



“Infibeam Incorporation Limited Q4 FY 2016  
Earnings Conference Call”

May 31, 2016



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**Moderator:** Ladies and gentlemen good day and welcome to Q4 FY'16 earning conference call of Infibeam Incorporation Limited hosted by KR Choksey Shares and Securities Private Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call please signal for 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. Nikhil Kothari from KR Choksey. Thank you and over to you Sir!

**Nikhil Kothari:** Thank you Mr. Ali. Good afternoon ladies and gentlemen. On behalf of KR Choksey 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 in Q4 FY'16 and full year. Let me hand over the floor to the honoured guests from the company. Over to you Sirs!

**Vishal Mehta:** Thank you Nikhil. Good afternoon everybody, I welcome you all to Infibeam's earning call for the fourth quarter and the full year of fiscal 2016. We shared our results documents yesterday and they are also on the website and I hope all of you had an opportunity to go through them.

2016 was a transformative year for Infibeam where the company turned profitable. When most companies in the e-commerce segment burn cash or report losses, Infibeam has adopted a proven way of being cash positive while recording growth. For this turnaround in the e-commerce market we have achieved a rare distinction by providing an integrated and a synergistic business model for our B2B and B2C segment of customers on the cloud based infrastructure enabling online sales of products and services from merchants both in the local as well as global arena.

I want to move to slide #3 which says snapshot, while I go through the number I want to spend a few minutes to walk you through our business model and impart the correct understanding. Since there is not many e-commerce companies listed in India and the common understanding is to compare the company with other market places we think it make sense to appraise you about our two business segments, which is service revenue, and product revenue, which is offered using our Buildabazaar platform to begin with.

I will start with the services segment of our business. Infibeam has built a Buildabazaar platform for enabling online e-commerce services for merchants to sell their products and services to consumers. The platform used by the merchants is provided on cloud wherein it offers the ease of doing business



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at an affordable cost. It is a unique value proposition for the local and global merchants to use this cloud base platform and get online market place instantaneously with ready-to-sell products on the web, which makes us a very unique service provider in the marketplace.

The scalability of this business model is so high for Infibeam now which helps the company to acquire merchants without losing money and thereby growing the revenues from services yet remain profitable and cash positive. Under this model the company offers various subscription plans across price points to suit the requirement of merchants operating at different scale. The company uses data analytics to help the merchant target customer and increase the rate of transaction. Merchant gets trained and educated to help improve operations of their online storefront. We provide marketing and sales activities. The company earns revenues by offering a combination of a small set up cost followed by monthly fee and or a transaction commission.

As of March 31, 2016 Company has registered 53633 registered merchants on its platform, which had grown at a rate of 60% year over year. Our revenue from services for the first time in our history clocked more than Rs.1000 Million. Services grew by 54% to Rs.1028 Million compared to 668 Million in FY'15. EBITDA margin from services, which is provided as part of a segmental, were at 62% in FY'16.

Now I will move to the product segment. Infibeam.com provides a wide range of products across 40 products and services category including mobiles and tablets computers and accessories, electronics and cameras, housing and kitchen, books and magazines, going all the way up to fashion parks, music travel and gifts. The company strategically follows an asset light inventory model and has 1000s of registered merchants will also sell directly on Infibeam.com. As of March 31<sup>st</sup> 2016 Company had more than 8.17 Million active users on Infibeam.com.

Infibeam.com has reported revenue of 2341 million as of March 31<sup>st</sup> 2016 from the product segment and has turned positive on growth margin contributions in the year. It is a conscious and strategic effort of the management to be positive with contribution in the e-commerce crowded market place wherein online retailers maybe losing money. Infibeam follows the strategy of forward investing while ensuring profitable track record insight.

Our total revenue for the full financial year FY'16 was 3369 Million with consolidated gross margin across segment for the first time exceeding more than 30%. This marks the beginning of turning the services and product segments profitable and most importantly earning cash vis-à-vis may be forward investing or burning for growth in the e-commerce markets. When most of the Indian players in e-commerce segment have forward invested and reported losses Infibeam has always tried to be positive in cash while recording the growth.



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We believe that in a global e-commerce market it is a rare distinction by providing an integrated and synergistic business model for those our B2B and B2C segment of customers on the cloud which enables us to provide a platform whereby merchants can sell the products and services in local as well as global arena.

At this point I move to slide #4, we define our business by following the principals of growth cycle, so I want to walk you through how we think through our business as they actually keep on growing our business to the next level. In the retail ecosystem merchant in the way we define it are typically retailers who sell directly to end customers. Selling products on merchants own branded store and other market place is not an either or. Typically merchants want to sell products and services wherever they can as a result we provide merchants an opportunity to sell also on the own store with the minimal additional cost and efforts.

Our Buildabazaar platform allows merchants to get online on the market place instantaneously and merchants can provide different offers across marketplaces including Infibeam.com for customers to purchase using the same platform backend that they use to cover their own store. We define suppliers as a source for products and services that sell only to B2B clients. You can imagine that suppliers would typically be manufacturers or distributors who prefer to sell to businesses and not to consumers directly. We have integrated supplier inventory as well as the rich product catalogue into our platform. What this does is that merchants can use this digital catalogue to create their own online storefronts and optionally have an opportunity to reactively purchase from the supplier. So as a result it creates an integrated synergistic eco-system whereby merchants do not have to recreate the product catalogue on themselves. Finally customers are usually attached to offers and merchants have the product offers on their own URL which is their own store front as well as list offers across other marketplaces including Infibeam.com. The company uses data analytics to help merchants target consumers and increase the rate of transaction. This results in more merchants utilizing the platform. This is the virtue of growth cycle that we typically follow to help us in terms of growing our business. There are two additional growth which that I would like to cover. The first is the value added services growth mix whereby merchants get trained and educated to help improve operations on their store front, and they also provide marketing and sales opportunities for merchants. The second one is the loyalty loop the loyalty loop is the loop whereby we will keep on working towards making customers notably on to the platform and to the merchant.

Now I move to slide \$5, which is Infibeam in a differentiated marketplace. In this slide we have attempted to draw out some different business models in e-commerce as per some search reports that have been followed largely in India. There are two typical models that we would keep on hearing about one is the inventory lead retail model and the second model which is the market place model. In



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the market place model there are also chances where the market place platform provides other services like fulfillment logistics and customer services also for merchant.

When we talk about Infibeam marketplace model we have built out a very differentiated business model where it goes beyond merchants just listing products on every market place and competing for the customer on price. Infibeam provides a platform whereby merchants can build their own online store and also had ownership of customer as well as the flexibility to sell across other market places using our back-end integration. What we have done in this business model is completely break the existing known paradigm that the merchant can only sell on one single URL. Using our platform we allow merchants to create multiple shopping destinations with specific category focus and customer offers. Merchants can get control on pricing on offers customer itself will generate additional store sales for their store. We internally call this market place as a very inclusive and a distributed market place as opposed to what we typically see in the market where you have a single URL market place, which is captive to the platform owner.

I want to now move to slide #6 which is the value proportion and what we do. We continue as a company to evaluate strategic elements of our services offering to merchants. Merchants come to Infibeam.com to list their products in our market place and as part of the listing process we offer merchants an ability to sell on their own store using the same backend; many of such stores also have products listed on Infibeam.com where we direct customers to the branded stores which are affiliated in the syndicate. And finally our integrated presence and experience of operating Infibeam.com has provided us an insight on real world challenges to retailers and a much deeper understanding on the pain points of enhancing technology solutions. We offer our platform technology in marketing value added services to merchants to acquire customers and improve the experience.

I will now move to slide #7, which is saying technology enabled market players. As I explained earlier our model has evolved to providing greater value to merchants by increasing service relevance and getting **(inaudible) 14.06** in the merchant supply chain. For any merchant who wants to build an online presence Buildabazaar provide an end-to-end framework to customise and integrate the online as well as offline inventory on to the storefront. As part of companies strategic initiative Infibeam has launched a dot triple O top-level domain registry. It is resulting in acquiring merchant on one end and on the other end it also helps the company to bring them on to the Buildabazaar platform. It is important to note that under this strategy the company acquires merchants for service segment without burning cash for acquisition. The domain registry business places Infibeam in an extremely strong position wherein it would have the ability to earn revenue also in the future. The platform to be used by the merchant to build their online store with design as well as user interfaces and products of their choices also provided on the cloud wherein it offers the ease of doing business at an affordable cost. It is a unique proposition to get online market place instantaneously with ready to sell products.



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The platform comes with red ERP solutions, which can be implemented across merchants globally. As a company we realized from our experience and merchants have gotten more demanding and respond better to an integrated solution provider compared to consortium offering multiple special providers. Further more on the right hand side of the slide, the platform integrates with many third party services, like payment solution provider, designers, loyalty solution providers that is essentially going to offer merchants a one-stop solution. This also serves to strengthen our presence across value chain enabling greater volume share of the opportunity. There were many third party national as well as regional couriers integrated directly into the platform. This allows merchants to fulfill the delivery of just to customers using any courier of their choice. In fact merchants can also deliver the product on their own, on specific zip codes, which are very easy to configure in our section. Infibeam today as a captive network of total 18 centers combining warehouses and logistics. Company plans to expand into additional 75 centers within the next three years at an estimated cost of 375 Million. This investment in logistic is expected to result into cost efficiency an incremental revenue in services as captive logistics can be offered as a service to merchant.

I will now move to slide #8. I want to talk about this market as well as what is the size of the opportunity that we are going after. Today based on the Technopak report India is tracking to becoming the second largest Internet user base in the world. Our industry has very strong and growing prospects with people using wireless and broadband in greater degrees and in more ways than ever before. The current Internet penetration is expected to grow to 40% within the next five years from the current level. This along with the improvement in payment ecosystem results in the online retail market growing by a factor of sixes from seven billion estimates to 44 billion by 2020.

I will move to the slide #9, which talks about what is expected out of e-retail. I have covered that e-commerce is expected, e-retail is expected to grow by a factor but what is also more interesting to see is that the other retail formats like the organized retail as well as the unorganized retail have also expected to increase by a factor. This is a very encouraging fact for Infibeam because the platform can be offered to both organized as well as unorganized retailer which helps us and gets us enough headroom for Buildabazaar platform to offer online solutions to such merchants and allows the merchant to tap into their online customer.

Slide #10 is really talking about which segments of e-commerce product segments are likely to do well. The chart will show you that as per research reports electronic apparels and lifestyle accounts 75% of product revenue today and the same percentages while the retail online retail segments are expected to grow by a factor of success till the three product segments will contribute 75% of the total transaction.

What is also interesting to note is that home is expected to grow by factor of retail and groceries is expected to touch about a billion dollar in the next five years. We look at these segments to try and



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see which areas should we focus on given that there will be more and more merchants would be selling in that framework.

Slide #11 at the heart of all our initiatives the focus has always been to relying on solving large problems in e-commerce using our technology. We focus on the EBITDA growth and operating cash flow which tie-up in dealing superior value for our shareholder. We are very pleased our services revenue as a percentage of total revenues increased to 31% from 23% in prior year and two years also service revenue as a percentage of overall revenue was only for 10%.

Since our EBITDA margins in services are as high at 52% in the last financial year the growth in services revenue dried our profitability. The profit after tax on total revenue for the full year grew by 186% to Rs.87 million compared to a loss of Rs.101 Million in FY'15.

Infibeam platform has clients across many categories that utilize our platform along with the value added services. The same platform that work for large clients also works for smaller sized merchants. Some of the prominent names listed in our prospectus are also listed on the right hand side of the slide.

I will now move to slide #12 which talks about the fulfillment in logistic network build out. In the warehouses and logistic segment our company is building the capability of integrating the centers in the regional locations to fulfil delivery of this to customers. The expansion of capability will be offered as a service to merchants on the Buildabazaar platform as well as customers who buy on Infibeam.com.

As of March 31, 2016 Company had six warehouses and 12 logistic centers and the company plans to expand across additional 75 centers within the next three years at an estimated cost of Rs.375 Million. The investment is expected to result in cost efficiency and incremental revenue from services. Management believes that the logistic locations will be sufficient and the investment is expected to generate an ROI within 36 months from date of start.

I will now move to slide #13. I want to talk about technology as a big asset and platform as a big asset to Infibeam. Whatever we have done so far technology has always been the heart of Infibeam. We have a team of software engineers with very deep domain experience and in many cases they have co-ownership of customers or merchants who use our platform. The analytics that we run in such cases provide better experience to users across the platform and help in improving the service and customer experience.

We also continue to invest in new strategic initiatives. As part of company's strategic initiative Infibeam has launched dot triple O top-level domain registry. It is resulting in acquiring merchants on



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one end and also helps us in cross-selling the Buildabazaar platform. The domain registry business basis Infibeam in a very strong position and we will be able to generate revenues out of that business in the future.

I want to talk on slide #14 about our growth strategies and I would also like to cover some of the object issues that we have listed in our prospectus to support our growth strategies. To achieve our growth of merchant's customer retention and revenue enhancement we had identified four objects as part of our ratio objects. The first one was setting up a cloud data center and purchase of property for setting up registered and corporate offices of our company.

To give you an update company has started investing to acquire 4.57 Lakhs square feet in the city. This is in Gandhi Nagar and the company has already made an advance payment of Rs.400 Million with the balance amount payable as mentioned in the prospectus. The equipment for the data center is also expected to be purchased within this financial year.

We have considered a very detailed financial model prior to making a decision on purchase of the property for the data center with our standard payment terms in purchase of property we look at the return on invested capital impact from renting versus purchase we notice that there was a marginal difference based on our assessment and management is of the view that the investment in this location will allow us to scale our services business for the next three years without requirement of additional capacity.

The second object was setting up of logistic center. The capex required for setting up of logistic centers in 75 locations is Rs.375 Million the company will be reporting the progress on capex as and when they incurred on quarterly basis under the terms stated in the prospectus.

The third object was purchase of software. As stated in the prospectus software from third party is providing a mobile ad framework we have already started work and software is expected to be purchased on total use in a phase wise manner over a period of next three years. The company will be reporting progress on this in successive quarters. Just to elaborate more on this software today a merchant on Buildabazaar platform will require to use a third party advertising platform to publish across other merchants also using Buildabazaar platform. We realize that a lot of value capture happens in the advertising platform offered to our own merchants.

We plan to get a mobile ad framework in place, which allows the company to capture margins inherently running which actually go to the advertisement framework today third party. The return on investment in the software purchase is expected to drive incremental revenues in services should be within 24 to 36 months.





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The last object is general corporate purposes, as stated in the prospectus we have concluded the IPO expenses and they are accounted for in the full year financial statement March 31, 2016. Today Infibeam is operating from a position of tremendous strength and our focus on increasing e-commerce service revenue have reaped rewards and company turned its first profit in operating cash flow positive. Our merchants know that the success also depends on deeper integration in the supply chain networks and they are turning to Infibeam as being with the strategic partner.

In our view no one comes close to Infibeam Buildabazaar market place platform when it comes to e-commerce solutions for large and small merchants in India. By combining season talent and innovation with the laser focus on deepening merchant relationship we believe we are establishing a position in the market and we are on track to achieve other stated objectives.

That is it for me. I am going to pass on to Hiren for financials.

**Hiren Padhya:**

Thank you Vishal. Good afternoon to all our investors and thanks for joining our call. We are pleased to deliver strong growth on all financials and operational parameters. I am referring slide #15 that is consolidated revenue. The company recorded revenue of Rs.3369 Million, which is 17% year on year basis. What is particular pleasing is that contribution of service revenue to total revenue has doubled over a period of three years.

The scalability of our business model is so high that it helps the company to acquire merchant without losing money and thereby growing the revenues from services yet or even profitable and cash positive. The domain registry business that is .OOO places company in an extremely strong position wherein it would have the ability to earn revenues in future.

Now I would like to move to slide #16 that is consolidated revenue service segment. Company is successful in raising its business in service segment reporting revenue over Rs.1000 Million and catering larger number of merchants. Service revenue has grown by almost three folds in comparison to financial year 2014 and by 54% in comparison to FY'15. The company has Buildabazaar a cloud-based platform for enabling online e-commerce services for merchant to sale the products and services to customers at an affordable cost. Platform being ready to use for its merchants makes Infibeam a unique service provider in the global market place.

Now I would like to move to slide #17 that is consolidated revenue product segments. Company has managed to increase its product revenue by 100 plus Million with the growth rate of 6% on year-on-year basis. As of March 31<sup>st</sup> 2016 Company had more than 8.17 Million active users on Infibeam.com, which is catering wide range of products across 40 products and service categories. The company strategically follows an asset light inventory models and thousands of registered a merchant who sell directly on Infibeam.com. Company also follow this strategies of forward



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investing while ensuring profits and profitability over burning cash. As of March 31<sup>st</sup> 2016 Company had 18 warehouses and logistic centers in India. We are very much optimistic for future growth in revenues.

Now I would like to move slide #18, that is consolidated EBITDA. This slide covers performance track record of overall EBITDA over a last three years. It marks the beginning of turning the services and product segment profitable where most of the Indian players in e-commerce segment may be burning cash and report losses. Starting from Rs.181 Million negatives in FY'14 to Rs.229 Million positive in FY'16 is a very strong evidence of not only the overall improvement in margin but also the operational efficiency has gone to a different level making a base for the future growth.

Now I would like to move slide #19 that is consolidated EBITDA service segment. EBITDA for service segment in terms of absolute value has shown excellent growth over last three years that is close to three times. In view of unique features of the segment namely the affordability of cloud based platform and second very high scalability of our business model to acquire merchants and that to without losing money and thereby growing the revenues from services not only in domestic market but also in the global arena. These will lead to remain our company profitable and also cash positive growth.

Now I would like to move slide #20 that is consolidated EBITDA product segment. Along with the increase in product Revenue Company have also managed to improve its EBITDA as a percentage of revenues by 2% compared to previous year. It is a conscious and strategic effort of the management to be positive with contribution in this crowded e-commerce space where many online retailers enable loosing money. The combined efforts of operational and logistic efficiency have assisted company in improving the margins.

Now I would like to move slide #21 that is consolidated operating cash flow. The company have turn cash positive and reported an operating cash inflow of Rs.233 Million as against cash negatives of Rs.209 Million in previous year. Company has adopted a proven way of being cash positive while recording the growth. We have achieved a rare distinction by providing an integrated and synergistic business model for B2B and B2C segment of customers on cloud based infrastructure that will enable online sale of products and services for merchants locally as well as globally.

This brings us to an end of the update and we now look forward to answering any questions, which you may have.

**Moderator:**

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Vaibhav Gupta from SKS Capital. Please go ahead.



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**Vaibhav Gupta:** Hello I got few questions to ask. How do you compare Infibeam.com with the likes of Flipkart, Amazon and my second question is Amazon and Alibaba a global partner offering market place platform to other geographies, do you see Infibeam moving into global space sometime?

**Vishal Mehta:** Vaibhav this is Vishal I will take an attempt that your questions. Infibeam.com is a market place platform where merchant can showcase their product on services and attract users to purchase their products. It is one more market place amongst the many other market places that merchants can sell their products. What Infibeam does is we provide a platform thereby a merchant can showcase their products and services on their own store as well as any other market place. So the position Infibeam.com is one more channel for demand generation for such merchant. The way it helps the company today is we allow merchants to come to us to sell the product and the merchants who want to sell the product on Infibeam.com they also offer them the Buildabazaar platform which is the same platform that powers their own online store. So for the backend integration of inventory of their products it is a channel to essentially allow merchants because they know that they want to sell their products and services in India and that is how we get them on-boarded and through that on-boarding we also incrementally allow them to generate traffic as well as conversion on the own store front as well as Infibeam.com. So the way we position Infibeam.com vis-à-vis other e-commerce players that you just mentioned that we want to stand for merchants who want to generate sales across any of the platform including their own and we want to allow merchants to use our backend to be able to publish inventory across any of the market places. It becomes a very synergistic approach because we do not have to solicit or find a merchant, there are lots of merchants who come to Infibeam to sell and they also become participants in creating their own storefront. So they can start on a variable cost basis whereby they pay us only conversion when a customer converts on the home site or on Infibeam that is the only time when we actually draw and take a transaction cut but they can also use the backend to publish inventory across any other market basis where we do not take any transaction cut. So as a result it allows us to keep on scaling across. To answer your second question that do we have plans to expand Infibeam.com retail on any of the other geographies the answer to that is no, what we would like to do we would like to building up our Buildabazaar that enables merchants to sell their products in services online on to other geographies. In our conference call, I would like to say that yesterday we had made an announcement that we will be setting up a fully owned subsidiary of Infibeam Incorporation to cater to Middle East and African markets so there the promises to give Buildabazaar platform and supporting services to merchants in that geography to grow our business.

**Moderator:** Thank you. The next question is from the line of Mitul Shah, individual investor. Please go ahead.

**Mitul Shah:** Sir first I would like to congratulate you for becoming the first profitable e-commerce company. First your company is trading at 2700Crore market cap and your IPO has come at 2100 Crore I would just wanted to know why this valuation, as Flipkart is loss making, Snapdeal is also loss making Amazon



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is continuously loss making in just making profit from last two to three quarters and their valuation is way above than yours, from market source I have come to know that your IPOs about to come at 4000 Crore but you have come at 2100 Crore I just wanted to know the factors which stops you that to come at that market cap and second do not you think so that if you would have listed in the NASADAQ you would have got more valuation?

**Vishal Mehta:**

Sure so to answer your question we do not control the market pricing, the markets typically will define the pricing of a company and some of the things remain you mentioned the numbers towards every speculator in other words typically for any companies what we realized is that the investors look at a specific profits in terms of evaluating any company with a lot of data in front of them and through that the dealers they evaluate the business model the scalability of such a model and eventually come to their own conclusions in terms of how they want to value this. So I think short of saying that this specific some numbers that you mentioned may be speculative, what I can tell you is that e-commerce as an opportunity is a very large opportunity. In India if you look at the numbers that we just covered it is expected to grow by 6 Lakhs from 7 Billion to 44 Billion in the next five years. And so the size of the opportunity is large so much like in the physical world we have many retailers and then there is no one single destination it is fragmented I think online also a lot of off-line retailers will like to go online and other business model is based on providing a market place so that such retailers can go online and tap into it. A lot of companies that you had mentioned they are after that segment to essentially capture the value of their customer as well as the merchants and we believe that its only a matter of time that people will start realizing the differentiation in different business model vis-à-vis retail market place and the one that we drive at the market place framework. To answer your second question around listing in India versus overseas we have of course deliberated and taken a board decision we are Indian hold Indian controlled company and at that time of the decision, it was a board decision to list in the country.

**Mitul Shah:**

And my second question is what is your expectation from .OOO as you are is the only company in India with GTLD still we do not see aggressive marketing in that why because this product do require a lot of marketing and if you go global with this it can generate a very big profit for you as yours domain is the costliest and the most profitable?

**Vishal Mehta:**

That is a good point. So we realized that we are one of the very few companies in the world who have the distinction to own a global top level domain registry .OOO we believe that it becomes a great platform for us to cross sell also our Buildabazaar platform both locally as well as globally whenever a merchant initiates their plan to go online we believe that the option that comes to many with their .com and when they do not find that particularly that they would look for alternative. And in that alternative .OOO is positioned as a short stream and it also signifies the business geospecific connotation to such a CLD. So to answer your question yes we believe that there is a very large



opportunity that lies in front of us, we also think that in terms of our future build out our investment in the cloud base datacenter will also allow the company to try and see how we can build in more efficiency in terms of servicing merchants who are on the .OOO framework and as far as our branding and marketing campaigns are concerned we have allocated a pool in our general corporate purpose to educate on utilization of that global top level stream what we realized in our own experiences that people purchase the domain but they also want additional help in terms of going online and with the combination of our platform as well as the stream we believe that the potential is large in that space.

**Mitul Shah:** And my final question is e-commerce is all about hiring human talent what exactly is your plan with the manpower management and how much incremental cost it will add in your coming quarters?

**Vishal Mehta:** See we discussed that we would like to continue only build out our technology framework and platforms so today also we are a very large set of engineers we will continue investing in talent as well as people for fulfillment in logistic area as well. If you look at how we have grown year-over-year our services segment of the business is grown at a rate which is very high compared to our products which is also being the management focus so our services businesses have grown by a rate of 50% year-over-year more than 50% in the last year and as we have scale our business technology engineers as well as talent become score to actually ensuring that that business keeps on scaling. So we do have some estimates in budgets on how we would like to scale and we are tracking to that and as and when we actually report more and more of our quarterly information that we will be sharing that information with you as well.

**Mitul Shah:** And Sir last part in the revenue part the 70% is coming from the e-commerce and the 30% coming is from the service business where the service business is giving you a much more profitability so what is the actual outlook for that in the next two years because what we are interested is your service because your service product outlook is giving much more profitability right now it is at 57% margin is there so how you are planning with that in the next two years?

**Vishal Mehta:** If you look at the previous two years we have reported that our services business in FY'14 contributed to 15% of the overall revenue and that 15% has actually grown to 30% within a span of 24 months so that service revenue as a percentage of overall revenues has almost doubled. So if you look at how we would like to build and all the investments that we planned to do in the future our focus will continue building the services portion of our revenue mind you the product business and the services they are both very synergistic in nature, in other words that we will have suppliers integrated into the platform will bring a lot of product catalogue and inventory and merchants would join our platform can utilize the rich product data to be able to start building upon top of it as well as offer more products in the online store front compared to what they physically carry while by doing the reactive ordering on the remainder. In this synergistic eco-system what we would like to do is we keep on adding more value added services which give us incremental revenues in services from



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existence as well as keep on adding additional merchants both locally as well as board and in order to do that we will work for multiple channel we have explore channels which are large channels we own merchants like banks like Telco so we will continue evaluating those options and make the decision which is going to be accretive to the company.

**Moderator:** Thank you. The next question is from the line of Ruchi Burde from Emkay Global. Please go ahead.

**Ruchi Burde:** Thank you for the opportunity. Sir could you talk about the competitive landscape for your service business may be in terms of who are the players which you come across and it would be great if you could elaborate that what are factor which distinguishes Infi beam versus those international as well as the domestic competitor you may come across?

**Vishal Mehta:** Typically what we find is that merchant we define merchants as those who want to sell directly to the consumer, merchants are interested in selling products there will be certain branded retailers but typically that would want to actually ensure that they reach out to as many consumers and customers as possible and our services business allows the merchant to instantaneously bring the products and access users not only on their own store as well as also on other market places. So to answer your question what we find is that most merchant they prefer a having a very integrated and a complete solution as opposed to go into individual solution provider who can address one aspect of their specific goal and not all there will be a market of company if we provide hosting solution, we provide data center but they are not the same company they have also provide e-commerce solutions or software. There will be e-commerce solution providers but they will have to work with someone who is providing hosting and data services. There will be designers who provide user interfaces and user experiences but they are also not the same company who also provide software solutions and data center solutions there will be logistics provider, there will be (inaudible) 50.54 solution providers so in each of these verticals that I mentioned there will be specialists, and today the merchant that find is going to be more and more demanding to integrate all of these is not an easy task for a merchant, so having an integrated solution that allows the merchant to utilize the framework works. The second aspect of what we find is that merchant like the fact that they can grow the solution should work at different scale of merchants. If you find the market place out there you will have a software provider who will provide only a solution for small and medium enterprise but the same solution may not work for enterprise, we will have a segment of solution providers who are catering to merchants of a different scale and merchants prefer going by solutions whereby using the same setup and giving the same educations that they have that they can keep on adding more and more features of in configuration with more deeper into the supply chain which we highlighted earlier in our call. And lastly I think that there are lot of buying model could exist in India that are unique to this country and the platform needs to support such binding model. To give you an example there will be merchants who want to sell directly to consumers in the online framework and the same merchant will also like



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to actually have a B2B solution thereby they can get certain specific customers an unique experience and product comprising which will not relevant to others. Merchants would also like to open up not just a buying model where they predictably buy but they also won their own market place. And a solution that works across those product as well as services is unique to us at this point. You will find a lot of companies providing individual solution but an integrated solution is something that we specialize and we continuously focus on.

**Ruchi Burde:**

Sure. That is helpful and then second question I had was if you could share how is the if the merchant comes and start working with Infibeam how would be the journey I want to understand more from you when we set up if the more revenue is recognized foresee and are eventually but the revenue stream goes on declining or how is the journey of the merchant over the year?

**Vishal Mehta:**

Sure. So typically a merchant would come and sign up to pass and there is start on variable cost in other words that a merchants will there and say that we would like to initiate relationship with the company and they would initiate it by selling the product and upon sale of the product that we would recognize the other revenues. And over a period of time the merchants have an option to move on to a fixed cost model one which actually has no transaction but more of a fixed cost that allows them to keep on scaling without adding additional overhead so that as they scale the cost do not stream along with that so it tapers off. So generally speaking if we were just a software company providing a solution then typically we would need to find a merchant and convince them to have their own. In our case we find that the lot of merchants who also come to us because they want to sell online and since they want to sell online they would want to initiate that discussion and the same backend that allows the merchant to sell on Infibeam also allows them to sell on their own store front, so it is not a white label solution by design but you can actually move and have a differentiated offer on your own store compared to what you were showcased on Infibeam.com or any of other market player so as a result from our standpoint the start on variable we allow the merchant to grow we eat up practically the cost of technology because to start on a variable cost basis to initiate given that they have a cloud framework that allows that to actually keep on adding and delivering value to merchant that we eat up the cost of technology and allow the merchant to scale on top of us and as they skill at that point they will move on to a fixed cost but they have the flexibility of a fixed in a variable so in other words the merchants can actually move on to the variable cost model of any given point in time. And what we allow the merchant to do is that we have a small nominal fixed cost in the system that the merchant will pay but typically we will find that several of your merchants will be in a variable cost or a subscription framework on a monthly basis. So this is typically the journey, when we talk about international expansion international expansion we already have merchants who utilize that internationally in such framework as we keep on expanding internationally we will have a choice for every geography to work directly with the merchant also work with a large Telco or a bank who have aggregated merchant so that we can keep on gaining our market based solution to such merchants.



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There is lot of interest for solution providers like there were company who provide payments companies who provide loyalty will be able to get a framework and this platform to be able to deliver enough of solutions to merchants that reduce the work which is that there is lot of transparency for every merchant and knowledge about what they sell and how much they deliver so as a result we keep on evaluating such cases in the international market to be able to grow that also.

**Ruchi Burde:** That is helpful and if I could prod you further on this aspect once the merchant scales up and maybe he chooses to go for a fixed payment offering how does our value added service offerings like digital marketing or analytics support comes into play and how are then pricing moves or the revenue from that merchant would move along?

**Vishal Mehta:** We believe that value added services is a very interesting aspect. We always follow the merchant requirement and we find that whatever the pain points are become a potential opportunity for value added service so to answer your question one of the object of the issue is to build out a mobile Ad framework, that mobile Ad framework allows merchants to be able to utilize the company's Ad network to publish their Ads on merchants who are also utilizing our platform and it becomes a great way instead of rather than going on to a 3<sup>rd</sup> party advertising network they can utilize our network keep growing on top of it. If you have a large bookseller on our platform who has been utilizing our platform and they have got books that they will read they can advertise on an other merchants who may be having a theme park to be able to get such product when customer arrives on purchase of steel or some other product available so there are lot of sale that potentially are interesting in that set up and what we do is we want to follow value added services so that we can help the merchant easily increasing revenue or reducing their cost. So that one thing we have identified. We have also made that investment in our logistic network. Logistic today is somewhat fragmented in India we find an opportunity to expand into 75 additional logistic center so that we have a spread in datacenters and also not only that a customer will shop on Infibeam.com but also eventually for merchants who sign up who want to do local delivery in a specialized format. So I think the optional value is there we do not do it today but once we have that spread or logistic that also becomes a good value added services, which drives our incremental services revenue.

**Ruchi Burde:** Do you believe that these value added services would eventually drive up your revenue for a merchant, which is roughly around 1900-20,000 revenue per merchant for Infibeam?

**Vishal Mehta:** I will tell you that it will be reasonable for anyone to know that the cost of technology follows loss quite a bit that you can afford more computing tomorrow than what you can afford today for the same value. As and when you think about, we think about the same aspects as management we know that the cost of platform and technology for the merchant should keep on coming down and through that the value added services that we offer should kick in to be able to try and see if we can deliver more to the merchant, it may not be a reasonable to assume that while value added services will also





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increase that we will keep on finding out how to deliver more at the platforms for less money and as a result we will notice that year over year we will have a marginal dip in terms of revenue per merchant.

**Ruchi Burde:** Okay but the number of merchant would be targeted to be significantly higher?

**Vishal Mehta:** Yes that is correct.

**Ruchi Burde:** Okay and one last question from my side, could you share how your experience has been when you deal with very big branded merchant who may have a capability to develop a solution in-house and has chosen Infibeam so how their experience differs?

**Vishal Mehta:** I think I will not be, I will have to be general on this while there will be some specific instances as well. What we typically find is that physical retailers they know what sell, how much to buy and what they buy so if you were a retailer and then I know the consumer patterns and demand I know what to purchase and how much to purchase for those three questions are really answered very well by physical retailers. I think the moment we look at online there, there is a completely different retail system that they will need to tackle, in other words first of all everything to do this hosting solution providers, software product catalogue, payments, logistics, these are all very different aspect in the online world compared to the offline. We will just give you one instance, it is very hard to start receiving products in bulk and track every product to every customer, a physical retailer will get ten products into their store and they may not know which product went to which customer. Whereas in the online world you will need to know that just in case there is return that we will track directly that product to that user. So I think there are lots of things that are slightly different I think that a lot of large retailers typically admire the fact that we know what online retail is given our experience on Infibeam.com. And as a result we keep on investing into our platform to build our future because we understand the pain points we understand all the things that are required to actually be you know this online transaction for this enterprise large merchant in the offline world if they had an aspiration then at some point they will start evaluating what is the best option so if there is generally our experience say that they would want to initiate because they like the fact that they have experience and that we understand the pain point and our solution works to address such pain points and it is not a one time sale but it is a continuous effort. So as a result they incrementally keep on coming to the merchants and that helps them a lot.

**Ruchi Burde:** Sure and one last thing, we have now exploring opportunities in the international market even in that case do you see this revenue per merchant number going down over the year and coming to this aspect when I look at Shopify similar to what Infibeam offers on build up us .com for them revenue per merchant has in multifold the number we currently are so but do you see even despite having international operation this number would tend to be lower in may be long term future?



**Vishal Mehta:** It's a great question, we realized the same that revenues per merchant internationally is a factor higher than what we get in India and we believe that as we scale our platform to more and more international geographies while every geography is different that we believe there is a lot of opportunity to expand in terms of revenue that we can collect from every merchant we also believe that there will be some cost additional cost involved given that those are international territory that we need to address but we believe that for international we have been appropriately conservative in terms of understanding the geographies I do appreciate the question that the revenue per merchant internationally for other platforms will be significantly higher compared to others and as we actually scale up our international operation that we will be reporting more on that background.

**Ruchi Burde:** Sure. And it could be great if you could share how a sale is organized when we look for a new merchant on built upon our platform?

**Vishal Mehta:** We work through different channels to be able to get additional merchants on to the framework, so one channel will be the merchants who come on Infibeam.com itself the other channel is for those merchants who reach out to us to build the framework and the third channel will be channels like payment solution providers, loyalty solution providers as well as in certain cases we discovered channels like designing companies, dress designers who want to actually provide value added services along with their own offering, so we believe that we have split the opening up our platform more and more so that a lot of companies can start utilizing our framework without having us involved in every case and the more we actually do it ourself in that set up that is essentially built more and more in terms of acceptance to the community. So I think that we will continue on that effort as far as the sales effort and so and so forth on acquiring a merchant is concerned the channels will potentially play a very important role even in international geographies we think that payments has been very crucial in terms of having the KYC on the merchant as well as we able to have the merchants reach out to online consumers and we believe that the channels like banks and telco they are the interesting choices for us as we scale up in such territories.

**Ruchi Burde:** Okay and of the channels you mentioned where do you find highest conversion rate is that the payment gateway?

**Vishal Mehta:** The conversations are of course the merchants who reach out to us where the conversion rates are the highest because we already know that they want to sell the product and they want to sell the product on us in other words for those given that e-commerce has been a large opportunity in the country and as merchants want to sell the products and services that they would go to many market places to sell such products and services and to those merchants we actually allow them because they will need to use quite a bit of web ERP solution that we call in one of the slides that we had mentioned where they need to put their inventory their products, their pricing their entire supply chain efforts to be able to even sell on any other market places including Infibeam so when they use the Buildabazaar platform



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then they will also get additionally their own store and that becomes the new channel for us to be to track merchants. On the other hand we also find that there will be specific clients who come through premium solution providers as well as through referrals they become very large conversion channel for us.

**Moderator:** Thank you. The next question is from the line of J N Shah from Morpheus capital. Please go ahead.

**JN Shah:** I just want to understand right now we are planning to expand our warehouse up to 75 and what is our plan when you compete against players like Flipkart and Amazon and now Reliance is coming in big time, can you tell your management strategy on that thing? Second question is on how our mobile technology is doing at this point of time can you give me the breakup of revenue from mobile platform also?

**Vishal Mehta:** Typically our strategy on warehouses and logistics is more on throughput. They are focused on throughputs and not on storage. We do not offer warehouses where you can store products our warehouses and logistic centers are built out to essentially enable maximum throughputs so that the products are not stuck into the warehouse. In that framework if you look at our logistic centers our logistic centers are about on an average 5000 square feet. We will have few which are 10000 to 12000 square feet and others which are 2000–3000, so as we build our logistic setup we understand the concentration of the demand in each of the location and based on the concentration of demand we actually try and figure out how to build out a setup so that we reduce the logistic costs and build out more operational efficiencies. We already understand the demand of products on Infibeam.com and based on that rather than using third party logistic provider such volume can be handled in a B2B setup so that we can utilize our logistic center to drive volume and end deliveries. So I think from that perspective we internally make up what is the return on investment on such centered days on the cost saving that enable us to drive our decisions and there to place a logistic center and that what the ROI will end up looking like. What we also realize is that it gives us an optionality to offer the centers to specific merchants who are utilizing our platform, given that merchants are utilizing the platforms we understand that capex better compared to others and as a result we believe that for our own consumption on the platform that we can perhaps open up and open up the optionality to generate additional service revenue out of such logistic center. We are not in the business of competing if you will for the logistic business with other company that you may have mentioned. What we do is we believe that as we build out the distribution and the framework of warehousing in logistic that the same distribution and the framework can be utilized not just for consumers who shop on Infibeam but also for merchants and through that network it is not unreasonable to assume that as the build out is complete and that we are able to operate that entire framework at scale that it can potentially become a great source of service revenue for us. Now with that said our platform supports to your second question both web as well as mobile, we have always taken the strategy where we find that consumers



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when they are given offers to download the app so that there is more incremental savings for them and we utilize the mobile app compared to the one that consumers will download the app and make mobile purchases. But that is incentive driven and not naturally something that the consumer for every product category will prefer. So we had always in the past also taken the upgrades of both web and mobile for this country is very important and yes there will be a lot of people on the web and when I talk about the web and mobile is also web is not necessarily a mobile application so as you can see that as internet penetration grows and that growth is mainly due to mobile devices that access in mobile devices will be the larger we find that when there is special offers which has special only for mobile app and not for web that people prefer to use mobile app but overall when you actually have a larger screen and then you have a bigger assortment that is much easier to search on a larger screen as opposed to a smaller screen. So I think they had taken that conscious decision that we are going to continue evaluating and keep on dealing out both web as well as mobile. Our Buildabazaar platform today supports mobile application for clients they are API driven as well the inherently available through them Buildabazaar platform directly and they are going to try and make it even as easier for merchants to build their own applications that support multiple operating systems.

**JN Shah:**

First is basically in the capex front of **(inaudible) 1.15.42** overall margins and what is the outlook on turning cash positive?

**Vishal Mehta:**

I will attempt to answer your question. Out of the issue proceeds we are spending 37.5 Crores in the next few years, that goes into the capex of building warehouses and logistic centers, 75 additional logistic centers to be precise and the way we think about logistic center is that if you look on an average Rs.50 Lakh for every logistic center which goes into the capex that gets involved into the logistic centers. When we actually put our own distribution in place then whenever there is a center in that location where we are sourcing products rather than one product we have to ship 500 separate products from Place A to Place B then the amount of shipping costs which is required is much larger when you are consolidating in one location and shipping B2B and then doing local delivery so the cost saving that are there which result from doing a bulk shipment compared to individual shipment from Point A to Point B can potentially fund quite a bit of the additional cost that goes in to the logistic center which is an exercise that we do. So as a result, yes there is some amount of forward investment and we will keep on evaluating how such investments are happening over a period of time but we believe that with the scale up of that centers that we can generate a return on investment within 36 months which is the management view today. Of course when we actually declare such centers and as we keep on scaling up that they will find what the actual specifics are and make decision as we go forward. What we are technically doing is that we are driving a lot of volumes potentially through our own network as opposed to a third party network. It will definitely have an impact but it will also going to be a long-term revenue generating opportunity for the company. As far as our outlook on the margins are concerned if you see our platform framework and value added services on the platform is

driving quite a bit of other service revenues and EBITDA so if you look at our revenue base our service revenue for the first time increased more than Rs.1000 million and as you look at that revenue be our EBITDA margins on that it is 62% so it is very high compared to other product margin business and with the focus on services it is reasonable to assume that we continue focusing on services part of the business and on the product side of the business yes we will keep on incidentally our philosophy as always been not to do a cash burn so at the gross profit level we will attempt to become profitable and if you look at year over year in the last two three years even at the EBITDA level on products that they have actually improved EBITDA as a percentage of revenue it has improved by 200 basis points.

**JN Shah:**

**(Inaudible) 1.20.21**

**Vishal Mehta:**

So if I repeat your question the first question was given the competition out there with large companies with cash reserves how do you plan to compete with them and what is your competitive advantage and the second question is are you looking at a value unlocking event?

**JN Shah:**

Yes.

**Vishal Mehta:**

Okay. So I will answer one question at a time, the first question is that as far as the e-commerce market is concerned it is a very large market and there are of course incumbents as well as new players will come in that market to be able to capture quite a bit of the value and in that we have always looked at a fragmented ecosystem whereby you have a fragmented base going to multiple destinations to shop a similar world exists in the physical world as well. Online may be slightly concentrated, now in that framework we believe that finally there is going to be a merchant who is selling on any platform and given that we actually can allow the merchant to not think about generating revenues out of only one market place but they will always have an option to generate sales and revenue out of any market place that they wish to including their own because there is always a set of customers they may be regional they may be local they may be known to the retailer they may be a business buying model that allows the retailer to reach them. But it is not an either or and if you are able to generate it in a way so that it becomes more variable at the beginning that they do not have a huge fixed cost and they do not have a cost to actually get lighted up that it allows us to keep on scaling upon top of it so a merchant when they are not competitive on a pricing on a market base they do not generate revenues given that customers who prefer lower cost will always purchase from merchants who have low cost. So in that typically we find that merchants may go in an out of a specific market place but also merchants would prefer to have if they given an opportunity at an affordable rate with the incremental effort also to have their own so we have taken that approach that it is not a single destination. You were not limited to a single URL and rather we multiply the number of destinations or URLs that potentially consumers and customers can visit the even if it is a small subset which can potentially go to that market. I think with the penetration of mobile the social



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networks becoming stronger that location plays a very important role and if you look at certain specific categories including FMCG and many other that local retailers they have the huge competitive advantage given that they are closer to the customer so we believe that in such situation that it is not either or that you can actually do both you can stay sell on any market place as well as you can have your own this is the business model that we have adopted in and it is our technology that supports the business model which differentiate the market place offering of ours compared to a normal market place offering. It also becomes a revenue generation opportunity for the company and it becomes a win-win situation and we believe that as we think of it we typically are not build out and thinking like a retailer we have built out is actually enabling merchants and we are in the business of growing that ecosystem so that we can essentially offer more and more value added services to such merchants. So that covers the first part of your question. The second part of your question about the value unlocking event we just completed our IPO and we got listed on April 4<sup>th</sup> its too early to say anything about or comment anything on top of that I think that you know we have always as a company make decisions in long term we have forward in that stage in opportunities where we see profitability insights and as long as we believe it we track our assumptions and we update them as and when the ecosystem changes and updates but we believe that as we keep on growing that if you are able to build out a framework that allows merchants both locally as well as globally to participate with us that if becomes an opportunity to actually keep on helping us grow our high value EBITDA margin business which is on the services framework it also allows us a huge amount of data access in most of the cases we own the customer of the merchant as well and it allows us to essentially process the data to improve our services offerings, so while the customers of the merchant belong to the merchants and we do not pass on any of that to any of our clients but in that the service offerings can keep on improving so that the merchant can see more conversions happening on their own. So we will be continuing doing that but as of now we do not have any other plans on value unlocking.

**JN Shah:** Thank you Sir that is it from my side.

**Moderator:** We will take the next question from the line of Deven Choksey from KR Choksey. Please go ahead.

**Deven Choksey:** Congratulations Vishal bhai I think you have given a good result and I think you are cash surplus I think that is most encouraging, I think while many of the points have been raised by fellow analysts I would like to understand only one important point which is on the payment gate the CC Avenue acquisition that you have done, how exactly this particular acquisition would play out in further strengthening our service structure and at the same time I think the amount of investment that you are doing vis-à-vis the kind of a revenue visibility and the payback period it would have if you could elaborate on this?

**Vishal Mehta:** Sure. So yesterday in our disclosures we had announced that Infibeam towards openly on subsidiary is going to make an investment up to Rs.450 Million into CC Avenue. This payment space is a very



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important space for the merchant because it allows the merchant at the end to capture the amounts and ensure that they can complete the transaction and if you look at our build a bazaar platform today we have multiple payment providers who are attached into the platform so that they can essentially they can choose which payment platform provider to go away. We have announced it is an investment into the company and that investment in the company will help us in more than one or two ways the first thing we find is that we can get a very deep integration completed with the payment provider a deeper the integration the more seamless it is for merchant to be able to handle both capturing of payments refund of payments as well as the dropout rates that potentially happen as part of the checkout pipeline which means that it essentially results in higher additional revenue for merchant and more additional revenue for merchant may be translating into more revenue for us. The second aspect of this is that for every merchant there is a percentage which is costed into the merchant by the payment provider and you know through deeper integrations there could be some very interesting opportunities to be provided to merchants so that it reduces the effort of the cost involved in handling the backend opportunities which results in incremental service revenue for the company so we believe that this investment will essentially help us in generating incremental services revenue while we do not have additional cost other than the investment that we have made into this company. I think the payback period I think that we will getting into the definitive agreements and that we will be announcing shortly but I think from an incremental services of revenue perspective that we think that in the next three to four years that such opportunities and such investments can reap rewards.

**Deven Choksey:** Thank you.

**Moderator:** As there are no further questions I would now hand the conference over to Mr. Nikhil Kothari for closing comments.

**Nikhil Kothari:** On behalf of KR Choksey Shares and Securities private limited we thank the members of Infi beam management and all the call participants for such an engaging discussion. Have a good day. Thank you Sir.

**Moderator:** Thank you Mr. Kothari and members of management, on behalf of KR Choksey shares and securities private limited that concludes this conference thank you for joining you and us may now disconnect your lines.