to expand additional 75 centres within the next few quarter at an estimated cost of Rs. 37.5 Crores. We will also setup a top-level domain .OOO. While we have operationalized this, we will plan to grow it to the next phase and I will talk about our next targets and what we would like to achieve out of it in subsequent slides.

We do believe that .OOO top-level domain registry is a significant competitive advantage in our acquisition of merchant strategy. We intend to leverage the .OOO domain registry to attract additional merchants to our platforms, which we believe is a very cost effective merchant acquisition strategy. We will also be operationalizing our advertising framework with many to the merchants utilizing our infrastructure and with an eco-system being provided. We believe that more merchants utilizing the framework over a time will essentially allow them to generate additional demand.



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In order to provide location-based services in terms of driving demands, it can be accentuated by using it in smart phone and other portable and connected devices, we believe that we can follow a similar trajectory in this industry which is very, very high margin opportunity. We have spend in fortifying ourselves by building the e-technology understanding and developing a full suite of high-end technology platform in e-commerce enablement space that which we can provide to global markets. This transformation I think has to establish relationship with many clients which is also includes the Indian Government for whom we are empowering the procurement marketplace at all India level.

I would like to move to slide #10, which is the revenue, slide and I would like to walk you through how our revenue model is. With the growth of web services, our revenue model has also transformed not just on a subscription-based earning but also through improved transaction-based earnings, which helps scale our revenue significantly from growing e-commerce market in India. Transactions processed on our platforms offered to merchant through Avenue as a payment gateway and our focus will be to continuously increase the footprint. We will detail this out in subsequent slides and give you a perspective of the opportunity we are targeting to the revenue transformation based on earnings from every transactions.

I would like you to go through slide #11, as you can see apart from our existing Build a Bazaar and payment platform provided to merchant, there is a very large opportunity in terms of earnings from every transaction from this marquee product where Infibeam and Avenue's frameworks are present. It is estimated that the procurement in government e-Marketplace, which Infibeam is powering with other consortium partner, can be a significant game changer in terms of the number of transactions that happen in the digital format. It is estimated that procurements from GeM can be as high as hundred billion dollars a year for the central government. No marketplace in India is as big an opportunity in the next coming years as GeM. No.2, that Bharat bill pay is a very large opportunity for payments. Bharat Bill Pay is a service which we call BBPS, which allows utility payments to happen through agents and online.

CCAvenue did not have a significant presence in utility payments. So far the payments were given to merchants and this is the first time that the company will open up its doors for the utility payments. These are mega opportunities that Infibeam is envisioning and working up as we speak. I would like now our CFO Mr. Hiren Padhya to walk you through the Q2 financial performance.

Hiren Padhya:

Good afternoon, I will just go through the financial performance. The slide#13 basically gives the summary of profit and loss account and balance sheet. Headline numbers in P&L has shown an excellent performance and if you see by showing this number, it really signifies strong positive cash flow generation in our business, which is a result of our strategy to increase the profitability without burning cash. Detail I think will cover in the next slide.



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Next slide is #14. This gives the consolidated financial performance. If you see the first table consolidated Q2 FY2018 revenue grew by 76% Y-o-Y to Rs.2016 million, the increase in revenue was driven by robust growth in IWS that is Infibeam Web Services. Infibeam Web Services contributes 61% in Q2 FY2018 compared to 29% in Q2 FY2017. We will try for similar performance going forward from the transformation model that we have built in our revenue and by engaging our customers through multiple hooks as discussed by our MD earlier.

The consolidated EBTIDA of company for Q2 FY2018 grew by 90% Y-o-Y to Rs.404 million headed by strong growth in service segment. We have managed to improve our consolidated EBTIDA margin despite the festive season where discounts were generously offered. This can be attributed to our improvement in EBITDA in the marketplace segment. In fact for the first time we have realized positive EBTIDA in our product segment which is mainly due to cost optimization efforts and some benefits on the back of GST improving our logistic cost also.

In the chart below, I would like to focus on profitability and hence sustainability. The PBT of company has grown by 110% to Rs.286 million in Q2FY2018 from Rs.136 million in Q2 FY2017. Strong momentum in service segment, better margin from global business and a portion of repayment of debts during the current financial year has reduced the interest outflow, which is ultimately contributing to improvement in PBT which is 14% in Q2 FY2018 from 12% in Q2 FY2017.

Lastly the net income or PAT of the company have grown by 76% Y-o-Y to 415 million with the conscious efforts and tactful strategy of the management not only have we been profitable at PAT level but at the same time we are also growing our profits and generating positive cash flows. In such target and segmented e-commerce space. This clearly shows the robustness of our business model and this successful strategy that we have been applying in our business. Lastly, the EPS of company has increased by 132% Y-o-Y to Rs.35, we will always try to increase the wealth of shareholders.

Now we will move to the next slide, which are key segmental highlights. The product segment revenue was Rs.794 million. In such a crowded e-commerce space where most of the companies are burning cash, our product EBITDA as a percentage of revenue is positive 0.02%, this is first time we have recorded positive EBITDA. It has only improved over the year. Our strategy on working towards the product tail of the spectrum which helps us earn better margins, makes a positive at the gross level and with cost optimization measures, we have improved our profitability in the otherwise extremely difficult to earn money market industry in India. The service segment revenue increased by 264% Y-o-Y to Rs.1223 million especially on account of the large transaction volume processed on our platform and addition of new merchants.

The strategy of the management in driving Infibeam Web Service business along with the integration of payment business which will further increase both the sustainability and profitability of the



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business. Our Infibeam Web Service portfolio was like a distribution checkout from our engine, which has enabled us to mark global footprint in Middle East and North America without losing money to acquire merchant. As we scale further and expand into geographies that help us earn better revenues per customer. We will achieve better operational leverage and be able to further improve our Infibeam Web Service EBITDA margin as well as overall EBITDA margins.

I would like to conclude with following two things. The integration of payment arm CCAvenue, GeM contract win and soon-to-be-launched Bharat Bill Pay. This presents a huge opportunity for Infibeam to scale its revenue significantly. We believe the operative indicator that is number of transactions processed and transaction value, which is our platform and payment business. All these speak a lot about our performances and potential it has to benefit us in the long run and as digitization increases in India Infibeam should be able to be at the forefront in this rally. Now I would like to hand over to Vishal, he will discuss further agenda in terms of business development.

Vishal Mehta:

Thank you Hiren. Now I would like to walk you through slide #17, which is around the new development in Q2 FY2018. You see the company has always been providing large technology solution to enterprises and for the first time, we added also a significant focus towards B2G, which is business to government as a customer segment. When I talk about B2G I talk about Government e-Marketplace. Government e-Marketplace is a large initiative where by all central government procurement is expected to go online. If you go to the portal called gem.gov.in some of your tags in terms what is happening on the market place are routinely updated. Government e-Marketplace has already had sign ups from 15 States which will also start procurement on GeM. If you see the latest tags that are published on gem.gov.in, you will notice that there are 40,000 sellers with nearly 2.5 lakh products over more than 950 product categories with more than 1.2 lakh orders that have already been placed and total transaction of more than Rs. 2000 Crores. We think that the total size of this opportunity is significantly large. One that allows us to tap in queue a very large opportunity with the government. Of course there is a lot of execution involved; in the second quarter we have not reported earnings out of GeM. We will be in the subsequent quarter.

Second, CCAvenue offers more than 240 plus payment provider options in India. It is very important to know that for any merchant if they want to sign up with the payment aggregator rather than integrating separately with each of these different payment providers though it be wallets or though it be banks that this is a single-stop shop where one can integrate and with the soon-to-be-launched Bharat Bill Pay framework this will strengthening the position in payment across products and services transacted on our platform.

We are also very happy to announce that we have executed an agreement with Wilmar to develop, integrate, and maintain their e-commerce and omni-platform with integrated logistics. Fortune online will be an e-commerce enabled retail marketplace, which will allow customers to select and purchase



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the certain brand products by using this application with delivery available. In terms of other update in the beginning I mentioned and we are again very excited that we have moved our registered and corporate offices to GIFT City to provide necessarily operational efficiencies and other benefits. This will allow Infibeam to scale its business to the next three years without requirements for additional capacity.

I will go to slide #18 and here I would like cover a little bit more about CCAvenue. CCAvenue is the payment aggregator. It is one of the largest direct debit card engine, CCAvenue powers more than 80% of the pay e-commerce merchant. The payment platform has ability to process across 27 international currency and it has got all the new age mobile payment like IMPS, EMI and all is integrated. Payments is at the most interesting and exciting times in our industry where most payment are going digital with a resolve to make India a cashless economy. It bodes very well for digital payment along with an amplified growth in the e-commerce industry and hence the platform maintenance becomes a very interesting combination. If you look at the Bharat Bill Pay opportunity itself it estimated to be as big as would be Rs. 9 Crore a year or 15 million USD.

I would like to walk you through a couple of slides on how platforms and payments have come together to be able to enable additional transactions and generate more revenue for the company. While the company is providing the platform and framework to many of the retailer when integrated with payment one can get very innovative solution with a multi-language, multi-currency with aesthetics, intuitiveness, customization as well as integration across other marketplaces.

Avenues have started providing the payment framework along with corporate to many of the hotels. While the hotels will be able to sell across multiple market places, they can also have their own implementation with the a very easy checkout and payment solution. It can also accept multi-currency across 27 different currencies. Similarly the same framework with software and payment is also provided to events. When we talk about events it is about marathon. It is about conferences. Wherever there is a fee-based structure, the company has already opened up a framework for educational institutions to be able to use the software along with payments whereas the student's fee could also be collected using our infrastructure. So it is very complimentary and in fact payment becomes a very important growth driver and most transactions gets processed on the platform. And with the platform and payments, the stickiness also becomes very high.

I want to spend time on slide #21 about multiple-currencies, this becomes very important, the fact that anyone can actually go and make a payment using the same payment engine across multiple currencies which is somewhat recognized becomes a very critical part in the growth of cross-border e-commerce. You see in the past that a customer would actually send money through the friends and family in India who would buy a product online. So rather than having a two-step process that one can actually reduce the hassle and make a direct payment as well at the most competitive rate. Our



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investment in RemitGuru, which is a remittance engine, has also worked out in the sense that the same backend has been used by many of the banks as a trusted partner for remittances.

I am going to cover slide #22, which is the very transformative opportunity of GeM. Government e-Marketplace is potential the largest market place in India. In fact the entire e-commerce industry in India would not even be half the size of the potential this holds. This is a huge opportunity for us and places us at as a top e-commerce provider of the country. We will provide the e-commerce engine including content management, machine learning, ordering, checkout, logistics, and payment integration. It is a marketplace for central and state government and all the departments who are authorized to make procurement using GeM as a product. Not only to the central government but more than 15 states have signed to procure through GeM. The latest Ad on that has already been reflected on the government side. Infibeam has an opportunity to earn out of every product transacted in GeM. Similarly we continue to develop products for big large brands including Wilmar and tens of thousands of merchants of all sizes. What is common across all is that all the merchants will utilize our platforms, the web services platform to be able to build and transact. So whether it is small or large enterprise or a government which powered using our web services, which can be customized to suite the business required.

On slide #23 I would like to talk to you about Infibeam logistics. While we have made slow progress on the logistics and part of it was also in the wait for GST. In coming months, we are going to make major progress in this front. Logistics is a very critical pillar of our growth. Today it is a cost centre, we do not generate revenues but we will transform business into a revenue business. I want to spend a few minutes of your attention to be able to walk you through how the company is looking at it. You see many e-commerce retailers are partnered with logistic service provider to fulfill their business requirement and some big players have also invested in building out very large in-house logistics capability. Infibeam as a technology solution, which is by the name, should provide. This solution is provided to merchant so that they can integrate with third-party couriers. It is a one-stop shop so that the merchant can integrate with the logistics provider and the packages can be provided in some automated fashion. What we are doing now is we are tying up the demand, so in other words the merchant demand to companies that has delivery people who can deliver the product. One can think of it as a Uber kind of a framework whereby the company which is generating demand will be on a subscription plan with a minimum number of packages and the companies that have people delivering the product will also be a subscription plan, whereby we are connecting the two ends. It would be a technology enabler by providing logistic solutions to companies who can provided to enterprises with people. It is a very interesting combination of allowing our framework to expand beyond just the retail and also to track and to get delivered products across merchants in India. Infibeam will tie-up to enable many of the courier providers to utilizing our platform and provide App to the feet on the street force improving their operational efficiency thereby we will earn out of every package that gets



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delivered through our system. We will be implementing our own centres for cross-docking. Again we remind you this is an asset light model compared to what logistic industry works on today. Based on the thesis, which we have been working on for more than a year, we have realized that it has the potential of generating demand of millions of packages every month. The company is looking at significantly expanding the cross-docking base to more than 75 centers in coming months. This investment will result in cost efficiencies and revenues out of web service. Again with the implementation of GST this model is expected to grow at a very rapid pace.

Slide #24 I want to cover this .OOO global top-level domain opportunity. Here in the slide we have the number of domains that each of the global top-level domain or GTLD hold with dot-com being the large. We have also our own route of internet called .OOO, this has been somewhat an untapped opportunity for us for the past two years while we have launched it given that we had to work on reducing our cost base. We need to reduce the cost in order to monetize very heavily and to expand our scale beyond tens of thousands. What we have realized is that browser is the biggest App on your mobile phone. Irrespective of the app that you have on your phone, the number of apps you generally use are very limited but one will always use the browser. Most of the traffic to URL is also routed through a browser. Being a registry for .OOO we will be able to know that most of the traffic is headed through the URLs and subURLs that will also enable us to acquire merchants and also build out our Ad framework. Our objective is to become one of the top GTLDs in the world after dot-com. The cost of managing the .OOO for the year has been brought down to a fraction from current level. This will enable us to scale this framework out and starting next month, we will amplify this opportunity. Along with the platform payment GTLD is one more hook into customers and we are currently working on this framework and providing more details next month.

.OOO is a very important driving force and we have registered with many of the registrars. Registrars are the one where you will go to register your domain and we have targeted to sign up with 100s of registrars across the world. Just to give you a brief idea we are already associated with many of the renowned registrars globally to generate demand for .OOO domain. We have also provided this domain for many of the other program and there is the potential to actually provide both platform and payments along with the domain for many of the merchants and consumers to able to be utilize it in their own fashion.

Finally I would like to walk you through the output, while we are tracking how we do, we are obsessed on the inputs, which is merchant and the client base and the transaction volumes that we brought there. We are very happy with the pillars of the growth, Infibeam Web Services, our retail platform where we do not burn cash, gross margin positive and the size of logistic opportunities along with the Ad framework with .OOO gives us a significant opportunity in coming quarters to be able to build a path. Thank you and over to the operator to open the floor for questions and answers.



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Moderator; Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have our first question from the line of Karan Uppal from Haitong Securities. Please go ahead.

Karan Uppal: Hello. Congratulations on a good set of numbers. Sir the first question is on the Government e-Marketplaces and BBPS so the size looks very good but can you give us some sense on what is the per transaction fees you will on those?

Vishal Mehta: Sure, that is a good question. Government has floated an RFP, where they had requested that anyone who bids the ceiling of the bid is 0.5%, which is whatever transaction, flows through for Rs.100 transaction that nobody can bid more than 50 paisa on that transaction. Since there are multiple parties including some of the very large conglomerates who were also competing, one is it is reasonable to assume that the bid would be between 20 to 25 basis points. So in other words, for every transaction of Rs.100 that the earning to the consortium would be between 20 to 22 paisa, this is the size. Now, when you actually look at the size of course the share that Infibeam will earn out of it will be some amounts between say 6 to 12 basis points, and that number will amplify given that if it for every One Lakh Crore you are talking about anywhere between Rs. 60 Crores to Rs. 100 Crores right, so when you are talking about the very, very large numbers while the amounts of payouts are very small and until the first half of this year, we have not considered the payout out of GeM. The GeM is also growing if you go to gem.gov.in, so two days there are Rs. 2000 Crores of transaction that has flown through, so the good thing is that it has started. The size of the opportunity is significant and it is important to actually get more and more products and transactions through that framework which there is a lot of commitments from the government.

Karan Uppal: Okay so it is safe to assume that 6 to 12 bps will be Infibeam's share of the per transaction?

Vishal Mehta: Correct.

Karan Uppal: Okay and same is the case with BBPS as well?

Vishal Mehta: You see in Bharat Bill Pay which is the BBPS there for any utility bill that gets paid that generally in this industry for utility bills, there is a fixed amount to payout which means that it is not tied to do the transaction value. In other words, it is reasonable to assume that even if you pay your utility bill worth Rs.50,000 or Rs.5000 the per transaction earn out will be Rs.5 so the utility payments are done on a fixed-fee basis and as a result one can assume that as the number of transaction grows that your revenue base will also grow. See what we have reported in the last quarter, which is Q2 of this year, we have recorded the number of transaction that contribute where we earn money not the ones where we do not earn money. So these are successful transactions. These are not attempted transaction. These are transactions which are successful and not the ones which are cancelled and returned so the number of successful transactions was 26.6 million as of last quarter and so with the introduction of



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such opportunities like Bharat Bill Pay which we do not have significant presence there, that it becomes an opportunity to earn additional revenue out of those transaction.

Karan Uppal: Okay. Sir my next question is on CCAvenue. Last quarter if I am correct the revenue contribution was Rs. 45 Crores. So can you please give us this quarter's revenue contribution from CCAvenue as well?

Vishal Mehta: Yes, CCAvenue last quarter was about Rs. 50-odd Crores and this quarter it is about Rs. 53-54 Crores.

Karan Uppal: Okay. And Sir the last question on Adani Wilmar contract, can you give us the size of the contract and also you have mentioned that the logistics will be integrated, so are you providing the logistics or it is outsourced?

Vishal Mehta: It is a third party logistics, which will get integrated into the system. We provide the infrastructure software to be able to run such enterprises. As far as the size of the contract is concerned, it is essentially launched in a particular city with the growth going into other cities eventually. So if you look at the size of the opportunity, it is significant given the number of assortments of products that Wilmar will carry and the opportunity to be able to give it both to customers as well as to the other HORECA segment of the industry. So I believe that it would be a right question for the customer but what I can tell you for us is that it becomes an important opportunity for us and it is a known client which essentially allows us to generate more web services revenues.

Karan Uppal: Okay thank you so much. All the best.

Moderator: Thank you Sir. We have our next question from the line of Mitul Shah, individual investor. Please go ahead.

Mitul Shah: Congratulations Sir for the great set of numbers. Sir my first question is what will be the launching price of .OOO, is it going to be in a range with dot-com or it is going to be a less than that?

Vishal Mehta: That is a very good question, so the fact is that we have not announced the price yet, but it is very reasonable to assume that it will be much lower than a dot-com, so in other words in the past several quarters we have reduced the pricing and brought a lot of management of these framework in-house rather than outsourcing certain activities that we have brought a lot of these activities in-house and when you bring that in-house and with scale that your cost base has become very small incrementally to manage and maintain. So one can assume that if we have the appetite and the willingness to be one of the GTLD in the world in the next 12 months that we would be aggressive towards that front.

Mitul Shah: Okay the second question is for the CCAvenue, CCAvenue last quarter profit was Rs. 3.36 Crore as per the balance sheet and this quarter it is Rs. 2.6 Crore so is there any reason why it has de-growth Q-o-Q basis?

Vishal Mehta: See payments is a very critical component in the process of providing such platform. If you look at the overall profitability it is the most stable, it is actually if you look at the overall numbers they are slightly more than what you have just mentioned. So as of last quarter also it was in the range of about close to Rs. 6 Crores to Rs. 7 Crores and not the one that you mentioned about Rs. 2.5 Crores or Rs. 3 Crores so I think this is standalone profitability. Of course we have filed a merger with CCAvenue, which will be consolidated. We have already filed for it but the overall profitability is actually twice the numbers that you are mentioning today. The second part is that is the ...

Mitul Shah: The reason being it is showing non-controlling interest that is why it is showing less it is whatever stake you have it is in the balance sheet you are showing that in a percentage that you are showing?

Vishal Mehta: I think that you know our minority interest is of course you are right, but what the overall, there is no impact on profitability.

Mitul Shah: Yes that I know , I just wanted the number actually so in the future...?

Vishal Mehta: Yes, the numbers will be between Rs. 6 Crores and Rs. 7 Crores as of last quarter.

Mitul Shah: Okay and the third point is the margin of service segment you have clocked the best revenue in the service segment till the company's history but at the same point of time, margin is the lowest. We clocked this time 33% and generally we used to clock 40%-45% minimum and one point of time, it was above 50% also. So what is the reason behind the margin is getting reduced and reduced, is it because of CCAvenue or is it any other reason is that or is it because of international business revenue margin is less?

Vishal Mehta: See the margins that you see in the web services segment is still 38% for the quarter so if you look at the services segment is very healthy margin, you are right compared to last year it is lower, so as of the Q1 it was 39% that is Q1 of FY2018 and Q2 of FY2018 it is 38% so essentially in that range and that is what will continue driving it. We have continuously invested in that segment in terms of building out the infrastructure as well as investing in people. So you would see that there will be a slight dip in that which you have noticed right now compared to last year and but if you think about Q-o-Q there is about a 100 bps dip in terms of margin which we believe will again stay at that level and then eventually will start growing again. So like I said I think that our investment in infrastructure as well as people will take up some amount of this rooms in margin and as we build out the scalability



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and the framework that allows us to manage not just enterprises as well as government that you will start seeing incremental improvement in the same.

Mitul Shah: And Sir the last question is in this Rs. 122 Crore service segment what was the percentage of international business, what is the percentage of Build a Bazaar and what is the percentage of other business?

Vishal Mehta: We have just scratched the team in terms of international, you will see that everything else is domestic for us. So international is so small, I think the potential is very large there. So I think as far as the percentage is concerned is still in the early teens. As far as the framework and the infrastructure is concerned like I said we have built out a framework that not just allows us to earn out of subscription but also in terms of the transaction fees and we actually build out a model that allows us to transact more. To give you some reference point and if you want to compare it against last year, the number of transaction or the value of transaction was about Rs. 12,000 Crores order, which got processed last year. Now in a single quarter that we are able to process more than Rs. 4569 Crores which means that on a run rate basis, we have already crossed a level where we processed more than Rs. 18000 Crores on an annualized basis. So year-over-year we see that we are able to process more and this is not actually considering some of the large opportunities that we are working upon including the ones which are more like Bharat Bill Pay, so we believe that we will continue investing to be able to grow that may have of course slight impact on this. As far as like I said international opportunity is concerned we see the role of an aggregator, international become very important for us, in other words that someone who hold the SMEs and they can run payments for us and they also take the risk of certain language issues and other barriers so we believe that that is the right opportunity for us to work upon and as and when we are actually executing across different areas and verticals, we will be reporting that very shortly.

Mitul Shah: Sir how many international market we have started?

Vishal Mehta: Middle East is a big geography for us. That is the largest geography for us. We have started US as well. We have small revenues coming from Europe.

Mitul Shah: And last update on ILFS, is there any update this quarter on ILFS?

Vishal Mehta: I think most of the government revenue that we talk about the ones where we actually give the framework and we provided to the government, you will see that in the last quarter of this year, not this particular one not in Q3 but in Q4 and Q1 of next year that you will start seeing some meaningful numbers.

Mitul Shah: Okay Sir. Thank you.



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Moderator: Thank you Sir. We have our next question from the line of Dhavan Shah from KR Choksey. Please go ahead.

Dhavan Shah: Thanks for the opportunity. A few questions, firstly for the GeM project so can you please name the players who were the part of this bidding program and how are we differentiating against those peers in this project?

Vishal Mehta: Sure, so the question is that what would be the bidding process look like and who were participating in trying to win the GeM bid is that the question? Is that the right representation of the question?

Dhavan Shah: No the question is I mean there may be some other players as well from the large IT companies maybe the part of this project so who were they and how are we differentiating in terms of the scope of work against those peers so that we won this project?

Vishal Mehta: Sure, got it. To give you some reference point, you know there is a technical evaluation of every such contract before the government award. There is a technical evaluation and then there is also a financial evaluation based on the bid that you place. In terms of the bid that you place you know, I had mentioned earlier in the call that as far as the ceiling is concerned, the government had announced the ceiling and then one had to bid to be able to win that. It is reasonable to assume that the technical evaluation was very important criteria in which many of the large companies would have participated in this I think there is enough news in terms of who were participating and what was their interest in terms of being able to operate such marketplaces. Infibeam signed up a consortium in which the core e-commerce market bid framework would be our engine that we would provide and then there are other pieces of the service including the tendering part as well as customer service and human interaction pieces which other consortium members would participate in so that one can actually provide a holistic one solution to the government. As far as the e-commerce marketplace engine is concerned to be able to manage such scale that there were many of the third party experts who would want to essentially go and evaluate and in that our engine given that we provided to so many enterprises that it is highly evolved and that it essentially has a lot of capabilities that we would potentially want to offer for a program of this scale. Mind you if this actually goes online you are talking about the largest marketplace in India because the potential of this 100 billion dollars, just in central government procurement. So in that like I said that we are one of the highest scores both in the evaluation of technicality as well as in the financial bid to which the opportunity came to the consortium. As far as our effort involved in terms of being able to enable it, today just that you know GeM is live, which means that if you will find real-time stats in terms of what has been processed and we will continue scaling it up. So in other words much like we provide the framework to many of the enterprises, we believe government is a very large enterprise and that our platform will be able to allow many of the suppliers and merchants to be able to try that. A lot of processes for that in terms of workflow is defined as part of the requirements, we would follow the flow's requirement. Thos flows



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could be built out on our framework very easily so what we believe in is that much like we are providing it to many of the enterprises and institutions that government becomes a very important customer segment, one which have the potential to allow us to invest and reap the awards for our shareholders.

Dhavan Shah: Okay got it. Second question is what was the difference of bidding rate between us and the second lowest bidder, as you highlighted that our bid rate was around 6 to 12 basis point so?

Vishal Mehta: No I think the total consortium bid rate is higher, now we are talking about the Infibeam share out of that but like I said earlier that it is reasonable to assume that the bid was between 20 to 25 basis point, this information of course is slightly proprietary and that is why I am giving you a range but it is reasonable given that you want to track how that feels and will end up looking like. That it is reasonable to assume that is in that range for the consortium and as far as Infibeam share is concerned what I talked to you about will be between 6 to 10 basis points.

Dhavan Shah: So the consortium rate was around 22 basis point something as against the industry peers who had quoted was around 50 to 60 basis point right.

Vishal Mehta: No that is not true, 50 was the ceiling, nobody could quote above that ceiling, and like I said you know in a competitive bidding process that ceiling is so much that it is reasonable to assume that everyone will quote very competitively.

Dhavan Shah: Okay got it. So basically if I just project the revenue for this GeM project, so the tender size would be around five trillion rupees and our share will be around 6 to 12 basis point. So is it safe to assume that will end up with the revenues of around Rs.300 Crores for the FY2019?

Vishal Mehta: See it is reasonable to assume that if all these products and services, which are purchased across different areas in the government, go online, then that number what you quote is reasonable. There is going to be a trajectory when such value will flow through the system and some of the stats have already been published on gem.gov.in which is where how much transactions are flowing through are actually published, how many sellers are registered is also published and they are routinely updated. So to answer your question it depends on how much flow through happens in the system and that will essentially be a step change or a process involved in terms of having more and more organizations and products onto the framework. The good thing is that that is a very strong resolve of bringing transparency and the project is already alive and running.

Dhavan Shah: GeM project?

Vishal Mehta: Yes.



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- Dhavan Shah:** So what will be the operating margins, can you please quantify it?
- Vishal Mehta:** See in the web services framework you know that you would not get more than above 39%-40% EBITDA margin, so I think it is reasonable to assume that we will continue building up and yes, like I said earlier in the earlier question that there is... as we invest into technology infrastructure and people there is a slight dip compared to last year and again as we build up that it will start scaling up again.
- Dhavan Shah:** Okay got it. And just last question about this Bharat Bill Pay services, so how many number of transactions are we working with for may be FY2019 and we are getting around Rs.5 per transaction right?
- Vishal Mehta:** I just give you a ball-park directional number and rather than going to specifically what you actually get, that in the industry in the utility industry it is reasonable to assume that for any aggregator that irrespective of the value of the transaction it is not the same in the case of the merchant because on the merchant as you process more you get more but in terms of the agency you will get as per the volume or the value of the transaction that utility payments you get based on the number of transaction. It is a fixed fee that you will get. And directionally the Rs.5 is the right number. If you look at the tax, which are out there, there are more than 3000 Crores bills that get published every year in India. And so if you apply the Rs.5 multiple it is Rs.15000 Crores opportunity. The question is how much can be actually take up and be able to drive that becomes a very important aspect as we scale up and hence we started reporting also the number of transaction. So if you look at this quarter we reported 26.6 million transactions for the quarter along with the value of the transactions as well.
- Dhavan Shah:** Lastly would it be possible to provide revenue guidance for FY2019 I mean may be for the second half of the year and may be FY2019-2020?
- Vishal Mehta:** That is a good question but we usually do not give you a forward guidance what I can tell we have got a very strong base of that services revenue as we continue building up upon and many of the projects that we have signed up including GeM are likely to start showing result in the last quarter of this year and first quarter of next year to be significant one. The second part is that we continue to believe that as we scale up some opportunities in the enterprise segment for brands like Wilmar but we will continue building up our base of revenues of web services we want to expand our .000 opportunity it is a highly revenue generating opportunity which also allows us to acquire merchants at a very significant cost. So our appetite is to be one of the larger GTLDs in the world after dot.com and we would like to accomplish in the next 12 months. So we believe that as we keep on scaling up our business that we will evaluate and see because the growth out of them will be significant which we believe will help us in the second half of this year.



- Dhavan Shah:** Got it Sir. That is all from my side. Thanks. All the best for the great future ahead.
- Moderator:** Thank you Sir. We have a next question from the line of Pritesh Thakkar from KR Choksey. Please go ahead.
- Pritesh Thakkar:** Sir if you look at the value of digital transactions that has been executed during Q1FY2018 compared to Q2 FY2018, which has increased by merely 1.7% Q-o-Q despite we had a significant increase in the digital transactions carried out in the domestic market so could you please put some color on the muted growth as in have we incorporated the new mode of payment such as UPI, Aadhar enabled payment systems and Wallet to the payment gateway which has started to be in traction amongst merchants?
- Vishal Mehta:** So the short answer is yes. We have UPI integrated. We have connected to the mPSI switch. We have all wallets integrated into the system. While people talk about the number of transactions or the value of transaction we have consciously only covered successful transaction which means that anything which is not settled or which did not go through, which did not get authorized which got cancelled and returned are not in this. The moment we start brining that up the numbers are very different compared to what we report. These are the actual transactions where you can go transaction by transaction and say how much the company has earned, and in every case wherever we are earning reasonably reported in terms of successful transaction. If you look at quarter-on-quarter you are right, there is a growth in terms of value of transaction is 1.7%. We believe that it actually an opportunity for us to keep on adding more verticals when we talk about Bharat Bill Pay that we will perhaps add more of the including the revenue that we earn out of it as part of this ecosystem. It is also important to understand that last year full year the total value of transactions process 12000 Crores and in the first two quarters, we have already processed about close to 10000 Crores of transaction. So on an annualized basis, we are almost on track to grow or double our transaction value base and if you see that you know we can keep on repeating the performances in a year prior to last year we were at 6000-7000 Crores so if we are able to continuous to build up and grow that momentum that yes we may not have a big impact quarter-over-quarter but you will continue seeing the effect year-over-year.
- Pritesh Thakkar:** Sir one more question on Sir what is the revenue contribution from international market?
- Vishal Mehta:** International market is about 12% to 13% right now in this quarter.
- Pritesh Thakkar:** Could you please provide some color on progress for Saudi telecom and CS, how much have they contributed to the international revenue in Q2 FY2018?
- Vishal Mehta:** Sure, so this we call aggregators and aggregators meaning that they are utilizing it for them and they also help us in terms of growing the ecosystem in that country so if you look at Middle-East, Middle-



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East contributes to majority of their revenue today and profits from other geographies it is very important to also know that we support all Arabic and so our focus is always into actually grow that and Saudi telecom has become a aggregator as well as a user of our framework and the platform so we believe that as we keep on scaling up that opportunity that consolidators will play a very large role. To give you an example of the consolidator they help us in terms of taking the risk on acquiring merchant as well as handle payments. And as a result, we continue growing on back of them one can imagine that the payment instrument providers, telcos many of them are aggregators for us. And they will amount for majority of our revenue.

Pritesh Thakkar: Okay and how much they have contributed to the international revenue in Q2 FY2018?

Vishal Mehta: We do not offer exact specifics on which customer contributed to how much revenue but like I said that the role of the aggregator would be to acquire a margins and hence they would contribute to a lot of revenue for us.

Pritesh Thakkar: Sir in the previous quarter you mentioned that the company would be investing logistics and advertising platform so could you please throw some update on the same?

Vishal Mehta: Sure. As far as logistic is concerned you see logistic is a very fragmented industry in India and the challenge in logistics is that it is very people intensive where many of the large e-commerce players would talk about building in-house logistic capabilities with the few thousand people. When you actually build out such an infrastructure for your captive demand it is very hard to make money and even third party logistics couriers they have a challenge in terms of managing the fluctuations in demand. So what we have done is we have created a software framework, which is amplified to be able to connect demand channel to companies that are human that is people so you can think of them as two ends of the spectrum whether it is individual or a company that is humans will deliver packages and when there is a company who has products to tag and deliver and what we do is we connect the two ends of the spectrum in our language we call it hollow in the club whereby to give you an example a courier company can use my framework where we promise them a minimum certain number of deliveries a month whether the deliveries are there are not they still get paid for that and the same courier company works with company that are human that means people to be able to signup a similar subscription contract that has slightly differential or paid as well as number of packages committed so what you do is that you are essentially providing a very important pipe for merchant to that further to get the packages delivered and there are more than a few hundred agencies that have such people across the country so when you are able to provide such infrastructure software to courier companies then they are able to generate significant amount of leverage from merchants as well as even established organized courier companies because the rates that which these guys can do would significantly more attractive compared to what they would be if they were to do it in-house. As a result many of the companies will use our framework today also deliver huge number of packets



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everyday. Now if you compliment that with establishment of cross-docking opportunities in the last mile it becomes a big revenue driver. Like I said today we provide our software at low charge to such companies but if you are able to provide that with cross-docking then we are able to generate good coverage and make money out of every transaction. So logistic is an important thing that we would be investing in this quarter and next quarter we think that it has a very large potential to generate and to be able to deliver our target is that one can easily deliver atleast a million packages a month. And make money out of delivering every single package. So as a result we believe that it is a very interesting opportunity that we set up on we think that we will be executing quite a bit in this fiscal year itself and we will continue expanding our footprint across the country.

Pritesh Thakkar: Sir one more thing are we building advertising platform as a new revenue stream?

Vishal Mehta: Advertising platform is a very interesting opportunity for us as well so one can think of it is being able to be manage millions of interaction and when we are able to manage millions of interaction and when we are able to have significant amount of data so that you can provide the framework, now it is also important to know in order to provide an advertisement platform that usually people actually just walk in terms of aggregating the advertiser because the publishers are only available to the large search engines like Google and others. In our case every merchant is a publisher, which means that be an access to all publishers where we do not need to scroll or index the content it is sitting on our framework and also the same merchants are advertiser and rather than going to a third party on our own integrated system that is they are able to use our ad framework which becomes the huge opportunity for us to monetize for. It also generates additional demand for the merchant, which is actually an advantage to them. We know quite a bit about the opportunity in terms of transaction, we know promotion many of the things that typically search engines would not know we do have information but again we are not as good in terms of relevance given the size of data and some search engine would sit on to be able to solve for well, but net-net we believe that it is a very significant opportunity for us to leverage which will generate additional revenue stream for the company in the next few quarters.

Pritesh Thakkar: Thank you Sir. That is it from my side.

Moderator: Thank you Sir. We have a next question from the line of Mitul Shah, individual investor. Please go ahead.

Mitul Shah: Sir my last question is how much we are spending on back end AI base because like Amazon or Flipkart they are spending hugely on the artificial intelligence even though if you want advertisement that just you have spoken so for that also you will need an AI base backend so how much progress is there, is there any progress or if it is there how much?



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Vishal Mehta: So if you look at the contracts that we have signed with peers it is actually using a lot of AI components which means that so if you look at contracts we have signed with peers that is uses the lot of artificial intelligence component. We call it deep leaning. So I will give you the typical case that when the merchant wants to map the product to the right browse load, browse load meaning if you have a product that has to sit in the whole data hierarchy where will he sit? In other words if you have the men shaver it has to go under lifestyle male or may be in certain cases in appliances and then a shaver so how will you place it in the right browse load because you see promotions and everything is right to the browse load, which means I want 20% in of men in offline, so if you do not have that right mapping your search will fail your discovery will fail discovery it sounds like a very trivial problem that when millions of products where thousands and millions of merchants it is not a trivial product so in other words when you have to deal up the service, the service is called an item master then you need to be able to build out a lot of AI component, which we call deep learning so that you have P value or a probability value in terms of where the product sits and there could be multiple browse loads. Mind you, you cannot just copy somebody else's browse word in other words it is not possible for you to look at a very large e-commerce giant and so let me copy because the browse load or copyrighted and they keep on changing as well and the assortment of products that you may carry may be different than somebody else's. So we already use a lot of that component in each of our services. I think that we of course have to amplify a lot when you actually build out a ad framework you need to have the right set of people actually build out to strengthen the quality somebody who has built out scalable framework in systems and we continue invest in that front.

Mitul Shah: So in your work force how many people you are hired for specific this because I feel that this is the future and whosoever will not spend a good amount on AI will lose a big market share to the people who are using it so that is why I wanted to know that how much you have already spend and how much you are willing to more to spend?

Vishal Mehta: You see we do not have a practice to talk with specific number of people working on a certain specific area but what I can do is it a significant focus of the town. We will continue investing people in this area so the investment is in people and as a result that is been our prime thing all the way from very start of the company, so believe that we share your perspective of that that becomes a very important component. Basically AI is nothing that a machine learn future learning it is a very large regression that keeps on learning across and it becomes self-learning in many ways and if you are able to have enough data and if you are able to make sure that you keep on building it up and have more sources of database make it more and more smarter you created a smart project or a pie so we share that perspective and we continue in that investing in that space.

Mitul Shah: Thank you so much.



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Moderator: Thank you very much Sir. Ladies and gentlemen that was the last question, I now hand the conference over to Mr. Pritesh Thakkar from KR Choksey shares and securities private limited for closing comments. Over to you Thakkar!

Pritesh Thakkar: Thank you Vikram. On behalf of KR Choksey Share and Securities Private Limited we thank the member of Infibeam management and all the call participants for such an engaging discussion. Have a good day. Thank you Sir.

Moderator: Ladies and gentlemen on behalf of KR Choksey Shares and Securities Private Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.