

"Infibeam Incorporation Limited Q4 FY2017 Results Conference Call"

May 31, 2017







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SECURITIES

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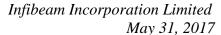
SECURITIES

MANAGEMENT: Mr. VISHAL MEHTA – MANAGING DIRECTOR – INFIBEAM

INCORPORATION LIMITED

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INFIBEAM INCORPORATION LIMITED



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Moderator:

Ladies and gentlemen, good day and welcome to the Infibeam Incorporation Q4 FY2017 Results Conference Call hosted by KR Choksey Shares and Securities. 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, please signal an operator by entering "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mayank Babla from KRChoksey. Thank you and over to you Sir!

Mayank Babla:

Thank you Melissa. 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 Mr. Hiren Padhya, Chief Financial Officer who are here today to discuss with us the company's performance in Q4 FY2017. Let me hand over the floor to the honoured guests from the company. Over to you Sirs!

Vishal Mehta:

Thank you Mayank. Good afternoon everyone. I want to welcome all of you to the Infibeam's earnings call for the Q4 and the full year FY2017. We shared our results documentation on financials as well as the presentations that we would want to walk you through today. Both of them are available on the website. So I hope that you had an opportunity to go through them.

In terms of the Q4 of FY2017, it is an excellent quarter both in terms of overall profitability on one side and this made a lot of strategic new development as well that we want to walk you through as part of the presentation. As you recollect in the past as well that we have mentioned that many of the e-commerce companies in India have adopted a strategy of forward investment in cash burn and report losses. Infibeam has continued to adopt a proven way of seeing cash positive while recording growth. For this turnaround we have had a distinction and continue to have it to remain a profitable enterprise with a very integrated and synergistic business model, both that supports B2B activities as well as Business to Consumer activities. We continue to evolve our platform and we believe that we have added many services along with the platform and we will start talking about a term called Infibeam web services from here onwards that I would like to walk you through as part of our business model.

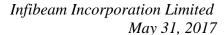
On slide 3, which is Infibeam Powering Digital Enterprise. For many years, we have continued to provide our platform, which we will now call Infibeam web services to merchants as well as suppliers in both domestic as well as international markets. In the domestic markets, we have got very, very renowned brands as well as the long tail of merchants who utilise our platform to be able to create and sell products online. The demand side is the merchant base, the merchant base is the base that allows merchants to sell directly to consumers and they utilise our platform to build their own stores as well as reach out to third party market places. We identified the supply side as well and in the supply side



typically you will have brands that utilise our platform to reach out to their online audience. We realised that many of the brands who operate, they have an existing distribution channel, which allows them to sell products and reach out to users and in many cases these are very efficient channels to reach out to users. So in order to complement the existing channels we provide them the same platform that we talk about and the web services that we talk about to reach out to users to sell the long tail, in other words, the skews that do not have very high velocity and we have signed up many brands to be able to utilise our platform and we continue to evolve with entire Infibeam web services framework, which primarily is Buildabazaar platform and services to both clients and merchants and suppliers in domestic as well as international market.

The important pillar as part of the platform strategy that we will cover subsequently in this presentation is the payment fee. Platform with payment is a very, very interesting asset in our opinion. It allows us to provide a very seamless experience for merchants to onboard and to be able to transact and gain customers online with our investments and our announcements of amalgamation of CCAvenue as part of our strategic investment we believe that the synergistic opportunity will amplify our platform framework in the domestic markets and we can provide a one-stop solution to merchants to be able to onboard. The recent announcement of demonetisation will also help in terms of this synergistic behaviour whereby merchants would want to have users and customers transact online. The second important pillar in our business that we believe is the capacity or the logistics pillars. We recently have tracked a lot of activities that happen around GST and while there is a lot of conversations around implementations of GST in the next couple of months that we will be ready with both the supply chain as well as our investment to be able to grow our offline logistics presence in multiple cities. While we will not only use it for suppliers, which we do today and access them to sell the long tail of products, we would like to open it up also to merchants whereby that potentially gives up an additional revenue opportunity on services.

Now, I will walk you through the operational snapshots. In Q4 FY2017 we reported on quarterly basis services revenue of Rs.53.9 Crores, this is a significant improvement compared to prior year quarter. If you look at the same number in prior year that number was Rs.27 Crores odd. So there is more than 96% improvement quarter-over-quarter in terms of our services revenues. We continue to add merchants. We have 71,341 odd merchants on our platform and our segmental results EBITDA continues to be strong in terms of upwards of 50%. In terms of product revenue, we have a 4% growth margin. We believe that we will continue investing and only selling products, which have positive growth margins. We have realized through a lot of data processing that if you acquire a customer by making a loss on gross margin, it is almost impossible to make money out of that same customer. So the strategy that we have adopted in the past also is to continuously ensure that we sell the product tail and we have positive growth margins in our business.





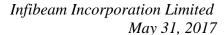
Our total revenue for the quarter stood at Rs. 120 Crores odd and our EBITDA margins are close to 20%. If you look at the full year impact, our services revenue increased by 60% year-over-year. The full year ended at close to Rs. 160 Crores and if you look at our EBITDA margins our EBITDA margins were almost close to Rs.83 Crores, mind you that includes the interest component of Rs.15 Crores odd as well. So short of that it is still close to Rs.67 Crores. If you look at last year numbers the EBITDA were Rs.27 Crores odd, so there is a significant improvement both in terms of EBITDA as well as net profit. Now I request Hiren to walk you through the financials.

Hiren Padhya:

Good afternoon. Will start with slide 6 and 7 combined. It is consolidated revenue and its compositions. If you see, company has achieved a remarkable track record of consistent growth even in the current quarter by 60% compared to Q4 FY2016 and 31% in FY2017 compared to FY2016. It is important to mention that in spite of the overall negative impact of demonetisation in the market, the company has managed not only overall profitability, but came out of it with meagre opportunities. As per the strategic plan, company has focused into services during the last of couple of years to substantially improve on profitability and we had this reflected in the figures of current quarter composition of product and services. It is 55% and 45% compared to 54% and 36% in Q4 FY2016. If you compare the same figure year wise the ratio has improved by 13% in terms of positive from 23% last year to 36%in current year. 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 remain profitable and cash positive.

Now we will move on slide 8, it is consolidated revenue for the segment. The company has a specific focus in services segment as a long-term strategy. It is evident from the growth of almost 100% in Q4 compared to same quarter in previous year and 56% rise on a new business around 1028 million in FY2016 to almost 1600 million in FY2017. Company has achieved a rare distinction by providing an integrated and synergistic business model for B2B and B2C segments of customers on cloud-based infrastructure enabling online sale of product from merchants locally as well as globally. The main reason for the focus is very high EBITDA margin on one side and stepping the international opportunities on other side for still better margin. The company has already made a 100% subsidy operational in Dubai for the last couple of months and generated remarkable revenues with high margin. Company earns revenue by offering a combination of setup fee followed by monthly fee and a per transaction commission. The share of international business is in the range of low double digit and we believe that there is a strong potential in the future for growth in volume as well as margin.

Next slide, consolidated revenue growth segment. During the quarter the company has gained a marginal growth in product revenues compared to previous quarter and 39% growth compared to same quarter in FY2016. On annual basis gain is 20% compared to FY2016 and that too in the midst of major impact of demonetisation. We as a company has not been affected by this, but emerged a





plenty of new opportunities in the last quarter of FY2017. We as a company see this as a great opportunity for e-commerce industry to enable customers towards adopting digital and cashless payment system and that is evident from our Q4 growth revenue. This new system of digital and cashless payment will lead more people to use traditional banking services like credit cards, which is a key factor in allowing consumers to buy online. We are very much optimistic that various reform initiatives will unlock domestic supply bottleneck and raise productivity, which will result in high volume of transactions and increase in revenue for the e-commerce platform in long run.

It is important to not hear that in view of our plan merger with CCAvenue we will remain unaffected in terms of business and volume. One more aspect is here noteworthy is that in the past couple of quarters we have ensured the improvement in the product segment in terms of margins unlike other players in the industry. The company strategically follows an asset light inventory model and has more than 5000 registered merchants who sell directly on Infibeam.com and 8.17 million active users as on March 31, 2017, which are contributing higher revenues.

Next slide EBITDA. The basic philosophy of company that it believes in not only returning shareholder's capital suitably, but also increasing the wealth of shareholders. Similarly I would like to emphasize here that the DNA of company is to earn ROC under prudent norms of allocation of cash or profits for growth in business. As a part of the philosophy the customer acquisition strategy adopted by the company as a pull factor, which is in sharp contrast to the push, which most e-tailers are operating them. Under the pull factor the company does not incur high cost of acquiring customers, which ultimately results in not only preserving the cash in books, but also the positive contribution, the margins and overall profitability. This slide reflects our philosophy perfectly. The growth of quarter-on-quarter EBITDA by 200% and year-over-year again by 203% sufficiently proves that. This has set a track record of high profitability unlike most Indian players in e-commerce segment, which burns cash and report losses. It also reflects an improved operational efficiency along with the margin.

Next slide, Q4 FY2017 and FY2017 service segment results. The 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. This again results in profitability in terms of absolute value as well as percentage in the same quarter in the previous year, which is 64% in terms of value from 174 million to 285 million and if you compare the same figures on annual basis, the growth is 52% that is from 633 million to 964 million. In view of the unique features of the segment, mainly 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 service 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 of following advantages.



First is faster growth in services compared to product, second is higher EBITDA in case of B2B, third is all new developments in terms of JVs or MOUs or any arrangement nationally and internationally are with B2B where revenues are higher and they are profit lucrative and last any additional business tie-up with B2B will have a positive impact on market cap.

Next slide is product segment results. The margining negative impact of margin in current quarter is mainly due to demonetisation. However, revenue has remained unaffected. Again on yearly basis the company has constantly improved the margin for the last three years. The negative margin of 198 million in FY2016 has improved to negative 67 million in FY2017. Similarly, in terms of percentage margin during the same period that FY2016 versus FY2017 negative margin of 9% has improved to 2% in FY2017. It is a conscious and strategic effort of the management to be positive with contribution in this crowded e-commerce space where many online retailers are losing money. The combined efforts of operational and logistics efficiency and optimizing on the cost through centralization of few operations have assisted company in improving the margins.

Next slide is profit before tax. The PBT being an important aspect of any organisation gives us indication of health of the company. PBT has a marginal improvement in the current quarter compared to previous quarter, but compared to same quarter in previous year the growth is almost seven times that is from 23 million to 157 million. Similarly, on annual basis, the same growth is six times that is from 87 million to 563 million. The main contributors are excellent growth in services revenue, which is more than 50% EBITDA and focus on internationalization in the recent past. The company focuses on high EBITDA and always ensures capitalization from the growth plan.

The company focusing on high EBITDA and always ensure capitalization from the growth plan. This is also be reflected in our capex in next atleast 18 months, which would definitely lead to higher cash generation and allow the company to stay zero debt company.

Slide #15 and slide #16 profit after tax and EPS. Company had maintained the profitability even after tax, which is evident for the fact that PAT has surged by five times from \$23 millions to \$136 millions compared to same quarter in previous year and on annual basis from \$88 million to \$435 million in FY2017. It is also an indication of efficient way of managing tax planning and good in commercial negotiations. This directly not only improved the earning per share, also it is shareholder's earning. The positive improvement in PBT and PAT has also reflected in terms of EPS that is Rs. 2.16 per share to Rs. 8.47 on annual basis. Thank you now I will request Vishal to take the next few slides.

Vishal Mehta:

Thanks again. I would walk you through the IPO proceeds as well as the new developments that have happened in the Q4 of FY2017. I would also like to cover certain project updates and in specific some acquisition and investment announcement, which was made in the previous quarter. In terms of the



IPO proceeds, I would want to walk you through the four objects and then provide you some updates in terms of how each of them are progressing. The first one is the setting up data center in properties and our move of corporate offices to be big city. I am very happy to inform you that the company has executed the transfer deal and taken possession of GIFT two building specific floors as per the agreed payment terms and we are expecting to move in the building by Q2 FY2018.

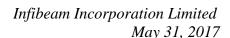
The second one is the setting up of logistic centre. GST has been a very important aspect of how logistics and supply chains will get shaped in the future. The company has continued to track the GST migration and they will be reporting progress in that front. We plan to expand across 75 additional centres and we expect to do bulk of the expansions in FY2018. We believe that it is the right time for us to tap into building out a supply chain and logistic framework that not only helps our suppliers but also merchants whereby we can generate additional services revenues.

The third one is the software whereby we are able to generate advertisement income on pipes and stores that we power. Mobile has become a very important facet is people's lives and it is no news to know anyone that bulk of the users access price as apps using mobile phones and with the recent drop in data plans and the inroads of telcos that we believe there is a lot of expansion and scope for the same phenomenon to continue. So having had on frameworks that was built using our infrastructures becomes a very large opportunity for us. We made significant progress and as and when we roll out we will be specifically pointing this out as part of our implementation plan. The rest of it is general corporate purpose, I would want to walk you through now the performance of the company so far.

Since the time of IPO to date, we have showed good progress in terms of getting listed on some major indexes. Recently we got included into NIFTY Alpha 50 index prior to that in descending order, we got included in the S&P BSE index, the Morgan Stanley index as well as the Future & Option index.

Now I will briefly cover some of the announcements that we have made, which are strategic in Q4 FY2017 and there will be channel on each of them. The first one is our investment in subsequently in amalgamation of CCAvenue into the company. We have already made an investment of Rs.150 Crores in FY2017 to acquire additional 7.5% into CCAvenue. The next milestone in this would be the formalities in the amalgamation and the necessary approvals. It is important to note that going forward it is worthwhile to focus on the EBITDA number because earnings before interest, tax, depreciation and amortization, we will potentially become a very good proxy in terms of how the company offerings. Post the transaction that any goodwill that is generated out of such amalgamation has a potential of being amortized as per standard and we will follow the standard.

The second objective over here was we have announced that the BCCI had invested into the company; they had invested one warrant for an aggregate amount of Rs.60 Crores. The same warrant has also been continued into equity. The third aspect of this was our opportunity in terms of scaling





up our platform business and as part of that we signed an agreement to acquire DRC systems and we will be amalgamating this acquisition into our financial this coming year in FY2018. Finally, some quick project updates that will give you some more indications in terms of how to see through the growth opportunities for us. Domestic has been a very strong business. International now has picked up, while our international business is still a small number compared to domestic and it is in the teens as a percentage, we believe that as we keep on rolling up, it is still very early days and that the company has significant opportunities to expand in that area.

Last year we had provided our platform to invest to Saudi telecom. We are pleased to announce that the platform is already and that it is operational. The second announcement that we have made was to give the platform framework to brands and one specific was Amul. We are pleased to announce that the pilot is already operational and you know it has been expanded in more than one city as a pilot project. We will continue to provide more services in terms of Infibeam Web Services to both new and existing clients. Finally our MoU with IL&FS. It has the potential to generate more revenues from the government initiative and the impact of what we would do will show up in this financial year. I think that is it for me and would be happy to answer questions?

Moderator:

Thank you. Ladies and gentlemen we will now begin the question and answer session anyone who wishes to ask a question may enter "*" and "1" on their touchtone telephone. If your questions have been answered and you wish to remove yourself from the question queue you may enter "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Mitul Shah, an Individual Investor. Please go ahead.

Mitul shah:

Sir I would like to congratulate for the good numbers. My question is you always use the word for the product segment that every product that you sold is the positive growth margin you focus on, still there is no profit in that segment and continuously we are seeing the loss in that segment. So what are you going to do about that?

Vishal Mehta:

Mitul the objective announced of having e-commerce product segment is that if you look at the broader market, consumers are adopting online given the growth and the penetration of internet, the ease of payment as well as you know perhaps organise supply chain being built out and if you look historically you know many of the companies has looked at acquisition of users through discounting or a positive investment to be able to grow the base, what the company has specifically done, as we had said that while we will operate in this segment because it is basically a supply chain that you are building out. Supply chains in the long term are very important pillars in the growth of e-commerce business, especially in India. You see if you look at international a lot of logistics and supply chains is very organised and very well built out.



So one can utilize the services to be able to go online and merchant can adopt to be able to generate more revenues in the digital format. So our strategy for international has always been to focus on the platform sale, which generates high EBITDA margins. But in India we realized that logistics is an important mode; in other words specifically with the opening up of GST that goods and services will start deem carried in a different way than what it was done before and I will walk through an example and then I will come back to your question of how this will be important to the company in the long term. You see in the past you would need to carry the product and merchants who are there locally to only sell locally until they have a central registration and there is a cost of central registration, which not every merchant would want to incur but with GST any merchant can shift the product to anywhere in the country, which means that over a period of time the space and opportunity evolves.

The second part is that we would not want to carry the product till every location. So based on the average selling price of the product that one will decide whether it makes sense to source centrally whereby you reduce the safety stock in the inventory levels and then you would want to manage a lot of products locally, which have low ASP which will make a lot more sense given that your logistics cost to the percentage of revenue will be high and that the margins will or will not be accreted to carry it in every location, right. So the supply chains get reconsidered and as the supply chains get reconsidered then the major opportunity opens up in terms of offering such services which are localized to merchants because the products which have certain specific criteria and ASP that we would always carry them locally and we would want to run the supply chain locally and most of the products that fall into these categories are consumer based and even products with low ASP and what I talk about is average selling price which are less than say for example through a Rs.500 or Rs.700. So we believe that this becomes an opportunity for us to open up not only to suppliers but also merchants whereby we make this investment and it becomes a very important stickiness point for merchants to be able to utilize our framework.

There will be some merchants who would want to use only our software piece, which is required to be able to run their local logistics and then the other merchants who will go back and use our physical locations as well as part of this movement. So we have realized that in order to generate profitability in B2C that there is an adjustment in supply chain that unlike many e-commerce companies who sell product at a gross margin level, we have adopted a strategy that they may use on a per unit transaction but not on gross margin and number two, that our investment in supply chain will pay out in terms of opening it up not just to suppliers but merchants. So eventually once we find a product or a service, which has very high gross margins that allows you to generate huge accretive growth. And we continue to believe and test our philosophy and see if it makes sense and to that we believe this is the right quality mix. This year after rolling out GST, we will open up the additional centres.



Mitul shah:

So after GST when you are expecting that the product segment will come into the profitability because every quarter generally the loss is increasing in a general way?

Vishal Mehta:

You see that if you think about it our philosophy is that we need to generate a business model before we scale up the business model because if you do not have a business model to generate profit while one can forward in that if you scale up and amplify then the loses will come down, okay? Now if we look at the overall numbers, year-over-year and if you look at the product segment slide, you would have seen that the loses have reduced dramatically. So while at a gross margin level we continue to be profitable, if you look at the product EBITDA percentage of revenue, it is reduced from negative 9% from 2015 to negative 2%/

Mitul Shah:

Yes of course, that is correct.

Vishal Mehta:

As a result there has been a significant conscious effort in progress at other ends to be able to pick up in such a way that you would want to drive long-term breakeven and profitability. You see consumers becomes a very important aspect of our business because on the platform as well as the payments that we would have huge amounts of data that one can process to be able to cross sell as well as to be able to run supply chains of products, which is accretive gross margin as well as net margins. So our philosophy and framework will continue in the same trajectory and we believe that it is the right strategy to make in the long term.

Mitul Shah:

So same thing applied for the dot-triple-O framework also, like you have said that you will reduce the price but that is like from last three quarters, there is no update. Such updates like you did reduce the prices or anything?

Vishal Mehta:

So you are right. We have to make an update on this. We had consciously kept on working towards driving the cost structure down. You see in these cases, which usually are binary it happens and it happens immediately but one has to work to be able to allow so... while there is a lot of backend progress and a lot of ground work which has been going on, very shortly we expect that in the coming quarter which is the Q2 of this year you will see the impact. So we have slightly delaying in that rollout. Earlier we had projected that it should be completed by this quarter.

Mitul Shah:

Yes, that is what my point is. Last time also that when we have talked that, two points were there, the international business will start contributing and dot-triple-O framework start contributing towards the revenue as well as the profitability but both of them you know has been slow like international business, we have expected this time the revenue will start coming in but that is also not happening. What is your take on that?



Vishal Mehta:

Yes, see international had been a very good for us this year. We see that we have made a lot of progress in terms of driving of our international business and we believe that, that is the right strategy and that is what we communicated earlier as well that earlier it was only a single digit percentage of our revenue, now we have increased it to double digit percentages and we have made a lot of progress in terms of opening up our platforms in other regions as well and utilizing channels to be able to reach out to merchants in each geographies and we believe that that is going to continue on this year in terms of growth prospects and opportunities

Mitul Shah:

So what is the number in the international business actually, this quarter out of this profitability what is the number? How much business has actually come from the international territory and how much profitability has come from the international business?

Vishal Mehta:

International business today will contribute in about close to 15% of the overall. So we believe that international business has a lot of potential and that is essentially what our focus is because they have not touched the surface in our opinion. They have got a lot more ahead of us. So while this continuously evolve the business, we believe that is the right take for us in the long-term. In terms of you know overall if you think about it, our strategy is to continue to build out our platform business internationally and so as a result we will continuously focus on that framework but if you look at the triple-O domain domain-selling business which is what we talked about last time where we said that we want to reduce the per unit cost of going to reduce the per unit cost of the dot-triple-O domain.

Partly it is because one has to make it affordable and in terms of affordability, I think we will make affordable, which will not sale up for you because there is always an alternative which is a dot com which is available. So as part of the strategy our objective was to reduce the cost and in terms of cost reduction, there is huge amount of groundwork that has happened. But like I said in this business you will see a step change. We would not be able to think about a gradual reduction. It will be a step change reduction and the step change reduction, while we were expecting it a quarter in advance, which is in this particular quarter in Q1, it will potentially go to Q2 but we are very optimistic that Q2 we will be able to roll out and based on that we have been working towards a framework that allows us to scale that up.

Mitul Shah:

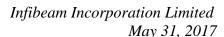
Okay, I have more questions but I will come back next time.

Moderator:

Yes, Sir please come back in the queue, we have participant waiting. Thank you. We have the next question from the line of Duby Rex from ithought Finance. Please go ahead.

Duby Rex:

Thanks for taking the question. Sir this question I regarding the platform actually. So what is the feedback we get from the customers in terms of assume I am a vendor and I come through the platform and I also sell my products through Amazon or Flipkart, so I mean do you have any stats to





say that people are buying more from the own store or something like that because tomorrow if... that is our cash cow and tomorrow if they feel that they are getting more customers from Flipkart or Amazon, they may not even renew the partnership with own store or things like that, so that is my basic question actually.

Vishal Mehta:

So you see that the platform supports multiple buying model and it is positioned as never being either or so as a result for a merchant with the marginal cost to utilize this is only based on success then at that point it becomes very accretive for that. In a market place if you can appreciate you will always have a lot of competition. So for market places that are driven through a gross merchandizing value framework that there is a lot of support from merchants that are very large and as a result the focus has always been towards a bigger sell through and the second part is that merchants not every time can be very competitive because if there are certain commercial activities that are involved using our market place it becomes very hard for them to participate in the every single promotion. So as a result given that you can support multiple buying order from merchants and also we support services, if you recollect in the past, we have made our platform industry verticalized which means that we not only support retail, we support services including pass, ticketing and many others and we have also started supporting educational institutions.

So the platform that we utilize can be used not just for the supply chain of the products. Just to give you some anecdotes what is happening for a company like us is that we have a lot of training that is required for employees, in every organizational department and once we open it up and utilize it for us, it is just not about the related view a video or read certain material, it is about practicing analytics and many other backend activities that are required to be able to ensure that the training is continuous and thus it is compliant and once we utilize it in certain areas in our framework, then we can open it up, so we have opened it up not only to companies but also to educational institutions and many others and so like I said while the core engine will continue with embedding involved, there is lots of opportunities not only to target on certain industries but also open up industry verticals and the industry verticals are not either or because even within that industry verticals, one would essentially have such digital content which hosted on a personalized cloud for a client or that they would want to actually utilize their own cloud as well as sell their own products. You can even reach out to individuals, which are tutors and many others. So we will continue evolving that and the good thing about this is that it is not limited to India with a global opportunity.

Duby Rex:

Okay, right. Thank you. Sir the second question is regarding that CCAvenue merger, is the details being worked out like, is it going to be like cash or with equity and dilution of things like that?

Vishal Mehta:

No we will be announcing that information shortly, if you recollect what we have announced in the last quarter is that we have made an investment in the CCAvenue and we had taken additional 7.5%.



This is in addition to the 3.85% that we have invested last year and the rest of the discussion is around amalgamation and a merger but what we would imagine that yes it will have a stock components.

Duby Rex: Okay fine. Thank you so much Sir. All the best.

Moderator: We have the next question from the line of Kunal Mehta from KR Choksey, please go ahead.

Kunal Mehta: Congratulations for the strong result for this quarter. I was asking like there are a lot of borrowings on your balance sheet for this quarter, which give rise to your interest expense in this quarter, so it would be better if you put more colour on that where you want to implement this borrowings and secondly

what would be the capex for this next two years.

Vishal Mehta: If you appreciate we have made an announcement of investment into CCAvenue and so whatever

borrowings we see are short-term borrowings. These borrowings are made for investment in CCAvenue. If you look at the overall picture I think our appetite is to ensure that we are able to think about the short-term borrowing given the accretive nature of our business that it would get repaid as part of our process. If you overall also look at the industry debt equity ratio, for many of the large companies it goes as high as 0.6 so for us it is less than 0.2 even after this investment. So we are appropriately conscious and we want to make sure that it becomes a short-term borrowing. It should be repaid as part of our zero growth plans. In terms of your second question of capex in the next two years, you see we will be making the investments that we have projected as part of our IPO proceeds

so it is reasonable to say that is what will continue on in the coming quarter.

Kunal Mehta: And secondly why there is a drop in margin for BAB business to 47%.

Vishal Mehta: Sorry could you repeat that question please?

Kunal Mehta: Yes, why there is a drop in margin for BuildaBazaar business it has came down to 47%.

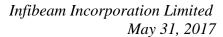
Vishal Mehta: As we scale up to be invested in branding and advertising so you would have noticed that has we

come up with new products and industry verticals in certain cases that we will be investing in terms of communication of our offering so that is one part of it. The second part of it is that if we open up a geography and scale it up, there is a marginal impact to any new geography that we scale up, so while it is accretive but the initial impact is of course visible so as we scale up the international geographies that we will have the marginal impact on EBITDA but we think that in the long-term we will continue

staying at a healthy level.

Kunal Mehta: I have seen your... like recently there was a news that you are going to pitch into education sector

could you just put more colour on that.





Manager:

Sure you see that education is a very important industry vertical that we had identified and the way to think about our framework is that there is a core engine and when there are services that are build so that they support certain industry verticals. So there are two interesting opportunities that we find that our platforms can address as part of our growth and these opportunities are both in the domestic as well as the international business. The point is that there are so many companies, who provide training to their own employees using contents which is specific to the country so this is not something whereby you can post it on a open site let us say Youtube or any others and allow users to go and access that because that information may not run so it becomes public and even in a private framework you would want to add more proctoring and analytics in other words same time, who has given the quiz, what is the performance and how are we trending and then keep track across years and this is becoming more and more relevant and important in this DNA so if he finds that there is a requirement for our own framework in our work company but we thought it is very interesting to open it up because if we would require it then many of the other organisations in companies will also require something similar and it is beautifully architected in a way such that if you do not want to use our personalized cloud framework one can also post the content on the their own cloud and then serve it directly so that is one part the second part is that there is a lot of public opportunity available whereby if you think about tutor, if you think about classrooms, if you think about many other opportunities, then all of those opportunities can become visible, in other words you can make your products and services available so that digitally people can access and so we feel that, that is also very interesting industry vertical, it is just core engine and one can build out services such that it can be offered to others and one needs to monetize on content which is unfortunately for digital content in this country there were lot many great ways to monetize unless you are very organised so if you think about the publishing cycle people usually go through a label or people usually go through a specific framework to be able to monetize so while there may be for open content ways to monetize but to be able to build their own because in order to become visible there is a lot of trend that one needs to make to become even visible, but we said we will be able to open it up so that it becomes a monetization channel in certain ways.

Kunal Mehta: Okay. Thanks a lot.

Moderator: Thank you. Before we move to the next questions, we have some questions from the line of Mayank

Babla. Please go ahead.

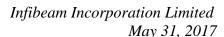
Mayank Babla: Good evening Sir. Congratulations on a great set of numbers for Q4. Sir just I had a few questions

first Sir what will be the contribution from DRC systems and RemitGuru going ahead.

Vishal Mehta: Good question. Mayank RemitGuru is an investment that we have made so if you think about

RemitGuru it offers an opportunity for international remittances to India and if you think about

remittances, remittances is usually a two-step process where one needs to originate through their





banks and then eventually comes to the recipient bank and one can withdraw. So we see the role of remittances becomes very interesting because if you want to remit money from countries there are about 28 countries that RemitGuru supports into India then when we look at the rates very carefully given the date and squeeze out in every basis points. So the whole objective is that rather than sending money to your friends and family in India for going to buy products and services, it can be utilized directly and can light them up across multiple location so that one would actually go and pay in the local denomination, so that is one opportunity and the second opportunity is also to be able to capture the share of wallet of whoever is the recipient and as a result the investment in RemitGuru becomes very interesting in the long-term and Infibeam before this investment, CCAvenue owned 26% odd in the company and the company had made an investment, the total investment is the Rs. 3 Crores, Rs. 2 Crores through CCAvenue and Rs. 1 Crore additional from Infibeam to be able to continuously grow that space and that opportunity so as a result RemitGuru is an opportunity, it is a cross-border ecommerce opportunity which is enabled using this framework and we think that there is an important aspect in the long-term to be able to evaluate how we can amplify that framework both in India as well as abroad so one can expect RemitGuru will not standalone add directly into the Infibeam revenue but they will enable a lot of activities for our consumers and merchants whereby we will be able to get additional services revenues to through that transaction. The second part in this that you asked was DRC systems, one can reasonably assume that DRC will add at least about close to Rs. 10 Crores in revenue this year.

Mayank Babla:

And Sir what is our margin can we expect or what historically what margin is DRC system recorded previously EBITDA margin.

Vishal Mehta:

Yes the EBITDA margins will be in the ranges of close to double digits percentage, so historically they are a profitable company and we would be continuously growing on top of our infrastructure, you see they already have DRC framework and a solution and they use a lot of our framework to be able to give up to clients both in domestic and international markets so we will continuously utilize that opportunity to be able to grow that out. Many of the government projects that we plan to take up in the coming quarters will also be supported through DRC framework. So we believe that having very good team, which is internal and by the way DRC has upwards of 200 software developers so as a result to be able to support this growth that we would be able to take it up and standalone also they are a profitable company.

Mayank Babla:

Okay Sir. That is it from my side. Thank you so much.

Moderator:

Thank you. We have the next question from the line of Mitul Shah, an Individual Investor. Please go ahead.



Mitul Shah:

Sir for the last question what is the opportunity this time for this year we will get from IL & FS that last conference you have said that Rs. 250 Crores and 50% that is Rs. 125 Crores we can safely assume, so is it going to be there or it is not going to be there?

Vishal Mehta:

You see there is a lot of visibility in this business in terms of all the digital initiatives that government has picked up and we are still very confident that we will be able to play a role in this. Our role is to give our infrastructure platform, so that this we can be an enabler in this business and as and when it rolls out, we believe that we will be able to see some traction this year the amounts that you have quantified is over a period of a few years and we believe that it is somewhat conservative in terms of how we how we can think through that scale of that opportunity. So to answer your question yes we hope that we will be able to deliver on projects. Last year we have not been able to drive revenue through this particular opportunity but it was not expected in FY2017 so this particular opportunity will unfold this year and will be reporting progress on the same.

Mitul Shah:

And last, mobile aid framework how much you are expecting on the revenue side and profitability side this year.

Vishal Mehta:

We would like to talk about what our status is taken our approach of not communicating about the expectation so far but what I can tell you is that our focus will continuously be on driving our services revenues and we will be focusing on more synergies and some of the mergers and investments that we have made to be able to amplify our growth revenues as well as margins so one can reasonably expect and that is what our focus will be in the coming year. The second part that I talked to you about is our focus on logistics and we would be making such investments to as to make it accretive in the long-term for shareholders. We believe that with the roll out of GST that there is a lot of opportunity available and we will evaluate and we will make sure that we are communicating about what we are doing but that also becomes an important opportunity for this year under process.

Mitul Shah:

Thank you.

Moderator:

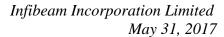
Thank you. The next question is from the line of Duby Rex from ithought Finance. Please go ahead.

Duby Rex:

Sir we have taken a lot of small rather bets actually like triple-O international for a payment gateway and Last Mile logistics and things like that and e-learning also, what are you like most optimistic upon like being a game changer for the company and things like that?

Vishal Mehta:

I will tell you the way to think about our company is think about pillars which is what is the important pillars that you would like to focus on going forward and if you look at slide #3 we have defined our pillars very clearly, the first pillar is the Infibeam Web Services pillar. So Infibeam Web Services pillar is the core engine industry verticals focus and in other words we want to be able to enable





digital commerce. So we think that the web services becomes very attractive that is the one where we offer our platform and services and that is the one where we have bigger margins. The tranche is about such opportunities of course there is that as we scale up that your marginal cost is not there but you will continue generating revenues. Given the digital presence both in domestic and international that becomes a very important mode. So that that is one pillar for us. The second pillar that we have identified is the logistics pillar you see logistics in the long-term becomes a very attractive opportunity when the cross border movement becomes very easy. So as of maybe three years back it was not easy to make products and for merchants also to find products across border is very hard but which GST it becomes very interesting and the opportunity opens up, so such things do not happen usually in decades. This is once in a decades such reforms are taking place and that becomes a huge opportunity in itself for organisations like us partly because it allows us to reconsider our supply chain and the reconsideration of supply chain becomes very important given that some of the old supply chains may or may not serve to the main framework so I think that perhaps that becomes a second pillar a pillar whereby it is not just used for our own supplier base but we will want to open it up even for our merchant base so that is second area that we were saying which is important and then the third pillar that we are saying which is very important is the payments and value-added services pillar, so you see that once you actually offer these opportunities then one can think about offering such opportunities like payment while merchants can choose multiple payment options but there will always be an opportunity for a platform to integrate tightly with payment in such a way that more volumes can come through the framework that you offered with higher degrees of accuracy as well as conversions etc. so I think that with demonetisation we felt payments are very important and that is why said that you know we should continuously think about investing in payments with cross border because digital have a lot of cross border activities and that our marginal cost to grow internationally is not a whole lot compared to setting up a standalone market place orders retail format internationally, so as a result we feel that cross borders and frameworks in remittances also becomes an important aspect of our growth strategy so we would make such investment so we think that the value-added services which creates a lot of stickiness and it also allows merchants to scale up the growth on top of that becomes an important part of our overall strategy so these are the three pillars that we think we will continue operating it and most of the activities that you would see will fit into one or multiple of these pillars that allows us to scale up and create our own (inaudible)1:03:30.

Duby Rex: Thank you sir.

Moderator: Thank you. We have the next question from the line of Kunal Mehta from KR Choksey. Please go

ahead.

Kunal Mehta: Sir what is the free cash flow for this year present year and what is the estimation for the next two

years.



Vishal Mehta: If you look at the operating cash flow of the company operating cash flow this year was about Rs. 40

Crores so in other words we generated Rs. 40 Crores out of our operation, if you look at last year the operating cash flow was close to Rs. 21 Crores so we have almost doubled our operating cash flow year-over-year and in terms of the coming quarters and coming years like I said we usually do not talk about forward looking framework, but we have continuously optimized on pure cash in other words say how much cash that we generated not in the percentage but our philosophy is to generate cash

profit and we will continuously of course want to optimize our operating cash flows.

Kunal Mehta: Thanks a lot that is it from my side.

Moderator: Thank you. As there are no further questions I would like to hand the floor back to Pritesh for closing

comments. Please go ahead.

Pritesh Thakkar: Thank you Melissa. On behalf of KR Choksey Shares & Securities Private Limited we thank the

members of Infibeam management and all the call participants for such an engaging discussion. Have

a good day. Thank you sir.

Moderator: Thank you gentlemen. Ladies and gentlemen on behalf of KR Choksey Shares & Securities that

concludes this conference call thank you for joining us and you may now disconnect your lines.