



“Infibeam Avenues Ltd Q2FY19 Earnings Conference Call”

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MANAGEMENT:

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Moderator:

Ladies and Gentlemen, Good day and welcome to the Infibeam Avenues Limited Q2 FY19 Earnings Conference Call hosted by KR Choksey Shares & Securities Private Limited. As a reminder, all participants' 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dhavan Shah. Thank you and over to you sir.

Dhavan Shah:

Thank you, Aman and good afternoon, everyone. On behalf of KR Choksey Shares & Securities Private Limited, we welcome you all to the Q2 FY19 earnings conference call of Infibeam Avenues Limited. I take this opportunity to welcome the management of Infibeam Avenues Limited represented by Mr. Vishal Mehta – Managing Director; Mr. Hiren Padhya – Chief Financial Officer of the company. We also have Mr. Vishwas Patel – Director, Infibeam Avenues Limited.

We will begin the call with a brief overview about the company by the management followed by question-and-answer session. I now hand over the call to Mr. Vishal Mehta for his opening remarks. Over to you, sir.

Vishal Mehta:

Thank you very much. Good afternoon to all of you. I hope all of you have the presentation with you. We have also uploaded the presentation on the website. I am going to talk to you a little bit about the Company overview, then I will have Vishwas subsequently pick up information about payments and payment ecosystems followed by Hiren who is our CFO who will walk you through the financials.

We are very happy to state that Q2 FY19 quarter was one of the best quarters for the company, so far. Our subscription based revenue model is very well transforming into a transaction based revenue model. It has been very successful, that every value of the transaction processed, be it on payments, be it on the BuildaBazaar framework, be it on Bharat Bill Pay System (BBPS) that we have launched, ResAvenue, or be it on the Government e-Marketplace (GeM) platform, they are all producing profitable revenue from operations.

Our domestic web services revenue from the payment processing platform CCAvenue reported a growth of 27% in the last quarter which is Q2 of FY19. We processed INR 13,010 crores (approx. US\$ 1.8 billion) of volume in Q2'19 as opposed to INR 10,245 crores (approx. US\$ 1.4 billion) in Q1 FY'19, that is a 27% growth which we are very pleased about. We are expecting the processing volumes to be upwards of INR 50,000 crores (approx. US\$ 7 billion) by end of FY19. If you look at the current run rate of INR 13,010 crores, then we believe that INR 50,000 crores by end of the year looks very achievable, where we are sitting. In last year, in FY18, we processed INR 21,550 crores (approx. US\$ 3 billion). In the first half of this year itself we have processed INR 23,255 crore (approx. US\$ 3.2 billion), more than what we have processed in the entire FY18.

Our BuildaBazaar web service is used by merchants, they continue to be very healthy and are more than lakh (100,000) merchants.

Our BillAvenue platform which provides Bharat Bill Pay payment offering for utilities, for DTH services, recharge, etc., which we launched before six months to eight months and we are already at a run rate of processing bills amounting to about rupees one crore (INR 10 million) a day. So we are very pleased in terms of the progress that we have made in terms of launching of BillAvenue which is the Bharat Bill Pay System where we collect utility payments. We were never processing utility payments in the past. Given the license we received from RBI, we just initiated that and we are very pleased about its performance.

The ResAvenue framework that we have, we generated more than 1,500 room nights booking on a daily basis and the transaction volume also of more than INR 2.5 crores (approx. US\$ 3.5 million) a month. So that also as a framework has been growing very well.

Government eMarketplace (GeM), which is a platform that we launched last year, we have been looking at more than 150,000 sellers, registered on the platform. Earlier in the government there were a few thousand sellers who took bulk of the business of the central government. The size and scale of the opportunity is INR 6-7 lakh crores (approx. US\$ 100 billion) which is significant. If you look at this year itself, there is a projection of INR 50,000 crores (approx. US\$ 7 billion) which has been made public by the government in terms of what should potentially go through them. So in that we have been seeing a very good traction.

Our subsidiary in the UAE, which we acquired in the first quarter of FY19 has been processing payment volumes at half year run rate of about 0.5 billion dirhams (approx. US\$ 136 million). We expect that the volumes will reach about a billion (approx. US\$ 272 billion) by the end of the year in terms of processing volume. Our global revenues and profits because of the processing volume that has scaled up, it is very reasonable that both the revenues and profits scale in a similar impact. In Q2 of FY19, in the standalone results that we have published, company has reported EBITDA of INR 13.14 crores (approx. US\$ 1.8 million), that is slightly lower than what we had in Q2 of FY18, which is a year ago. However, if you look at the quarter-over-quarter results, in the first quarter of FY19 we had an EBITDA of INR 0.24 crores (approx. US\$ 0.034 million) and that has grown to INR 13.14 crores (approx. US\$ 1.8 million) in Q2 FY19. So obviously the processing volumes that we have generated in this quarter given the strength in terms of our business, has contributed to increase in the EBITDA margins and we expect that the festival season in Q3, will also continue building up as we scale up.

If you look at the subsidiary numbers, in Q1, we have talked about, based on the management MIS, we do not have the consolidated numbers. The standalone numbers of course reflect, on Q2 FY19 basis, a loss of INR 4.5 crores (approx. US\$ 0.6 million) and in Q1 also there is a loss that was reported due to extraordinary items, but the true picture of the performance of course would not come out until we generate the consolidated results. Considering the large scale of acquisition of our business in the UAE in the first quarter of FY19, the company was not able to prepare the consolidated financial statements within the prescribed timeline. Looking at the large volume of the transactions we were not able to complete the review as well in time, as a result, we will

publish the standalone accounts which was reviewed and taken on record and as per the SEBI rules and regulations we will continue to publish the standalone accounts for the first three quarters. The consequence of this is that when we will report the standalone numbers, you will see the revenues and profits of the standalone company for the period Q1 FY19, Q2 FY19 and Q3 FY19; however, the company will publish the consolidated audited results for Q4 FY19 along with the full year.

If we look at how some of our subsidiary companies are doing and we had talked about this based on management MIS in Q2FY19, we generated an EBITDA of about INR 53 crores (approx. US\$ 7.4 million) in our subsidiary compared to about INR 43 crore (approx. US\$ 6.0 million) generated in prior quarter.

If we look at the Q4 FY18, when we were allowed to report the consolidated performance of the company, the company on a consolidated basis last year had reported revenue of INR 839 crores (approx. US\$ 117.8 million), and an EBITDA of INR 188 crores (approx. US\$ 26.4 million) and a PAT (profit after tax) of INR 88 crores (approx. US\$ 12.4 million) with a dividend of INR 2 per share.

We are confident of the performance in FY19 both for our India and our international business which we would report at the end of the year. We must add that we are very buoyant and excited about the current quarter given that Diwali and the incremental business falls in Q3 of this year compared to last year.

Our USP has always been that every transaction so processed on BuildaBazaar or on the Payments framework in web services results in revenues and profits for the company. Unlike the e-commerce marketplace who record higher transactions and losses, we forward invest and try to generate profitability and we keep profitability on sight. Our business model is simple – we earn revenue on every transaction we process and it keeps on leading more and more towards transactions as we keep on operating our business.

Our payment processing is used by all the leading banks in India; about 57 banks use our payment processing platform for aggregating payments from branches under all modes of payments including credit card, debit card, UPI, wallets, NEFT, RTGS, etc., The Payments business is expected to see significant upside in volume processed by us given the current festival season for the current quarter.

Our Registry business which is the dot triple ooo (“*.OOO*”) business is now ranked 16th globally. We were not in the map about six months ago when we reinitiated the launch of *.OOO* GTLD, which is our global top level domain business. Today, with the growth, we are very happy to announce we would be in the top in India and amongst the top-16th globally. We have recently announced and you may have noticed that one of the largest financial portals in the country, moneycontrol.com, has launched moneycontrol.ooo in Hindi using our *.OOO* registry framework. We will continue to build such opportunities in the future.

Our advertisement platform has been deployed and we will be working both with advertisers and publishers in utilization of the same. This has added revenue opportunity for the company. Given the business model of providing e-commerce and payment platform as a service which is software-as-a-service, our revenue model is

weighing more heavily on transaction-based revenue as opposed to a subscription-based revenue in earlier years. We feel reasonably confident about the future business and prospects of our company.

GeM which is the e-commerce marketplace initiative of the Government of India is validating our conviction. Government's own purchase across all departments and the PSUs are quite large, almost of the scale of 2x-3x the size of an Amazon or Flipkart put together at INR 6-7 lakh crores (approx. US\$ 100 billion). In doing so, your company earns revenue on every transaction so taking place on the platform. Many of our other corporate customers also are availing our services in the payments, logistics and in registry. We are actively working with them for a complete integration of our business into the platforms. We expect that we should continue building out the significance in India and the digital economy which is the sizeable share of the business so produced by our customers.

Digital transactions are global and we are continuously positioned to capture the size of the global business. Our UAE subsidiary are catering to large clients, banks, telcos, universities and the corporate. With payments we have also included a large number of clients including universities, Ajman University, DAMAC Properties, DHL, Rehlat many of the other large companies keep on utilizing our frameworks. Our customer base has doubled and the volume continues to double as we build out scale in that geography. We also service the business and operate with greater profitability there.

On an equity of INR 66 crores (approx. US\$ 9.3 million) and a reserve of about INR 250 crores (approx. US\$ 35.1 million), the debt in the company is less than INR 40 crores (approx. US\$ 5.6 million). We continue to optimize shareholder funds with a higher growth in revenue and profits. We are confident that we can continue building out the business in this year as well as in upcoming years.

We are happy to state that our focus on profitability and growth that we undertake in every business will go through some evolution of forward investing but we will always keep profitability in sight. As we expand in other geographies, we will leverage our integrated platforms, offering ecommerce marketplace with complete transaction fulfillment, smartly combined with payments and other solutions and value added services to generate returns. Our strategy of focusing on certain verticals like retail, education, entertainment, and also our focus on hospitality and the governments, is helping us to produce more stable and good growth. With Amul, Sintex, Wilmar, Government of India under the GeM platform, the recent additions to the list of some of the larger customers that we have are availing our complete platform and offerings. Globally, companies like Saudi Telecom, Jumbo, Emaar, Sharaf Travel, many of them are using our web services platform.

Furthermore, I would like to touch upon the fact that both promoters and employees through our trust have also added stake in the company and they have been purchasing shares between INR 55 and INR 213 (approx. between US\$ 0.77 and US\$ 2.99) a share through the month of June through September. The management and promoters are confident of business prospects and the possibility of the company to be able to continue to grow. We feel India is at the beginning of a digital journey and Infibeam Avenues is entering into a large opportunity of our lifetime. We are committed to grow this business across the globe and within 'Arjun like eye focus' on profits and

profitability and growth from the business, we believe in value based growth. Cash burning and running the business on internet platform at a loss is not the philosophy we had before and we will never have it going forward.

With these opening remarks and overview, I would now walk you through the slides that are there in the presentation that will give you some overview about our business both on a consolidated basis and a standalone. Of course, given the requirements, we will only talk about the numbers which are related to standalone growth.

I will now go to page #3 of the presentation. On page #3, this is what the consolidated company looks like in which we have Web Services and E-Commerce, this is as of last year FY'18 and not FY'19. You can easily see that web services is our focus, service-based revenue accounts for 98% of the net revenues of the company whereas, Product business accounted for only 2% of the net revenues of the company. What is there in the Web Services are our Platform Business and Software Business. Our platform is given to Government e-Marketplace as well as some of the other travel portals as well as our .OOO registry business along with the identity management solutions. Payment business is CCAvenue, Bill Avenue business essentially is given for utility payments, our ResAvenue business is given for hotels and, many of the others. This business is there both in India and international.

On Page #4 as a standalone company, what we have and what standalone results that you see include the following: The payments business of CCAvenue is domestic and everything here is domestic, the BillAvenue business which is the utility payment business, ResAvenue which is the reservations and hotel business that we provide our software and payments to, BuildaBazaar which is given to Government e-Marketplace and some of the merchants who utilize it to sell services and our .OOO Domain and Registry Identity Management Solutions. This is only for India. This will give you some idea in terms of what the standalone results include.

The key financial and operating highlights on page #5, will walk you through how we have performed in the last quarter. Our revenues have grown 83% year-over-year to INR 134 crores (approx. US\$ 18.8 million). We successfully processed payments, as I mentioned earlier, of INR 13,010 crores (approx. US\$ 1.8 billion), that is 184% jump year-over-year. The number of transactions processed is about close to 29 million a quarter which means that we are almost processing close to 120 million transactions a year on a run rate basis. As we walk through the payment ecosystem in the payment industry, hopefully you will be able to understand what is it as a percentage of the total digital transactions that are processed in the country based on the number of reports that are out there. The number of active merchants in web services platform continues to grow and Government e-Marketplace that also continues to be a focus area for the company in terms of being able to build out scale.

Now on Page #7 and I am going to walk you through some of the specifics in reports that have come out regarding the payment industry in India. Based on a BCG report on page #7 which is the slide which says "Massive Growth in Digital Transactions in India"; the Y-axis on that is the number of transactions that represents in billions, and if you look at the channels through which these transactions are generated, it is divided between ATM branch-based and digital channels. In digital channels, mobile, ECS, POS and Internet, they quantify digital channels. The growth in digital channels has been the highest and continues to grow at 50% YoY and post-demonetization

it is even more. So if you look at that, this is slightly dated, because it is FY15 continues to build out in this format, but if you look at that approximately 15 to 20 billion transactions and if you look at internet which is 8% and mobile which is of course growing as well, then it is reasonable to assume that with our payments framework, we would be processing high single digit percentage of the overall market, just in terms of number of transactions, which is significant given the size and scale of the opportunity that we are after.

If you go to slide #8, in terms of what is the projected growth in the industry, you will notice that by 2025, digital payments percentage of transactions is expected to grow. While the industry itself will grow, the digital transactions are also expected to take on the bulk of the growth, not just in terms of existing but also new growth, and expected to grow from 13% to projected 37% by 2025 based on the BCG-Google report.

By the way, while there are number of reports with different numbers out there, there are certain reports that say that digital payments will become one trillion dollar by 2020, this report which would potentially go and position this is about US\$ 500 billion to US\$ 1 trillion. So, if you look at the industry, there are payments which are made, it is called P2P payments, person-to-person and if you look at person-to-merchants, person-to-business, the majority of the digital payment ecosystem today as per this report is merchant-to-merchant and person-to-person, as in customer-to-merchant. We operate in that space and we consolidate as an aggregator all the wallets and all the companies that provide P2P payments. So as an offering we provide the entire offering both to merchants as well as to users. And we are very well positioned to be able to take on more of that as we keep on building up scale.

I would leave the rest of the discussion and the opportunity for Vishwas to take forward to explain the payment industry, the ecosystem and how we are performing in each of these verticals. Vishwas, it is all yours.

Vishwas Patel:

Thanks, Vishal. We move quickly on to the slide #10. This is basically how the Indian digital payment market has evolved from the early days of late-1990s to currently, the different payment gateways that is there, but it is more academics so I will move on to the next slide. Slide #11 speaks about CCAvenue payment gateway. I am sure since you have been present from day one when the payment started in the country, each one on the call must have done some transactions through CCAvenue reflecting in your card statement or somewhere. Today CCAvenue at a macro level is an all-encompassing payment gateway used by all kinds of merchants; we have the small merchants, the big enterprise clients, we have governments as our merchant, we have utilities, and various businesses that are using CCAvenue right now. If you see why we are preferred is because with one integration, and one reconciliation, there are 240 plus payment options that they can offer to the customers and a lot of transaction enhancing features that helps them to increase volumes, we have readymade SDKs for android and iOS platforms and dozens of other features. So tech-wise it is one of the most advanced payment gateways in the world, and we continuously launch new and enhanced features, so in the last quarter we launched B2Biz platform, that was basically for business-to-business, it is not just collections but also payments, so they can also do a mass payout, and vendor payouts to their systems. We also launched a recurring feature billing just not on credit cards,

but it is a new innovative on recurring billing on debit cards and net banking and even wallets. UPI 2.0 was launched last quarter on our systems. Also with the proprietary risk management solutions and lot of forward-looking new developments that are still coming in, I can assure that we have the most advanced payment gateway in the world.

Going to Slide #12, if you see our performance highlighted here Vishal has already mentioned it earlier but what we processed in the whole of last year FY18, we have already done that and more in the six months of FY19, and I think on a current level itself it will be more than INR 50,000 crores (approx. US\$ 7 billion) of processing this year. If you look at some of the key clients that we already have, if you look at the travel industry, and if you look at the hospitality sector, then Taj, Oberoi, ITC Hotels, even Lemon Tree and 600 plus hotels use our payment gateway services, in a B2C, and a travel platform, OTA platform, that is MakeMyTrip, Cleartrip, Yatra, ezeego1, Hotels.com, expedia.com, are our merchants and many others and some of the logos are there on the slide. So the who's who of internet?, so 92 of the top 100 web merchants in the country use CCAvenue. Already we process in 27 currencies and 100 million plus transactions in a year.

If you go to slide #13, so some of the new merchants in the last three months that have come on the platform are Tata Power has gone live, Vodafone mPesa has gone live, Mumbai Metro has gone live, Decathlon Sports has gone live, National Insurance Company, Gujarat University and Mahanagar Gas and Ahmedabad Municipal Corporation, the Chief Ministers distress fund for floods in Kerala where we were collecting almost INR 6 crores (approx. US\$ 0.8 million) a day to help citizens of Kerala. So, rest assured some of the biggest merchants, CCAvenue is among the top choices for them to do anything with collection of payments.

If you move on to slide #14, utility payments, now government in its endeavor to increase digital payments realize that utility payments was the key to be able to generate digital transactions. So they have created a standardized platform where they are pushing all utilities and service providers to come on a single platform, that is the Bharat Bill Payment platform, very eagerly pushed by the central government now and every utility slowly and steadily has come up, almost 110 plus active billers online and almost 0.5 million odd agents online across the country, these agents are the small mom and pop shops outside railway stations. So the kind of utility is there, there are like 36.1 lakh PNG connections, DTH that is Tata Sky at Dish TV, 6.3 active DTH connections are there, 120 crores mobile connection include prepaid and post-paid, so on an average the TRAI say that there are 100 crores prepaid cards in the country doing average of two transactions of INR 125 (approx. US\$ 1.75) every month, so you are looking at INR 200 crores (approx. US\$ 28.1 million) worth of transactions of recharges every month which is coming onboard on Bharat Bill Payment soon and there are broadband customers, power bills, utility bills and slowly they are going to get insurance and other categories. So the gist is that a consumer through one single API or one single outlet in any street or in a pan wala shop or a kirana shop can be able to pay not only all his kinds of bills through his app but also anywhere outside say in his native place also in a single click. So that is how the digital transactions will grow. Our company was one of the awardees of the licenses. As an operating unit under the BBPS there are only nine private players who got that license, we are one of them. If you move to Slide #15, these are the existing categories, where we have got into. Today, on the utility we are already processing

in excess of INR 1 crore (approx. US\$ 0.14 million) of transactions every day. This is relatively a very new business.

If you move on to the next slide, you will see that the amount of agents and agent institutions (AI) that we have appointed across 1200 cities and towns across India, we now have 358,985 live agents across the country and these belong to the 72 agent institutions. So any bill payment made at an agent on UAE exchange or Vakrangee or Muthoot or Suvidhaa is processed at the backend by BillAvenue. We already have consent letter of 117 agent institutions, 72 agent institutions are live, like the ones of the logos that are displayed on Page #16 and potential agents coming onboard will be 0.5 million in the next month or two, so the growth is very fast and awaiting more billers to go online. If you go on the next slide# 17, these are some of the billers which we have made live through our systems; Municipal Corporation of Gurgaon for their aqua and property tax, similarly there is Municipal Corporation of Jalandhar, Amritsar, Ranchi, which we have on-boarded through BillAvenue, our solution. Similarly, on the gas front, we have Sabarmati Gas and the Gas Authority of India (GAIL) Gas, Vadodara Gas, all onboarded by us, on the DTH space we have Dish TV and Videocon, so any recharge of these happening on any agent across the country through any AI, there is some revenue accruing to us, so that is BillAvenue and at an average they say it will be around one crore bills paid online everyday across all kinds of categories including insurance premiums, school fees, that will be happening and our company is well positioned to take a major share being the first movers and already getting the systems going.

If you go on to our next platform that is a Hospitality platform on page #18, that is the ResAvenue system. Currently, there are two systems in that, there is a channel manager and an internet booking engine, so ResAvenue is the central reservation system where if you see on the left hand side it connects with the property management system or it can be manually uploaded and through our systems, the hotel can be distributed to almost all the major OTAs like booking, Expedia, Hotels, so if are searching say, we have uploaded GRT Hotels of South through our platform and if you are searching on booking.com it is going through ResAvenue, a real-time inventory on booking.com is being connected to ResAvenue. In this quarter we have generated around 136,300 room nights for 316 hotels in the last three months through our channel manager and through our internet booking engine we have around INR 64 million (approx. US\$ 1 million) worth of reservations for our 836 hotels we have processed, while in the channel manager we have 316 hotels using it. So hundreds and hundreds of hotels are using this, some of the key clients, names and logos are displayed and mind you, as Vishal said, these are just India figures, it is a global solution, so we do have international clients which are reported through our subsidiary, but since you are talking of standalone we will just focus on these numbers as of now.

The GeM part I think on the slide #19, Vishal has already covered it, the annual projected volume is around INR 700,000 crores (approx. US\$ 100 billion) and as a percentage based earning accruing to the company on every transaction that happens, it is a massive opportunity. The .000 on slide #20 has been covered by Vishal, it is already in the top 16 globally, the GTLD the top level domain that we have.

Next I will move on the Performance part. I will hand it over to our CFO Mr. Hiren Padhya who will take you on to the numbers.

Hiren Padhya:

Thank you, Vishwas bhai. Good evening, everybody. Now I will just focus on the slide #22 that is financial and operational summary for Q2 FY19. Please note that we will be reporting standalone financial performance for first three quarters of FY19 and we will report audited and consolidated results for Q4 and full year FY19 in the fourth quarter.

Before I proceed I must say that our E-Commerce and Payment Solutions business have both had a solid quarter and continue to outperform our expectations. We are extremely satisfied with the performance that we have achieved in Q2 and are hopeful to close the year with a strong growth over FY18. As mentioned by our MD and our payment business head, that E-Commerce Solutions business and Payment Solutions business respectively are seeing a good traction because newer businesses and new age entrepreneurs are largely focused on digitization and offering the customers new age experience through technology.

Infibeam Avenues aims to leverage its capabilities in web services to offer digital solutions to businesses and governments to help them achieve accelerated growth and in turn achieve growth for itself, and this is evident from the strong performance that we have reported in Q2 FY19, and consistently quarter-after-quarter in the last few years. Q2 FY19 is a reflection of the strong adoption of our Web Services Solutions. This quarter our standalone revenue comprising our E-Commerce and Payment Solutions grew 83% year-on-year to INR 134 crores (approx. US\$ 18.8 million) and by 48% quarter-on-quarter. Revenue growth was largely on account of significant increase in payment processing volumes. Our revenue is India based with larger contribution from Payment Solutions. Transaction-based revenues contribute significantly to total standalone revenues. More than 98% of revenue can be attributed to our flagship solutions BuildaBazaar and end-to-end platform to set up and manage an online store and CCAvenue and online payment gateway platform offering multichannel payment processing services to an estimated over 70% of India's retail e-merchants with 240 plus payment options.

The company has recorded highest ever transaction volume of more INR 13,000 crores (approx. US\$ 1.8 billion) in Q2 FY19 which is leading to strong revenue in Q2 FY19. Transactions value in half-year FY19, that is INR 232.55 billion (approx. US\$ 3.3 billion) has already surpassed transaction volume processed in the last financial year that is FY18. Company is currently on annual run rate of INR 50,000 crores in FY19, that is approximately US\$ 7 billion.

We continue to make great progress in our web services business which shows promising growth. We are focused in driving execution across business verticals with our industry leading web services solutions. We expect that addition of merchants, tighter integration of our Web Services business and with Diwali festival in current quarter, that is Q3 FY19, we will continue building up on the transaction processing volume and growth.

Earnings before interest, taxes, depreciation and amortization i.e. EBITDA for the quarter ending September 2018 was INR 131.4 million (approx. US\$ 1.8 million) compared to INR 2.4 million (approx. US\$ 0.034 million) in

Q1 FY19. Loss for Q2 FY19 was INR 45.3 million (approx. US\$ 6.4 million) compared to loss of INR 138.8 million (approx. US\$ 19.5 million) in Q1 FY19.

Now moving to Slide #23, this mainly covers two aspects, one is the debt-equity ratio and secondly, management commitment for shareholders. The first part is debt-equity ratio. If you see for any organization, one of the important criteria for financial health would be debt-equity ratio. In our case considering the equity and reserves, the debt is hardly INR 40 crores (approx. US\$ 5.6 million), this comes to negligible that is 0.16. Secondly in view of our financials which is already achieved so far and the managements long-term strategy, our commitment to optimize shareholder wealth will also be reflected. We will also ensure the double-digit growth for the current financial year and achieve higher growth compared to last year.

Now I will just request Vishal Bhai for taking the strategy part.

Vishal Mehta:

Thank you, Hiren. Now I want to walk you through the slide which is slide #24 and that talks about what is the company's strategy and outlook. If you look at the standalone company, we will continue focusing on the transaction volume and the revenue model associated with that both for our Web Services business. We believe that it is the right one to go after. The reason is because as company's merchants process more, we give more returns for our shareholders. If you look at most of the contracts that we get into, they are transaction-based contracts. Our entire payments web services framework is transaction-based and we believe that that is the right strategy for the company to follow, both here as well as international. We want to look at end-to-end solutions. You see we have got different pieces of our frameworks and if we are able to provide more integrated framework much like any company that offers a bouquet of services together that continuously allows the customer to use more and more of your services. While we have taken up that initiative, we believe that we have lot of opportunity ahead of us to be able to build out more of the solutions going forward.

We want to continuously expand across business verticals. We have realized that both channels and verticals work very well and if we are able to position it out properly and offer such solutions, to the target, the end clients, there could be good returns to be generated, and we believe that we will continue building up on that.

Our international expansion is an area where we believe has significant growth opportunities. We do not look at optimizing only for a particular number, we want to optimize for the long term, we want to focus and forward invest in places where we believe that are right potential, but we will always have profitability and growth both in sight. We have had it historically and we will continue having the same going forward.

We will go to Slide #26, which is how are we thinking through it, we have huge opportunities in front of us. If you look at payments as a space, when we talk about payment processing volumes of US\$ 500 billion to US\$ 1 trillion in the coming years, we believe that if our current rate of US\$ 7 billion has a lot of room to grow, so in other words when we think about different reports that are out there that quantify that the payment industry is expected to be US\$ 500 billion to US\$ 1 trillion, then at current rate also that we are in single digit percentage,

although we are a very dominant player in the current ecosystem, but we believe that there is a huge potential to be able to take it forward and grow further and keep on offerings such solutions.

If you look at our Bharat Bill Pay System and opportunity that we are after, today we are at a run rate of INR 1 crore (approx. US\$ 0.14 million) in utility payments on a daily basis which means that if we process, this is mind you a platform that we have launched less than a few months ago, so based on more agents onboarding, based on more utilities coming online, we believe the potential of that to be able to offer to end-clients become significantly valuable. If you look at the business growth in terms of our Web Services and our Registry business, a combination of our Registry and Web Services business is a significant driver which we believe can potentially help us in terms of generating more service-based revenues. And we believe that ability for us to cross-sell in the future and offering more and more of our services to client will be the right way to go going forward.

To summarize, I would like to highlight a few things: We believe that we have got a very strong transaction base business model to help us scale the business. We think that as we build out the business, we will focus on the long-term and invest in places which have a potential to generate very good shareholder value and we believe that we are not focused only on a number like profitability of growth, we believe growth with profitability is the right way in a right approach going forward. We want to focus on many of the digital initiatives that are there in the government. Government e-Marketplace is just one of them. We believe that there are many, many more initiatives that our platform and our framework can be utilized for.

International being a core area, we believe growth can potentially be fueled, we will continue looking at that going forward. We have a strong team and we want to think about the long term vision to build out this company as we go forward for our shareholders.

At this point I think we have concluded the presentation. We are happy to take any questions.

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 Mr. Bhisham Patel from Raisonneur Capital. Please go ahead.

Bhisham Patel:

I would like to understand how you have been growing the Payments vertical and what kind of traction do you see, if you could throw more color to the kind of traction that you guys are experiencing on the BBPS vertical?

Vishwas Patel:

On the traction, you have already seen that in FY'18 we have already processed in the first six months more than what we processed in FY18, so you can say that we are doubling already on the last year's performance and even

more as the market grows more because you should understand payments is the core for any e-commerce. Any statements you see of your bank account, either it is a payment or receipt and somewhere there is a role of us at play. With our innovative new B2Biz Solutions and even we have now started white labeling for banks, providing them PG solution, for example Kotak Mahindra Bank's AllPay payment gateway is a white label of CCAvenue, in the same way we are the premier partner for HDFC Bank for their VAS initiative, we also are a premium partner for ICICI Bank and another 15 to 16 banks where we have strategic relationship. So payments, we are very keen and I think looking at a current growth trend it is 100% growth year-on-year.

As far as your question on the Bharat Bill Payment Systems is concerned, it is still in a very early stage, but we are already processing bills worth over INR 1 crore (approx. US\$ 0.14 million) a day. The problem is that currently there are only 119 utilities live on the system, I think as more utilities go live, there will be more volumes. I will explain to you where I am coming from, so now we have agents in around 1,200 cities and towns across India, we have agents in Guwahati in Assam, but the Assam electricity board is still not live on BBPS. So for them the agent there is offering Reliance Energy or Torrent Power of Gujarat does not make sense. So they need local utilities to go live. It is a chicken and egg situation. But having said that if an average of almost half a million agents that will be onboarded by the end of next quarter are able to do at least 10 bills a day with customer walking into their shops or at a kirana store or at the pan wala shop and is able to do 10 transactions a day, the growth can be enormous across this half a million agents that we will have. So currently it is around INR 1 crore (approx. US\$ 0.14 million) a day for around 16,000 to 17,000 daily bill payment transactions, but we anticipate more as more utilities join in, it will go through the roof.

Bhisham Patel:

How are you guys especially the CCAvenue piece of the business looking to expand in the international markets especially where lots of US or Europe-based companies have not come and captured a lot of share, so for example, the other day I was reading at an article which was published on Bloomberg there is a company called Wirecard based out of Germany and it is one of the biggest payments players in the world, it does about 5% revenue of what Deutsche Bank does but has pipped Deutsche Bank in terms of market cap?

Vishwas Patel:

You are right, so looking at that success story of Wirecard and even Adyen which is listed and went up 17x to their revenue on their listing day and currently is valued in excess of US\$ 15 billion, so yes, for our payments our strategy is to provide a global solution. So we are already live in UAE and we command a significant position, we will be going into the Middle East and we have very aggressive plans in the coming quarters to grow across many geographies. But right now the immediate focus is the Middle East and many countries which are opening up in that region, and then we will go into other markets also. So, an aggressive plan is being shaped out. In India we are in excess of INR 50,000 crores (approx. US\$ 7 billion), in UAE we are already in excess of one billion AED (approx. US\$ 275 million) processing volumes and in other markets also as soon as we launch, we need to make significant dent because if you remember my statement we already have the most advanced payment

gateway in the world with so many transaction enhancing features from the merchant perspective and it is a multilingual solution supporting 18 languages, and a multicurrency processing solution, 27 currencies we can process, so in UAE we can do in Arabic also and so many geographies we can do including French and Spanish. So expansion is a matter of aggressiveness and that is what we are building up in the next few quarters in a couple of jurisdictions.

Moderator:

Thank you. We will take the next question from the line of Raj Sharma. Please go ahead.

Raj Sharma:

Hello, Vishal. What is the future plan of the business?

Vishal Mehta:

If you remember in our previous calls, we had mentioned that we would like to go slightly more aggressive on the Registry business and what we believe in is that a combination of Registry and our Web Services solution is a fantastic way to approach the market. So the strategy that we have in mind is both going deep as well as going broad. Going broad meaning that as more and more domains get registered, and more and more people start utilizing the dot triple O “.OOO” domains then it becomes more pervasive, it becomes available and people see it, it becomes very valuable and today we are very happy to report that out of not being in the top-100 we are now top-16 in the world and definitely amongst the top in India. So we believe that the trajectory in terms of the registration should continue building up which is the first part.

Raj Sharma:

You said you are on top-16, right now so how many number of domains are active as of now?

Vishal Mehta:

We have got more than quarter of a million domains active and we believe that the moment we are able to go to a number which is about 4x of what we are today, we can potentially get to a number which is among the top five in the world. So we believe that out of nowhere if we were able to get to this scale in terms of registrations then the potential can be much larger. Now mind you, the reason why we are able to get to that is because we were able to optimize on our costs.

Raj Sharma:

You just recently launched a mobilenumbers.ooo, right. It does not get to hear that much, right, or what happens?

Vishal Mehta:

That was the registration of number of users who utilize mobiles and we got significant amount of learning. We will have to experiment a lot as we build out scale. One of the other initiatives that we also picked up is going deep with somebody like the largest financial portal in the country, moneycontrol.com. So, we went in terms of allowing them to utilize us and the traction that we see is that as more people start utilizing it that there will also be many of the registries that get sold at a premium level and we have seen a significant increase in terms of the number of premiums that get registered globally on us. So, it will be a combination of looking at what to experiment to be able to build out scale and also going deeper within certain verticals so that we are able to get traction on that as well, and if you look at the recent implementations that we have done what we talked about including moneycontrol.com, what we talked about with mobile numbers that we also provide our Web Services Solutions along with that. So this is not a domain registry tool, it is actually a solution that you provide that allows us to build out from there onwards. So our appetite in this is that if we are able to get into a position where we are able to not just provide and we are a registry like you are aware we are not a domain registrar, but if we provide solutions along with our domains, it becomes a very powerful combination to be able to go after, because subsequently we can give more of our web services to the same clients, and it will involve some amount of experimentations, we have experimented in the past, we will continue doing that in the future as well.

Moderator:

Thank you. We will take the next question from the line of Mr. Vipul Shah from JM Global. Please go ahead.

Vipul Shah:

Vishal, what is the kind of traction you are expecting on GeM. Will we achieve the target? Second question is what is expected in revenue and PAT during the tenure of GeM contract?

Vishal Mehta:

GeM is a very important contract for us, partly because it essentially is something that is going to generate a lot of efficiency in terms of the overall procurement of the country. So if you look at the size and scale of this and it is overwhelming, but the numbers are about INR 6-7 lakh crores just in central government procurement, and when you talk about those numbers roughly you will translate between US\$ 90 billion to US\$ 100 billion, so theoretically it is the government to business and not a business-to-business model, but when you talk about that scale, it is the scale of the largest marketplace of the world and that is what the opportunity it is to power or to be able to provide your framework to. So today if you look at the numbers for GeM, you are talking about 10s of 1000s of crores of processing happening. So it is in single digit percentage of the overall size of the scale of the opportunity. In GeM, authorities have gone public with certain assumptions that they would like to see INR 50,000 crores to INR 200,000 crores (approx. US\$ 7 billion to US\$ 28 billion) in this year and next year, and looking at the national mission and many of the initiatives that the government has taken, to on-board sellers and to get traction around it that it obviously looks like it is happening in many cases. In the recent interview it has

also been mentioned that what used to take about 60 to 70-days for a seller to be able to physically onboard and to get a contract that now it takes between 10 to 15-days to actually on-board and to get a contract. See the timelines have reduced which is actually on record by the authorities, which means that somewhere it is generating a lot of efficiency and the second part is, it brings a lot of transparency into the system which was not there before, and it also means that as more and more of that happens it translates into additional revenue for us. As far as the PAT (profit after tax) is concerned and the revenue that you talked about and more things get processed through GeM that we of course generate more revenue and PAT. So we are not able to segment it out by customer. What I can tell you is that we generate high single digit of about 8 to 10 bps on every transaction.

Vipul Shah:

Vishal bhai, has the state government started buying on GeM?

Vishal Mehta:

There are about 27 states that have signed up on GeM and it is a public information, and some of them have started buying on GeM.

Moderator:

Thank you. Ladies and gentlemen due to time constraints that would be the last question. I would now like to hand the conference over to the management for their closing comments. Thank you and over to you.

Vishal Mehta:

Thank you all for joining our Q2 FY19 call and we have our active investor relations team, we would love to hear back from you. Please do write to us and thank you for joining this call.

Vishwas Patel:

Thank you everybody and please do not believe on rumors and trust us. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, that concludes this conference. Thank you for joining us. You may now disconnect your lines.