



“Infibeam Incorporation Limited Q1 FY2018
Earnings Conference Call”

August 16, 2017



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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2018 Earnings 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 belief, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risks 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 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. Mayank Babla. Thank you and over to you Sir!

Mayank Babla: Thank you Lizaan. Good afternoon ladies and gentlemen. 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 CEO and Mr. Hiren Padhya, CFO who are here today to discuss with us Infibeam Incorporation’s Q1 FY2018 Results. Let me hand over the floor to the honoured guests from the company. Over to you Sirs!

Vishal Mehta: Thank you, Mayank. Good afternoon and good morning, good evening to everyone as applicable. I would like to welcome all of you Infibeam’s first quarterly FY2018 earnings conference call. I am extremely delighted to have a very large audience on the call today and on behalf of the senior management team, I would like to thank all of you for joining us on this call. Before we move ahead with the call, I would also like to introduce all of you to Mr. Purvesh Parekh – who leads our Investor Relations Function and he will be focused and based out of our Mumbai Office working with many of the analysts. We welcome him on board and going forward, he will participate on all our conference calls.

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

To go onto the agenda for the call, I would like to start with the key highlights during the quarter in terms of the performance results. I would also like to cover a little bit about Infibeam since we have a large audience by way and probably many first timers, I will discuss the Infibeam’s business before we discuss the financial performance and the business developments during the quarter. Finally we will talk about the value creation in inclusion whereby we will discuss the performance in terms of what shareholders and share valuations mean to our shareholders.



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Moving onto the slide, which is slide #4 with this key, highlights. We have summarized the key highlights during the quarter and during the presentation our CFO, Hiren Padhya will cover the performance in details.

Consolidated revenue grew by 79% to 1846 million compared to same quarter prior year. We have kept a growth momentum in that and e-commerce has been rewarding to us with a very strong growth performance, what we are particularly happy about is our services segment which is represented by Infibeam Web Services. This has been a star performer for the quarter and has been a very good growth engine for the company.

Our focus on cost and our excellent business performance have also helped us to almost double our EBITDA and PAT margins for the quarter. To take advantage of the growth in digital payment Infibeam had invested in subsequently filed a merger of CCAvenue. This combine strength helps our Infibeam Web Services portfolio by making us a one-stop shop end-to-end e-commerce solution provider for merchants and brands in India. The company offers payment gateway services one can also call it a payment aggregator whereby a customer gets to pay to a merchant uses multiple payment options including debit cards, credit cards and net banking. We will discuss more about CCAvenue will be go forward.

We have also made investments into RemitGuru as an anchor investor along with CCAvenue to take advantage of the huge amount of remittances in India. RemitGuru has the capability to remit in 8 global currencies from 27 countries and we see a very large potential for cross border transactions to also take place in e-commerce in the future.

Finally, we have also made strong inroads into the government contract. We have recently been awarded the government e-market place project, which is a very large prestigious project from the government of India. Infibeam participated in their project as a consortium member while, there is a lot of press around the number of transactions in the processing volume that may potentially come across we have just been awarded this contract a few weeks back and we will continue to make investments in that project. We believe that in the long-term such projects will give very, very large returns for our shareholders and we will continue to keep you updated in terms of performance of that project.

We are very happy to report our market capitalization. It has exceeded in \$1 billion mark. Infibeam established in 2007 and our growth journey has begun really taking shape in the last few years with Internet consumption in India as well as abroad growing very rapidly and our solutions catering to merchants both in India and abroad it becomes a really large opportunity for our company to take advantage of the growing consumption and growth online.



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Moreover our government digital initiatives, our proposals in terms of participating in smart city initiatives we also believe that adoption of Internet for buying and selling of goods and services should continue to increase and amongst many of the key drivers that we will benefit from the growth and creates a significant value for our shareholders.

I am moving on to the next slide, which is slide #6; it is Infibeam Powering Digital Enterprise. Today I would like to spend a few minutes to talk in detail about our pillars of growth, our pillars of creating value for our shareholders in the long-term and what we will focus on in the coming quarters. You see we have defined our platform framework of Infibeam Web Services, which includes a one-stop shop for merchant to be able to drive consumption online for their products and services that includes our platform Buildabazaar, which is where customers and merchants can interact with each other. Merchants can setup a shop online in matter of a minute will start selling and customer can reach out to merchants products and services to be able to purchase.

We are also very happy that in that entire framework we have added a payment framework which is through CCAvenue merger whereby merchants can have their own payment gateway and in other words customer can access merchants and they can pay merchants directly through digital transaction as a reminder post demonetization the amount of digital transactions in the country have been in the upswing and CCAvenue has been able to take advantage of that. If you look at our portfolio we look at the demand side and the supply side, in the demand side we do typically have retails, retailers who want to build directly to users and in that our platform solutions through Infibeam Web Services is able to provide a one stop solution whereby retailers can reach out to merchants by creating their own store fronts. We have got many prestigious clients on this framework both in India as well as abroad. A merchant can create their own store; they can create a B2B offering, which is where they can sell their products and services directly to business. A merchant can setup an online market place of their own they can also place products across multiple other third party market places and one can also have many of the products of merchants displayed on a store whereby you can become an affiliate to any of these merchants. These demand side solutions continue to fuel our growth and adding payments to that framework will mean that we will continue to leverage upon the transaction volume that is generated through this demand channels.

If you look at the supply side we have started giving our solutions to many of the brands, what we find is that in brand for majority of the brands, 80% of the unique products or skews that they call it, will account for 20% of the revenue which means that 20% of the product will account for majority of the revenue and what we found as an opportunity is to help brands sell the product tail. To give you an example if there are 100 products with the brand, we find the 20 products make up 80% of the revenue for the brand and a lot of brands struggle and have challenges in terms of selling the tail, which is the 80% given that the velocity is not very high. With our platform strategy in terms of



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offering reintermediation and not this intermediation to such channel that when such channel do not carry the large part of the this to skew come given the velocity is lower that we will partner with the brand in offering such solutions whereby we can give the product directly to the user. We think this strategy is very unique with itself and that it will continue to fuel our growth it also means that we provide all the backend web ERP solutions including material flow, money flow, process flow for any brand who wants to bring the distribution channels online.

Last year we had brought Amul as a very marquee client. Amul is one of the largest dairies in India processing several 1000 Crores of transaction and we believe that going and bringing that infrastructure online becomes a very unique opportunity to be able to leverage on a growing audience and consumptions moving onto online as well.

Finally, we have defined capacity as delivery. Logistics is a very important part of our business. We believe long-term you will have platforms payments in logistics as important pillars for merchants to be able to drive growth. Infibeam Logistics is an important part where we would like to make investments this year with GST being out there and a complete reconsideration of supply chain that the company will focus more in terms of building out the logistic strength. We have aspirations to go into multiple cities each of them will become accretive in the long-term for shareholders. We are very frugal in terms of how we make that investment and how we monetize it for our shareholders. One will think about logistics is an important mode we call it and competitive advantage so when you offer platform payments to logistics to the merchants that it becomes considerable hooks into the merchant, which increases a lot of consumptions of our services for that merchants. We will continue growing that part of our business this year.

The second one, which is called the value, added services framework whereby we think digital payments is become very important given our recent merger with CCAvenue. We think digital marketing giving solutions to merchants to drive demand as well as our global top level domain which is DotTripleO (.ooo) while we have not made aggressive moves in terms of proliferation of our global top level domains that we will focus on global top level domain this year and we have announced in terms of reduction on how we will reduce the price of DotTripleO (.ooo) domain we have not made a lot of progress last quarter given our prioritization in terms of consolidation of our payments portfolio we will take it up this quarter in grow account in this after 20 years.

Moving onto the next slide, which is the operational snapshot for Q1 FY2018. In terms of our overall performance, last quarter given our interest and payments we have started talking about the transaction processing in terms of merchants the digital transaction processing for such merger, last quarter 4500 odd Crores of payments got processed on to the platform. We had 8.1 million odd users on Infibeam.com and we continue to offer a large skew count for customers and consumers to be able to transact online.



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I would like to spend a couple of minutes talking about the revenues and also what it means in the long-term. While we will combine the strength of a domain payments and platform together that we believe the transaction processing will become a good proxy in terms of how to think through the growth of the company. We have already got merchants who join us on a variable cost model, which means that as they transact we get more and we also have merchants who can migrate to a fixed cost model but given the interest in payment and that has no processing will result in more accrual back into the company that in the long-term we believe that the transaction processing would be a good proxy in terms of how to think through our services revenue.

4502 Crores worth of transaction processing that happened in the previous quarter. Our consolidated EBITDA margins as well as PAT margins continue to be healthy. Our product segment which is a segment where we buy and sell product specifically around the product tail that continues to show improvement from last year quarters in Q4 versus Q1 you will see a good amount of improvement we believe that with GST we are building a better thesis on how to build out a larger product revenue base and once we have a considerable opportunity in terms of leveraging the product revenue for profitability and growth that we will continue to grow this portfolio to a larger scale. Our total revenue was 184 Crores. It is considerably higher compared to year-over-year last year we clocked 79% growth and we continue to have a healthy EBITDA margin of 20%.

Now I will leave it up to Hiren to walk us through the financials.

Hiren Padhya:

Good afternoon everybody. We will move to financial performance. Slide 9 and 10, it is related to consolidated revenue and its compositions. If you see Infibeam's consolidated revenue has significantly increased during the June 2017 quarter mainly due to our increasing focus on fast growing Infibeam web services segment that is service segment, this segment has grown at 249% year-over-year.

The growth in the quarter year-over-year and quarter-over-quarter is 79% and 53%, which reflects to company's commitment to consistent growth. It is important to mention that company has managed not only overall profitability, but came out of the impact of demonetization with bigger opportunities.

As far as strategic plan, the company has focused into services during the last couple of years to substantially improve on profitability and this is reflected in terms of figures of current quarter composition of product and services associated 39% or 61% compared to 55%, 45% in Q4 FY2017. Same way in FY2017 the revenue contribution from Infibeam web services segment has increased to 61% from 31% practically it has doubled in view of very high scalability of our business model, which helps the company to acquire merchants without losing money and thereby growing the revenues from services yet remain profitable and cash positive.



We will move to next slide, slide 11 it is consolidated revenue service segment. The company has maintained the high growth momentum in service segment that is Infibeam Web Services and also the stability without burning cash in the product segment that is Infibeam e-retail platform. Service segment has grown by 249% year-over-year. The revenue contribution from this segment is increased to 51% from 31%. Now this is almost doubled and this is mainly due to strong business traction and addition of revenue from new business that is CCAvenue.

Infibeam is optimistic about the company's focus on an offshore centric model and believe it to be margin accretive in the longer-term primarily due to ease of replicating the BuildaBazaar and value added services infrastructure globally that is also without significant cost and investments. The number of merchants has increased by 34% to 76829 in Q1 FY2018 compared to same period last year.

Strong growth in merchant addition is due to opportunity to tap fast growing e-customers and government major initiatives. The fact that company has a specific focus on process and services segment as a long-term strategy is also evident from the growth of 108% in Q1 compared to previous quarter and company has also achieved a rare distinction by providing an integrated and synergistic business model for B2B and B2C segments of customer on cloud-based infrastructure which is enabling online sale of products for merchants locally as well as globally. The main reason for focus is very high EBITDA margin on one side and tapping the international opportunities on other side and this is also for better margin. The company has already made a 100% subsidiary operational in Dubai for the last couple of months and generated remarkable revenues with higher margin also.

We will move to next slide, which is consolidated, revenue products segment. We are satisfied with performance of our products segment despite huge promotional offers by bigger players in the industry, which is being diverted the traffic away from infibeam.com to their shopping portal. We have maintained stability and more importantly have improved on the loss. This is because of our philosophy is to grow profitability and avoid loss making propositions.

On other side, asset light low inventory model significantly face the operational cost and has to conservatively use cash and register profits rather than burning cash as is the case with most of the online market based companies. The combined efforts of operational efficiency and logistic efficiency have steered the company towards margin improvement.

During the quarter company has gained a marginal growth in terms of product revenue compared to previous quarter and also compared to the same quarter in previous year. We as a company have not been affected by this but and emerge plenty of new opportunities in the last quarter of FY2017. One more aspect is here is noteworthy and that is in the past couple of quarters we have ensured the improvement in terms of product segment mainly margins unlike other players. Company



strategically follows and the asset light inventory model, which has more than 5000 registered merchants who sale directly on Infibeam.com and also 8.11 million active users as on June 30, 2017 this both are contributing higher revenues.

Now I will move to next slide EBITDA. The basic philosophy of company is that belief in not only returning the shareholder capital suitably but also increasing this wealth of shareholders. Similarly I would like emphasize here that DNA of companies to earn ROCE under prudent norms of allocating of cash or the profits for the growth in the business. As a part of philosophy the customer acquisition strategy adopted by companies has a pull factor which is in sharp contrast to the push, which is most retailer, are operating with. Under the full factor company does not incur high cost but acquiring customers which results in not on the preserving cash in book but also the positive contribution the margins and overall profitability.

This is reflected in the slide by you can see the growth quarter-on-quarter EBITDA is 64% and year-over-year it is 115%. This has improved due to cost management or disproportionate increase in revenue compared to increase in cost. This has set a track record of high profitability unlike most Indian players in e-commerce. They are burning cash and report loss. It also reflects an improved operational efficiency along with margins.

Next slide is service segment results. Company's long-term strategy for focus on services and expansion of services internationally with higher margins have resulted into exponential growth in service segment along with profitability in terms of absolute revenue and percentage in the same quarter in the previous year, that is 120% from 197 million to 434 million, if you compare these figures in previous quarter then it is 52% from 285 million to 434 million.

In view of the unique features of the segment, the affordability of cloud-based platform, very high scalability of our business model to acquire merchants without losing money and thereby growing the revenues from services domestically as well as globally. This will lead to yet remain our company profitable and cash positive. Very specifically in case of services, our focus is into B2B as against B2C mainly because following advantages are there. First is faster growth in services compared to products, second is higher EBITDA in case of B2B, third is all new developments in terms of JVs, MoUs, maybe the arrangements nationally or internationally are with B2B where revenues are higher and they are profit lucrative and last thing is like any additional business tie-up with B2B will have a very, very positive impact on market cap also.

Next slide is product EBITDA as a percentage of revenue. The margin for the product and overall revenue has improved during the quarter in terms of absolute value as well as EBITDA percentage to revenue. The negative margin of 32 million in Q4 FY2017 has improved to 19 million negative in the current quarter. Similarly, if you see the percentages from 5% negative now it has come to 3%



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negative in the current quarter. It is a conscious and strategic effort of the management to be positive with contribution in the crowded e-commerce space where many online retailers are losing money. The combined efforts of operational and logistics efficiency and also optimizing on the cost through centralization of few operations all this have put together assisted company in terms of improving the margins.

Next slide is profit before tax. The PBT being an important aspect of any organization gives an indication of health of the company. PBT has grown by more than 50% in current quarter compared to previous quarter but if you compare the same quarter in the previous year the growth is almost – I mean more than double if you see the numbers 117 million to 222 million. The main contributors are excellent growth in terms of services revenue, which was around 40% EBITDA and second is our focus on internationalization in the current past having better margin and scalability. The company focuses on high EBITDA and always ensures the capitalization from the growth plan. This is also reflected in our capex in the next almost 18 months, which would definitely lead to higher cash transition and allow company to stay zero debt company.

We will move to next slide, it is profit after tax and EPS. Company has maintained the profitability even after tax, which is evident from the fact that PAT has almost doubled from 96 million to 97 million and if you see previous quarter then 136 million to 197 million. It is also an indication of efficient way of managing tax planning and prudent the commercial negotiations. This direction not only improved the earning per share, also it is shareholder's value. The positive improvement in PBT and PAT has directly reflected in terms of EPS from Rs.1.86 per share to Rs.3.02 on an annual basis.

Thank you now just request Vishal to take out for this further.

Vishal Mehta:

Thank you Hiren. I would like to highlight on slide #20 a few new developments and I will speak a little bit more in detail on each of them to give you a perspective of how the things through. In terms of corporate action the board of directors of the company has approved a merger of CCAvenue, which is the Avenue India Private Limited, Avenues is one of the largest payment aggregator in the country. The role of the payment aggregator is very unique. What they do is they connect all the different banks so that when the merchant wants to expect payment individually merchants do not have to integrate with every single bank rather they integrate with the payment aggregator.

In addition to that the role of the payment aggregator is to identify very small smart framework so as to reduce the potential of trust and to increase the potential of trust and reduce the potential of fraud. So the role of payment aggregator is unique in that every merchant who is online would require some kind of integration either directly or through a payment aggregator to be able to reach out to consumer's wallet. The other important facet of payment aggregation is that it is not either odd which means that the merchant may use potentially multiple payment gateways or multiple payment



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aggregators depending upon the utilization the success rate that it makes it more tenable for them to be able to think of this is an utility whereby there is always a backup.

Increasing the potential of platforms and payments coming together is a very unique proposition because with deeper integration there is a much higher success ratio and it can be offered both as an integrated solution as well as an individual framework and it makes it more interesting for merchants to be able to onboard given that the transaction volume processing is an important metrics in the long-term for our company that we can potentially provide a framework along with payment to merchants so that you can aggregate a lot a very large number of merchants in the long-term. We believe as we roll out our product framework in strategy that we will keep communicated in terms of how did integration is working.

The second corporate decision that we had announced for the split of our equity share from existing face value of Rs.10 to a face value of Re.1. You see talks after the decision of the board of directors to increase the number of shares that are outstanding by issuing more shares to the current shareholder and it also allows us to be able to generate a lot more liquidity and returns for the participants.

Finally we have made an investment in RemitGuru as an anchor investor. This is a very important decision to be able to enable cross border transaction in the long-term and also that the remittances the opportunity in India is significant given the number of expat who would want to send money to their friends and families in India. So given the size and scale of this opportunity that we saw this payments would becomes a very interesting combination for us to be able to drive growth in the long-term.

Finally, I would like to talk about a contract that we have been awarded by the Government of India for design, development, implementation, operation and maintenance of government e-market place. There are lots of members out there in terms of the total number of procurement or amount of procurement that government does. It ranges from a few lakh Crores to higher. We do not believe that all these transactions will go online immediately. There will be a gradual increase in terms of number of transactions flowing through. In terms of the RSP that bidders were ask to bid anywhere between 0 to 0.5% of the transaction value that gets processed through the portal in that our consortium won the bid. We will be sharing the proceeds of the payout with the other consortium members. It will be very earning to talk about the scale and magnitude of this contract. We believe it is a very prestigious one and one, which is potentially, generate very large returns for the shareholders in the long-term.

I would like you to walk through slide #21, which is new development. We talked about the merger. We signed the application. The important part will also be the goodwill that gets generated from the potential transaction that get amortized their further standard. While one can always back calculate the deal but one can always assume that approximately the deal value of CCAvenue is in a range of



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2000 Crores. We have received the board approval. We expect the merger to take its due course. The rationale behind the deal and many of the investments that we have done is to provide a one stop solution to merchants, which is very hard and not many companies provide and even if they provide they would not have a scalable platform solution that cuts across faster payments in supply chain. So as a result we believe that which payments, which software which supply chain and also our investment in the global top level domain which is DotTripleO (.ooo), which potentially allows us to acquire margins but also provide channels of marketing for many of the merchants to be able to get traffic on to them that it becomes pillars of our growth that will continue focusing on.

Finally, in the last slide, I would like to walk you through some of the recent inclusions. Infibeam was added in August 26, 2017 in the S&P BSE 500 Index. We became part of the Group A Company on May 26, 2017 Infibeam was included in the Nifty Alpha 50 index. It is an index that measures the performance of security listed in NSE India. On March 31, 2017 our company got included in Future and Auctions segment of NSE and we have also been included in the Morgan Stanley India Domestic Index, which is MSCI whereby so it is a leading provider of benchmark indices and we are happy that we got included in that.

Finally, I would like to close by saying that Infibeam is operating from a tremendous position of strength. In a crowded market place where many of the e-commerce companies are figuring all that business models, we have a very strong and a healthy business model that has been built out and our commitment, our consistency and our firmness in terms of ensuring that the focus on profitability has led to higher revenues, higher profits and additional profit.

Our merchants also know that the lot of the success depends upon our deeper integration and our ability to provide more and more opportunities for them in terms of their overall value added services and we continue to invest as well as to optimize in those in India. By combining a seasoned talent pool of people, innovation as the core, with laser focus on very deep merchant relationships, and establishing a superior positioning in the market we believe we are on track to achieve more stated objective.

This brings us to the end of the update. We now look forward to answering any questions you may have.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Mitul Shah, an Individual Investor. Please go ahead.

Mitul Shah: Good afternoon. Sir my question is that service part includes international business, domestic business, IL&FS business and CCAvenue and product part is Infibeam.com so this time we have seen a huge growth in service segment so what is the reason behind that and can you give the breakup of



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all the businesses like how much international has Mr. CFO has said that your Dubai branch have generated significant revenue with higher margins so how much businesses international have generated? Second how much revenue has come from IL&FS businesses? Third how much business come from CCAvenue business?

Vishal Mehta:

We are happy to answer that question. International there is a good growth trajectory for us. It is sub 15% this quarter so in terms of the percentage it is still in the teens. It has not cross the teens yet but we believe the potential of our international business is significant in the long-term and we will continue to focus improve that segment out, which means that majority of our revenues come from the domestic business number one. Number two as far as the growth in service revenues are concerned it is a combination of Infibeam web services, which we call we are evolving the business model. If you recollect our business model earlier was that we would essentially add merchants on a variable margins, which means that upon transaction processes that fact we would take capital or amount or percentages from them, which eventually moved them to a fixed cost model whereby they would not need to spend more. With addition of CCAvenue into the portfolio whereby one can continue to keep on generating a few basis points in margins technically we have removed the ceiling that we talk about a variable with a ceiling that ceiling got removed and as a result we can continue to generate some amount of BPS in terms of our own profitability or revenue which results into stronger revenue so if you look at our current position international is a very small percentage but growing which is in the teens right now but we think a potential is significantly more. As far as our in our addition of CCAvenue as far as the portfolio is concerned, you can imagine one can assume that last year and even in this quarter CCAvenue will add about close to 40 to 50 Crores in terms of the services revenue. We are continuously evolving that because it means that the business models will emerge from being more variable and less switched and we can add a lot of merchants with a product portfolio and a product positioning and hence we believe that the transaction processing volume becomes a very good proxy in terms of how to think with the business in the long-term. As far as our core group business of our infrastructure and software is concerned that has shown a significant improvement both quarter-over-quarter, year-over-year. We think that Infibeam Web Services is a portfolio which combines the strength of platform in payments together will mean that they have emerge the business model one whereby we have not limited by a ceiling one whereby the more we process the more we can potentially generate for our shareholders that will continue being our focus and it is not a change in terms of how we price it. It is an evolution of how we price our merchants which means that in the early days if we are able to generate more and more revenues from processing by giving our platform to more and more merchants that is the way one should think about our business in the long-term.

Mitul Shah:

Sir IL&FS?



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Vishal Mehta: We still list at government business. We are now generating revenues meaningful revenues today but the believe is government contracts will generate significant amount of revenues for us in the later part of this year or early next year.

Mitul Shah: Because sir the last time also you have said that from this quarter IL&FS revenue will kick in so it is still not have kicked in?

Vishal Mehta: Yes we are not talk about specific contracts but it is reasonable to assume that government opportunities are significant that we have find them, that we have deployed them and that they have a potential to become meaningful part of our revenue so while we work on certain specific contracts, we believe that the gestation period is definitely there and that they will become meaningful in the long-term but having said that given that our revenues have also scale up significantly that they do not become meaningful because there are two variables one is the revenues have kept on growing and the contract value will essentially show up because it is a multiyear contract so it is start showing up at the right end which is in our positioning and opportunity at great positive because it is essentially helps us in terms of our future in over quarters.

Mitul Shah: Sir about DotTripleO (.ooo)?

Vishal Mehta: We have talked about DotTripleO (.ooo) in the past as well we have considerably focus on the aggregation of payments and the opportunities that were there in front of us to be able to grow and enhance our revenues in terms of prioritization it is very high on our priority list. We talked about the potential of reduces the cost and being able to offer an integrated model if you can imagine which payments platforms and the domain it becomes a very, very interesting product positioning in the long-term, because people would typically not purchase domains to park them but they would purchase domains to utilize them and our focus has always been in terms of utilization so the earlier comment in the earlier proposition earlier was to be able to offer platforms and domains together now we believe that with payments in platforms as well as you are also becomes a very strong proposition we have studied a lot of models out there and they adapt as we essentially work out our own product division that allows us to scale up this particular business you will also imagine that it becomes a big value proposition for us if you are able to.

Mitul Shah: But Sir how much quarter it will take to reduce the price because you are saying this from last three quarters actually.

Vishal Mehta: Yes I think to be very candid with you we are already gotten to a point where we can reduce the price but there is a regulatory approvals that are required and many of the regulatory approvals are not completely in our control so there is a governing body which essentially allows certain gestation



periods and time periods. We are waiting for those approvals but we expect to get them anytime and very shortly.

Mitul Shah: Sir last question out of the whole service segment which of the service segment have shown a tremendous growth in terms of EBITDA margin because this is the first time the service segment has shown the margin less than 40% previous to the all the quarters where margins were above 50%, 45% this is the first time ever that we are in the range of 35% so can you give us the reason apart from the fixed and variable cost which segment has dipped your margin?

Vishal Mehta: I will tell you that as we scale up our businesses our focus while percentage has become very relevant and important but our focus is on absolute EBITDA number as well and not just percentages in the long-term so you are right that quarter-over-quarter that as we invest into certain activities of our services that you will see that it will have an impact in the percentage EBITDA margins if you look at last quarter of FY2017 the EBITDA margin was 16.9 Crores and this quarter of FY2018 it is 36.4 Crores so you can imagine that we have practically doubled our EBITDA and that would be more relevant in the long-term for our shareholders we believe so while we will focus and have an high in terms of the percentages but there will be certain investments that we will make to be able to optimize for the long-term for our shareholders.

Mitul Shah: Thank you.

Moderator: Thank you. The next question is from the line of Pritesh Thakkar from KR Choksey. Please go ahead.

Pritesh Thakkar: I just wanted to confirm you have mentioned that 40% to 50% Crore of revenues contributed by CCAvenue to be to overall revenue right?

Vishal Mehta: That is right.

Pritesh Thakkar: And could you please give a breakup on margin side like how much EBITDA or EBIT margin does CCAvenue make over a period?

Vishal Mehta: I do not have the numbers right in front of me but one can imagine that the EBITDA margins roughly last year were in the region of close to 35% - so it will be in the 30s in terms of EBITDA margins in terms of percentages.

Pritesh Thakkar: Sir total number of merchants under CCAvenue and how much growth are we expecting in merchants going forward?



- Vishal Mehta:** See the important part to also understand is that CCAvenue already has more than lakh merchant who are registered with them. As we build out a combined business model of platform and payments that we will focus more in terms of the transaction processing volumes because that will be a good proxy in terms of how we will evolve as a company. You see even smallest merchants now with online KYC are able to get a platform and payment framework also. So as we evolve this business that we anyways have a starting point of merchants to start on a variable and then move on to a fixed with CCAvenue there would not be a fixed even that you can see some monetizing out of every transaction of the new business. So last quarter in terms of the overall transaction processing the processing volume was 4502 Crores in a quarter so as we keep on evolving it out that we will continue evaluating and seeing what is the good proxy of course on our framework we already have now to communicate 1000 odd merchants and we will now continue to focus and people communicating about the transaction, process and volume and the revenues will be a percentage of the transaction, process and volumes.
- Pritesh Thakkar:** Sir in CCAvenue what is the transaction discount rate?
- Vishal Mehta:** It varies we do not communicate specifics but you can imagine that for a credit card it varies between 2% and 3% anywhere and debit cards is lower.
- Pritesh Thakkar:** Any scope for increasing it further?
- Vishal Mehta:** It is a good question and we would not be able to specifically comment on that particular specifics and provide some forward-looking numbers on to that but you see overall we believe that there is a lot of optimization one can think of it as providing multiple processes to the same merchants whereby the cost has moving out and also maybe evaluating others will be slightly harder so one needs to build out a natural synergy of bouquet of products and services that one can provide and that has been our philosophy and that is what we will continuously focus on.
- Pritesh Thakkar:** Sir could you just provide a breakup on merger deal of 2000 Crores I mean the component of good will tangible and intangible assets to overall.
- Vishal Mehta:** We will do that very shortly but if you look at the numbers that is about more than 2.5 Crores, which has been amortized in this quarter, alone on intangibles.
- Pritesh Thakkar:** Can we expect any impact on PAT going forward since the amortization is high compared to the including (inaudible) 52.52 currently?
- Vishal Mehta:** I think we will just follow the standards in terms of identifying every intangible assets and qualifying them in terms of intangibles and the remainder becomes part of the goodwill. Of course goodwill



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basically does not get amortized through the P&L like you know because they will have an impact in terms of the overall taxation but not flow to intangible good so you can assume that about something upwards of 2 Crores is positioned as intangibles or amortization for the quarter that is how much the P&L is depressed by.

Pritesh Thakkar:

Thank you Sir. That is it from my side.

Moderator:

Thank you. We will take the next question from the line of Mayank Babla from KR Choksey Shares and Securities. Please go ahead.

Mayank Babla:

Congratulations on a great set of numbers that you have posted for this quarter. Sir just a couple of questions that I had and I need some clarifications. First of all this quarter does it include the entire performance of CCAvenue or it is in part if you could clarify that?

Vishal Mehta:

It includes the entire performance of CCAvenue.

Mayank Babla:

Sir and I believe there is a dilution on the part of the promoter because of this merger will there be new shares issued or can you explain the parameter of the deal to us?

Vishal Mehta:

Basically if you look at merger announcements that we have made that there is a swap ratio which was arrived at which means the existing shareholders of CCAvenue and the issuance of shares to them in view of shares of their own as part of this scheme of amalgamation and if you recollect in that the amount of shares we as a company we already owned 11.35% in the company as a result the swap ratio was based on the overall valuation of the company and based on that valuation similar valuation exercise in terms of what Infibeam in over traded at and within that there is a ratio which arrived at in terms of what the swap was and that swap ratio has been public information which has already been announced. So to give you some example there will be a new shares which will be issued to the shareholders of Infibeam which will result in addition to the shares to the total number of shares.

Mayank Babla:

Sir what will be the number.

Vishal Mehta:

That number was about close to 1.2 Crores shares so in other words we will have the exact number it is 1.9 it is a few share shy of 1.2 Crores.

Mayank Babla:

Sir secondly I just wanted an idea from you as far as the CCAvenue business is concerned so just wanted to understand the revenue model so there will be a transaction discounting rates for transaction processing fee involved in this, will there be a subscription component as well?



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Vishal Mehta: As we evolve the business model where there will be today it is very insignificant so one can think of it in terms of processing more of a processing kind of a base. You see as the business models emerge and even when you think about the platform people love the variable models so if you recollect several years back that merchants had no issues giving fixed reach, held the competition increases what stands the test of time is that it becomes more and more variable so the friction in the cost associated with starting out is very, very low and eventually from a framework perspective we have created a ceiling but on the payment front there is no ceiling. So to answer your question it is an evolution today it is very insignificant but it is potentially is an opportunity for us to combine the business model and grow this out emerging into a much larger base.

Mayank Babla: Sir last question would be in the last quarter and the quarter before tax there were a lot of marketing regarding Infibeam when entrants on the education segment sir if you could give some update about that what is the progress and how the traction with customer?

Vishal Mehta: We have increased and improved our visibility in the education segment, part of our strategy is to focus on certain verticals and the verticalized focus approach much of your focus on retails, we have focused on entertainment similarly our focus on education is definitely there we still there are two things in get opportunities, which are emerging in that segment one is that all the educational institutions have been mandated to expect fees, student fees in terms of digital transactions. This is being mandated by the government which means that it is an opportunity to be able to offer a platform with payments to many of the educational institutions whereby students can pay their fees so that is one part. The second part is that while there is a lot of appetite for students to be able to reach out to the learning material in the digital format that schools would learn to keep it limited to the students and not open it up on channels, which are open and we find that there is significant amount of material out there that allows for schools and colleges because we would imagine that even some of this content with copy write content which they have purchased and that is only to be distributed within a phased audience and now opened it up on every channel so we able to offer a personalized cloud surface along with a payment framework becomes a very large opportunity. We already have a 500 clients live on the framework. We believe the size and scale of opportunity is much larger and as we keep on focusing on that vertical and solving more and more used cases that it becomes very pervasive in the long-term.

Mayank Babla: Thank you Sir. That is it from my side. Congratulations once again.

Moderator: Thank you. The next question is from the line of Karan Uppal from BNP Paribas. Please go ahead.

Karan Uppal: Thanks for taking my question. Two questions on CCAvenue. First one being that do other online market places like Amazon, Flipkart, Snapdeal etc., also use CCAvenue or do they have their own

payment gateways and the second one being is there any seasonality involved in this business?
Thanks.

Vishal Mehta: It is a great question. Of course we would not be able to comment on specifics on each clients given that there is proprietary and confidential framework and information but what I can tell you is that the role of a payment provider is not an either/or so while one can have think of it is utility that we will always want a payment processor to be aligned and make sure because it is a point of sales so any POS you will invest pretty heavily in POS because you do not want the POS to go down. So obviously lot of the companies that you talked about have their own payment set up but again like I said we at this time were talking about specific clients over here, as I said that if you think about the broader opportunities the base is very large and you will imagine that every merchant which is out there you want to accept digital transactions would require a payment gateway and we believe that in terms of the total number of merchants which are out there who have their own payment instruments their majority of them will have CCAvenue as an option.

Karan Uppal: And does it, if you have any seasonality, because...

Vishal Mehta: Yes, you are right. The seasonality is somewhere larger in terms of the holiday season so you will see some seasonality there for sure because holiday seasons will as you will see a larger opportunity for people who transact all line so in terms of the extend and this scale in the size of the seasonality we will be acquired to be able to communicate that in subsequent quarters. I think that generally there are two things that happen one is that during the season the rates are somewhat more attractive so as a result all throughout the supply chain to be able to ensure that the rates become more attractive to merchant there is some amount of that revenues get passed on but on the other side you will also see a much larger transaction volume so but one can expect that there will be some amount of seasonality in that comes during the holiday and festive days.

Karan Uppal: Thank you.

Moderator: Thank you. The next question is from the line of Mitul Shah an Individual Investor. Please go ahead.

Mitul Shah: Sir just wanted to understand about the CCAvenue, how you will find out the whole deal just a way of the swap and what will be the impact on the shares? Will there be a locking for the shares that you are issuing to the promoters of the CCAvenue are there will be any locking? Second part how much dilution exactly we are going to see in the part of Infibeam current shareholders?

Vishal Mehta: As far as the issuance of shares and the dilution to the shareholders is clearly mentioned in our announcement to the exchanges, if you are able to pull up you will know that what is the existing percentages and what is the new percentages which we arrive at both for promoters and non-



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promoters that has been part of our filing but one can imagine that the deal is financed through our top swap so another words that we are issuing new shares to the promoters was and the holders of CCAvenue that is one number two that there is no provision of locking that we will be issuing the share at the time of merger.

Moderator: Thank you. The next question is from the line of Rohit Lala from Centaur Capital. Please go ahead.

Rohit Lala: Good afternoon Sir. My question is regarding BuildaBazaar platform and I wanted to know the number of paying customers and the average realization for customers that you are having?

Vishal Mehta: We report that number out so in other words if you look at the slide over here we have close to 76829 merchants on our framework. In other words all these merchants they have used the BuildaBazaar framework. You would see that they are on a variable cost which means that it is pay for transaction or a fixed cost and they have the ability to move across between the different options that they pickup and choose and if you look at what that means it means that we are continuously focusing and adding about close to 5000 merchants every quarter. The strength of course has been the quality and not in numbers so we focus in terms of making sure that we have the merchants who are going to be able to utilize our framework better and not just pick it up and perhaps move on so we think that as we keep on building out our portfolio we will continue offering such infrastructure in and platforms to many more merchants retailers and products. We have also focus on certain vertical opportunities and with the addition of CCAvenue that we can add and we can increase our framework to many, many more merchants. You see the incremental cost for us in terms of providing such frameworks to merchants continue to be very low the same thing applies ever for offering payment to such merchants and given the setup of a domain as well as platform and payments we will reach out to a lot more merchants.

Rohit Lala: Okay but any number you can give me on the average realization or the lifetime value of customers. I am just trying to analyze like say last 5000 new customers signed up and these are the same 5000 customers stick into the platform or what is the average stickiness or duration of the service?

Vishal Mehta: It is a good question. Typically we do not specifically talk about any specific merchants and averages but one can imagine that there will be a churn and if you actually look at our numbers you will see that generally our realization varies from anywhere between Rs.20000 a year and Rs.25000 to be the year. So that has been our realization and I think of course as we evolve and as we become more and more we provide more and more services to such merchants to value added services that will becomes more accretive in the long-term for us.

Rohit Lala: Thank you Sir.

Moderator: Thank you. The next question is from the line of Pritesh Thakkar from KR Choksey. Please go ahead.



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- Pritesh Thakkar:** Can you say number for last quarter and this quarter in volume and transaction for CCAvenue?
- Vishal Mehta:** Sorry.
- Pritesh Thakkar:** Total number of transaction that has been executed over a period like last quarter and this quarter and the total number of amount?
- Vishal Mehta:** We will now take a look at that more closely. We have not announced the transaction number yet. You see typically transactions do not result in to payout the value does and as a result I think the processing volume becomes more relevant in this case compared to transaction volume. Having said that as we evolve the business model that we will take a look and start communicating the right numbers.
- Pritesh Thakkar:** Sir you mentioned that we would be issuing 1.2 Crores shares to CCAvenue right and but on that just like if we recalculate then the issue price would be 14794 issuing right?
- Vishal Mehta:** Correct that is right.
- Pritesh Thakkar:** The total number of shares would be coming 647 Crores, if I am not wrong?
- Vishal Mehta:** Yes your math will be correct.
- Pritesh Thakkar:** So that 647 Crores shares have not been reflected in current years financial so just wanted to understand that?
- Vishal Mehta:** Yes, so it will be because we have not increase the share base yet, we are going to be waiting until the actual merger is approved after which it starts reflecting that is when we can issue the shares.
- Pritesh Thakkar:** That is it from my side. Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question I now hand the conference over to the management for their closing comments.
- Vishal Mehta:** Thank you. I would like to thank everyone again for attending the call. I hope we will able to address and clarify many of your queries and comments. For any further clarification and discussions you may feel free to contact our Investor Relations team including myself and I hope that we continue our association and dialogue in the future. Thank you very much.
- Moderator:** Thank you. Mr. Babla would you like to add any closing comments?



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Mayank Babla: On behalf of KR Choksey Shares And Securities, we thank the members of Infibeam management and all the call participants for such an engaging discussion. Have a good day and thank you Sir.

Moderator: Thank you. Ladies and gentlemen with that we conclude today's conference. Thank you for joining and you may now disconnect your lines.