“Infibeam Avenues Limited
Q4 FY2019 Earnings Conference Call”

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Analyst
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Management
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Mr. Hiren Padhya – Chief Financial Officer
Moderator:

Ladies and gentlemen, good day, and welcome to Infibeam Avenues Limited Earnings Conference Call for Fourth Quarter of FY 2019 hosted by KR Choksey Research. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Please note that this conference is being recorded. I now hand the conference over to Ms. Parvati Rai. Thank you, and over to you, Ms. Rai!

Parvati Rai:

Thank you. Good evening, everyone. On behalf of KR Choksey Research, we welcome you all to the Q4 FY 2019 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. Vishwas Patel, Director as well as Founder and CEO of the Payments Business; Mr. Hiren Padhya, Chief Financial Officer.

We will now begin the call with a brief overview of the company by the management, followed with a Q&A session. I now hand over the call to Mr. Vishal Mehta for his opening remarks. Thank you, and over to you, Sir!

Vishal Mehta:

Thank you very much and good afternoon to everyone. On behalf of the management present on the call, I welcome everyone to our Q4 and full year earnings call. It is my pleasure to present to you the consolidated accounts of the company, which you must be awaiting through the year. Our consolidated and audited financial results, earnings press release and our investor presentations have all been uploaded on our website, which is on www.ia.ooo. It is also on the stock exchanges. I hope everyone had a chance to go through all the financial releases.

I want to spend time in giving you an update on the business throughout this call, which will be covered by me and my colleague, Vishwas. And later, I will request our CFO, Hiren, to discuss the financial performance of the company.

Before I start, in the last 2 years, I have apprised all of you about our web services business, which included the payments business and the platform business. We have elaborated quite a bit in the previous earnings
call as well as in our last annual report of FY 2018. We always defined that the primary focus of our business is Web Services, which was mainly payments and platforms. This was communicated time and again, and I would rather not spend too much time in going through the specifics again. What I would like to do is we are going to talk about the missing piece, which we are adding this year, to our Web Services business, in addition to the payments and platform business, which I would like to spend time on.

That business that we are getting into is the data center or the infrastructure business. So, in coming quarters and in the coming years, the company would like to position itself and focus on the core business, which is the Web Services business. And I am going to define the term today, which will continue for subsequent quarters and years.

The focus in the company will stay on PIP, which are Payments, Infrastructure and Platforms.

- When we talk about payments, we talk about digital payments with checkout framework that we offer to merchants
- When we talk about infrastructure, then we talk about data center as a service
- And when we talk about platforms, we talk about enterprise platforms that we give enterprises and the governments

If you have noticed in the previous quarters, we have divested a few assets to focus on the core business of the company, which is going to be PIP. This has always been our focus even in the past. But now with a renewed perspective, we will continue building up on this framework as we go through the quarters and the years. We believe that this will add significant value to our entire proposition in providing us focus to our existing as well as potential customers. And we hope that, it will allow us to keep on building up from what we started out and allow us to multiply our growth.

I will give you more details about digital business as we go ahead. But first, I had like to discuss with all of you the highlights of the year.

Our consolidated Web Services business’ combined revenues have scaled up, upwards of 70% year-on-year. Our payments business has more than doubled in revenues in 2019, while we have also seen a pretty large, a 3x factor, growth in our platform business, in specific, Government e-Marketplace.

We are delighted about the performance. And we believe that as we keep on focusing on our payments and platform businesses, there is a potential to grow it multifold in coming years.
Globally, payments and platform has been a very interesting combination as a business. And when we have combined the two businesses together, we have seen that our growth rates have accelerated. We believe that, our philosophy of ensuring profitability, and we also have growth, will continue. Also, we want to offer a comprehensive suite of services in Web Services, with a similar implementation or integration for our merchants that will make it easy and also make it a great experience for them to be able to utilize us.

Over the last few years, we have built out a strong company and enhanced our business and growth prospects. We now have more than 800,000 merchants across our payments and platforms businesses. But just as a reminder, the number was actually a much smaller number just two years ago. We processed more than Rs. 49,000 crore in payments, which is about a factor of 4x higher compared to what we did, about Rs.12,000-odd crore in 2017.

We believe we are amongst the leading payments business growing profitability with growth in India, specifically, in the category that we operate in, which is to B2B payments, we believe we are one of the leaders.

Government e-Marketplace, which is the marketplace which is operated by the government, that marketplace is seeing a 3x increase in terms of transaction value in 2019 compared to 2018. The total amount of transaction that got processed in the platform was a over Rs.17,000 crore. The company made margins in every single transaction on the platform. Our highly scalable infrastructure, our merchant footprint, our international growth and transaction-based profitable model have helped us in achieving the growth year-over-year, and we expect the same growth to continue going forward.

Let me spend a little bit of time in terms of going over each of the businesses. I will request my colleague, Vishwas to first walk you through the payments business. After which, we will talk about the infrastructure and the platform business. Vishwas, over to you!

Vishwas Patel:

**PAYMENTS BUSINESS**

Thank you, Vishal, and good afternoon, everybody.

Over the last 15 years, since we began operations, we have built a very strong payments business on the simple principles: make every rupee count and enter only profitable businesses. Since then, we have never looked behind, and every transaction was profitable from day 1. And we are proud to say that we are
amongst the very few companies that are profitable at net income level too, generating positive cash flows quarter-after-quarter. Our working capital requirement is negative. Despite the fierce competition in digital payment space in India, we have managed to grow fourfold in the last 2 years but more importantly, we have grown profitably.

Here, I would like to add that it would be all the other payments company results that are coming out, almost everybody is having hundreds of crore of loss except one payment gateway here, and that is Indiaideas. Every other has in excess of Rs.400 crore loss.

For us, as a pure-play online payment data solution provider, we rank second in terms of net profit, third in terms of revenue market share and first in number of wallet and EMI options that we offer to our merchants. In UAE, we rank second in terms of payment processed among all the non-bank players out there.

In India, over 90 of the top 100 merchants processed payments through us and many top retail corporate brands, even in UAE, use CCAvenue payment gateway solution.

We have listed some of the top clients in India and Middle East. If you see on Slide #14, if you are looking to that in this presentation that we uploaded on our website, if you see on Slide #14 some of the top merchants in India, if you look at hospitality, Taj, Oberoi, ITC; OTAs, MakeMyTrip, Cleartrip, Yatra. Almost all, even in UAE, if you will have the chance to visit there, the top brands and real estate, be it Emaar, DAMAC, Nakheel, Sobha and many others like DHL Couriers to even the government, Tejari. And then if you were to visit the world's tallest building in Dubai, At The Top Burj Khalifa, the entry fee, online booking, is powered by CCAvenue.

So in the Q4, we added quite a significant number of new merchants including, government, and education. And in fact, in every vertical, some of the top names have been associated with CCAvenue.

And as mentioned earlier in the call by Vishal, we processed payments worth Rs.49,422 crore, that is over US$ 7 billion, an increase of 129% year-on-year and a fourfold increase in just two years on account of higher volume, high value transaction from existing merchants and strong addition of new clients, including a few large merchants, not to mention the trust of our existing clients also, working with us.

And on the technology front as well, we have always been the innovator. And the slew of awards, almost more than a dozen awards that we have won over the last 1 year, lays testimony to the fact that we have been innovating in building cutting-edge payments technology.
I would also like to mention that if we do, say Rs.49,000 crore in whole of FY 2019, we can, in a month, do more than Rs.3 lakh crore because we are integrated with all the top merchants. The only reason being is that we do not want to do unlike the competitors, that is, go below our cost or inter-change just to build up GMV value or give that kind of cash backs. So, as I said, our fundamental policy prevails that we will do business at above cost for every transaction. Hence, we are at US$ 7 billion. Otherwise, we can gross more than US$ 20 billion in just year itself.

In the year FY 2019, we added on an average, over 200 new merchants everyday on our payments business and that is more than 15% increase over the year. Our aim is to keep growing our payment business at such high rates and keep outperforming the industry growth.

Based on the data compiled from RBI Payment System Indicators from FY 2015 to FY 2019, the collective basket comprising debit and credit cards at point-of-sale terminal, mobile banking, mobile wallets and prepaid instruments, increased by 65% in value terms and 66% in volume terms in FY 2019 over FY 2018. The total value of this basket was Rs. 42,849 billion and the total volume was 16.85 billion. This basket has grown at a CAGR of 72% annually since FY 2015, which includes the demonetization period, the second half of FY 2017, when digital payments received a shot in the arm. In this year value of this basket had grown 141% and volume grew 108% compared to FY 2016. Excluding this aberration, the growth rate has averaged slightly over 60% which is still among the highest globally for a large economy but we have managed to grow much faster than this rate over the same period. Please note, all this growth is despite more than 95% of the demonetized cash coming back into the market. So, the digital potential is still huge. The digital economy is still less than 12% of overall, so there is a good headway of 88% that we can grow.

We have expanded our payment business from being just a plain vanilla payment gateway, to now offer many solutions to our clients to ease the money movement from physical channels to digital channels, combined with safety, security, speed and accuracy of the payment gateway. We also made inroads in, business augmentation namely the vast business-to-business (B2B) segment, where we have launched our own platform called B2Biz. It is a payment as well as a collection platform for all corporates to automate the entire vendor management and payments. We expect this platform to do fantastically well in the coming years. Also, what we have done is that we have done backward integration. We are working aggressively with our partner banks. As you are aware, we work with around 65-70 banks in the country, and we have relationship with them for almost two decades now. So, deeper partnership has evolved between us and them and that we are now offering our payment gateway as white label payment gateway to the banks, so that they can, through their retail network, offer it to the merchant network from this service. So, one of our deeper partnerships include, if you see, the Kotak Mahindra Bank payment gateway that was launched last
quarter, that is called Kotak Bank AllPay, is a white label of CCAvenue. Similar partnerships we have done with almost 28-plus banks for white label as well as those banks who are not in the acquiring space, we are having deeper merchant referral relationships with them where their branch networks are trained on the CCAvenue product, and they drive merchants on to funnel into our payment gateway, so that way, it creates mutual value where these merchants settlements are done in the partner bank's bank account.

All our solutions are offered as SaaS-based, they are multi-lingual and multi-currency, we can launch in any geography in the world. In UAE, we launched just about one-and-a-half to two years back by acquiring Vivian. Today, we are processing almost like AED 1.25 billion run rate in UAE alone. So all the marquee I have already mentioned earlier, if you see on Slide #14, the logos are there.

We are further expanding our operations in the Middle East by launching our services in Saudi Arabia. We are also evaluating opportunities in other Arab League countries, Africa and South Asia. Our aim is to deepen our services in India as well as expand into global markets.

We are also expanding our digital payment solutions to provide to our clients for easy day-to-day cash to take care of their bill payment collections, invoicing, recurring payments and to offer one-stop shop digital payment solutions to our clients.

Further, if you have seen the investment that we have made in the last couple of years, the new investment that we just made in the last quarter was the Instant Global Paytech, which goes by the brand-name Go Payments. So Go will create is an agent network across the country where the last mile service as a model will be offered by these agents to the customers coming in with cash. We will not only give them domestic money transfer services, recharge services but will also give a slew of financial products, which are still not explored in Tier 3 and Tier 4 cities across the country. So, ‘Go’ has been aimed to do that. And in the last 6 months, ‘Go’s’ transaction volume has already increased 12x. And I would say, it signifies huge potential in the offline market.

Secondly, we also invested in a company called Avenues Payments, which has two brands: remitguru.com and remitonline.info. As you all are aware India is the highest foreign exchange recipient in the world, in excess of US$70 billion that come in, is sent by NRIs and other Indians to the local families here. To facilitate that lot of automation and technology can solve it, so we have invested in Avenues Payments, since its launch. And today, remitonline, provides platforms to banks to be able to do the inward as well as outward remittances. Almost a dozen banks and financial institutions have already adopted the remitonline platform, namely Kotak remit, Axis Bank has launch remitmoney.com, Indus Remit, Yes Remit, Federal Bank, RBL,
DCB, and even internationally, Bahrain Finance Corporation and Prime Bank in Bangladesh have taken this solution.

I would say, the cross-border payments have grown 50x on our platforms, and the volumes have grown 44x. On run-rate basis in FY 2020, the daily cross-border payments grew more than 50% over the previous year's daily average. In short, almost US$ 3 billion to US$ 4 billion worth of transactions are moving through Avenues Payments’ platforms.

Having said that, we will continue to focus on high-growth opportunities in the payment business in the future. Also, we will keep enhancing business and shareholder value.

So with this on the payments business, I will now hand over the call to Vishal to review the platform business and the strategic initiatives undertaken during the year. Vishal, over to you.

Vishal Mehta:

**INFRASTRUCTURE BUSINESS**

Thanks, Vishwas.

I would like to walk you over the infrastructure piece of our business and then the platform business before we go to strategic opportunities.

Data center has been around for quite a bit. Infrastructure or data centers-as-a-service business was pioneered in some ways by Amazon Web Services. And we have invested in our own data center. We have built one of the most, in our opinion, unique data center with a very heavy focus on compute, which means that you can run applications at blazing speeds and in a highly secured environment. And we have focused on applications, like Blockchain, financial markets collecting and processing of data, focused on BFSI industries, handling billions of transactions, cross-border transactions which Vishwas alluded to, which is handled by international banks and non-banking channels. And they also got very high secured compute environment. We will utilize it for running overall advertising and platform frameworks, and there will be many, many more use cases.

We are not building something which is a typical collocation data center, whereby, clients can come and put their own hardware and host. The data center that we have built-out with and in collaborations with companies like Schneider as well as IBM is very unique and one of its kind. I will be most happy to host
any of you who would be visiting our premises at GIFT City where we will be able to showcase the infrastructure and India's first mainframe server of IBM LinuxONE, which is the only one in the country, as of date.

We have built a very top-notch facility with several first in India. What a typical rack would do in the traditional days of data center can be done by just inserting a cassette into our racks. One single cassette can compute for multiple virtual machines at the same time. To put in perspective, the entire Infibeam Avenues data, including payment data, which is can be stored across multiple data center operators, can now be entirely stored and used to compute from actually a single-digit rack in our data center.

Moreover, a single rack has the capacity to generate multiple times the revenue per month compared to a typical collocation data center. We have procured very high-speed compute from companies like IBM, which has the capability of processing billions of transactions a day. We already have enquiries from several clients for this before we have launched fully, and we will share more details of this at an appropriate time in the future.

We entered into an agreement with IBM for collaboration, whereby, enables the company to develop, implement and promote Blockchain application. This is something we have announced in the past.

We do not believe that a rental model again in data center is going to be what we will go after. We provide applications along with compute in such a way that is offered as a service. Our data center combines with best of open-source technology with the best enterprise computing framework all in one platform.

If you look in most of the reports, which are out there from companies, including the KPMGs, we believe Blockchain has the potential of redefining open and shared economy across areas, including payments, trade finance, KYCs, fraud reductions, clearing, settlements and many, many more. While it is in its infancy, many financial institutions and associations with Fintech firms are establishing consortiums to co-create development.

In India, based on this report, it is estimated that Blockchain has a potential to generate up to $5 billion in business value over a period of next 5 years.

We have also collaborated with Primechain Technologies to develop cross-border Blockchain invoicing platform. The API and technology stack for Blockchain will be exclusively run on our data center infrastructure. The platform will support multiple Blockchain frameworks, including Multichain, Hyperledger Fabric as well as Hyperledger Sawtooth. The platform would support a wide range of used cases, including
anti-money laundering reviews, auction of goods and freight contracts, cargo tracking, cross-border trade payments, invoice discounting platforms and counterfeit reduction and trade documents issuing and sharing.

For organizations which include imports and exports, banks and FIs, insurers and export credit agencies, government agencies and service providers, we believe Blockchain technology platform can minimize fraud, accelerate information of money flow as well as improve auditability and streamline processes.

We believe this could be disruptive in the future, and we want to be at the core of it.

**PLATFORMS BUSINESS**

I will now walk you through the platform business. I will specifically talk about three areas of platforms business, one is about Bill Payments. Our bill payment platform is one of the very few in India where if you look at the entire markets scenario in India, more than 10 crore bills got generated in India on a daily basis, and it is expected to go to 20 crore by 2020. The 10 crore number was as of 2013. These are published numbers out there in the public forum. So, generating 20 crores bills on a daily basis is not a small opportunity. Bill payments through Bharat BillPay is an initiative by RBI headed by NPCI to bring all billers, namely utility, aqua, telecom, DTH, taxes, credit cards, insurance, goods and colleges across the country under one roof for ease of convenience for customers to pay their bill in a single window without going to multiple places to pay multiple bills. Large part of these bills are today paid offline. So while we talk about online payments, bill payments are still paid offline quite a bit. The most important part of this initiative is that it is not limited to online channels but also allows to accept cash at millions of convenient physical touch points across India, which is the addressable market for us.

BillPay is a similar server successful and operational in today in India through us. We have built a platform called BillAvenue built on BBPS infrastructure to cater to huge offline markets where we have built a significant presence in the last 18 months. We have got more than 0.5 million agents, is in physical touch points in 2600 cities and towns across India, interacting with millions of offline customers who use physical channels to pay their utility bills for telecom, DTH and many more. We offer BillAvenue as a platform to these agents through agent institutions, which we have tied up, who collect cash from customers for a small fee but pays their bills through BillAvenue platform. You see agents have to maintain a certain prepaid balance with us and use this balance to set off against the cash collected from customers. So we do not risk the receivables.
At the same time, we are also licensed to bring the billers on the BBPS platform, billers meaning any utility or any of the merchant who provide bill payment services. It is obvious that if there are more billers on the BBPS platform then the customer will find it convenient to pay their bills of all kinds of services from a single window. We are talking about thousands of billers across the country, including all kinds of local and national and private government service providers, like local municipalities in various districts and towns across India, like Vasai Virar municipality, Palghar municipality, the local service providers and tax collecting bodies and many more. Currently, less than 150 billers are online. So you could imagine the potential of what this can become.

Insurance, taxes, credit cards, schools, college fees, etc., are in the process of getting integrated. This business is a huge opportunity for us with the kind of network that we already have in place; 110 agent institutions out of 170 listed on NPCI’s website are live with us. More than 30 have given their consent letters to work with us. We are in the final stages to onboard them once the KYC process is complete and over 0.5 million in 2600 towns and cities are interacting with millions of customers on a daily basis. This is a far larger addressable market than it is targeted collectively with most of the other BBPS players. These are the BBPS players are largely targeting online users. We have gone after the offline network.

For us, currently, over Rs.1.25 Crores worth of bills get paid through us daily through our BillAvenue platform, which we aim to keep doubling every year. We earn both from billers as well as agents who we have on-boarded on a per transaction basis. We are adding new services, including recharge, which is live domestic money transfer and financial products.

The second platform that I will talk about is hospitality, which is ResAvenue. This platform branded as ResAvenue is an end-to-end platform allowing hotel properties to manage hotel reservation, distribute inventory and collect payment digitally through our platform integrated with hotel booking engines. We are currently working with over 1000 hotels in India and many Middle East brands and are integrated with major online travel agents. Over 1,500 room nights are being booked through our platform daily. Since 2016, we have nearly doubled the number of bookings in our working amount every year. We expect the momentum to continue growing and plan to double the number of hotels on the platform to more than 2000 by end of 2020.

The third platform that I had liked to talk about is our BuildaBazaar enterprise platform, which our focus is to provide to institutions and governments. Government of India has been one of the top clients for us on the platform. GeM, which is Government e-Marketplaces, for central and state government ministries and PSU procurements. If you look at the estimated amount of procurement that is planned for flowing through
GeM is US$ 100 billion around 2025. This is as per government sources. And most of this procurement is offline today.

As of FY2019, you had upwards of Rs.17,000 Crores or US$2.5 billion worth of procurement that happened through the GeM platform online, projected to touch Rs.50,000 to Rs.1 lakh crore or US$7 billion to US$14 billion in FY2020.

Government also has plans to allow private companies to procure this platform which will increase the procurement value of the platform as per sources.

Average savings across the categories achieved through online procurement from the GeM platform, which is provided through us, was approximately 25% at the calendar year 2018 as per Indian government. Infibeam earns margins on the value of each procurement. As procurement on the GeM platform keeps on increasing, Infibeam revenue will also increase year-over-year.

As a reminder, I had like to bring to your notice that certain other platforms provided to merchants, including the likes of Amul, Fortune, Crossword, Spykar and many, many others that requires physical supply chain solutions was housed in our subsidiary NSI Infinium Global, and this subsidiary has been divested to Suvidhaa Infoserve, which essentially means that the new owners will be serving the physical product base clients' requirements of supply chain solutions.

Going forward, as a focused strategy, we plan to acquire customers requiring large frameworks. In this, we have essentially gone into strategic alliances with many companies both domestic and international, and we are exploring opportunities in other parts of the country as well as the globe.

If you notice that we cater to platforms across multiple size and clients. Our strategy is to build platforms and have multiple revenue streams through diversification. This differentiates us from most of the other platform providers and creates a very strong moat around our platform business.

**DIVESTMENTS AND STRATEGIC COLLABORATIONS**

Finally, I had like to draw your attention to the divestments and some strategic business collaborations that we have done in the last year before I hand over the call to Hiren.

Our retail marketplace business was housed in our subsidiaries and we have taken the decision to divest the business of the company and to focus on PIP, which is Payments, Infrastructure and Platform, business.
We believe that a focused opportunity will generate more value for our shareholders in the long term. And we believe that this is successful as it will provide the necessary focus.

With the divestment, we believe that each of the subsidiaries can also perform very well. And perhaps, there will be more value that is created through a focused effort where each company or subsidiary is focused in terms of building long-term shareholder value.

*Our platform business will not cater to companies that have physical supply chain. We will continue focusing on GeM, large implementations, payments and infrastructure.*

*In our international expansion, we believe providing procurement platforms through government e-Marketplace in other countries also will provide huge value for our shareholders.*

We have tied up in many of other geographies by way of investments through UniPropitia group, which is a consultative way to approach and expand into more than 22 countries in the Arab League, where local ownership is important to secure such contracts.

I would now like to hand over the call to Hiren to discuss financial performance. Hiren, over to you!

**FINANCIAL PERFORMANCE**

**Hiren Padhya:**

Thank you, Vishal Bhai.

Financial year 2019 was a dynamic year for the company. We reported strong performance in our Web Services business, but at the same time, decided to take a bold step to focus on the core businesses and divest non-core businesses. Hence, the later part of this year, especially in Q4, we divested three of our subsidiaries where we gave control to other companies. We believe, going forward, this will be better for the company to show improved margin performance for the strong growth that we expect in our Web Services business.

For the full fiscal year 2019, our consolidated revenue growth was 38% compared to FY 2018. Our net income or profit after tax increased by 261% to Rs. 1263 million. EBITDA was at Rs. 1879 million. Actually, EBITDA, excluding other income, has grown by 13% year-on-year. Other income has reduced due to merger related impact in FY 2018 on account of merger with CCAvenue.
Payment business reported strong growth. Successful payment processed in the year increased by 129% on the back of strong merchant addition, increase in volume and increase in value of transactions also.

Payment does not include the business from both India and the Middle East. Payment business includes payments processed worth AED 1.2 billion or Rs. 23 billion out of the total Rs. 494 billion. We added 200 merchants on a daily basis in this business, including many marquee names also. We work with top merchants, corporate and banks which give us consistent and growing business.

This year, due to intense competition in payments business, there was a slight margin compression around 3 to 4 basis points in our net revenue margins. This led to slight reduction in overall payment business net revenue, which is also one of the reasons for lower growth in EBITDA margin, but slight compression helped us gain significant business.

As mentioned by Vishwas earlier, please note that we do not offer services below cost. So while our margins compressed, we still had positive operating margins in the payment business.

As we look for high-growth opportunities, we have invested in international expansions as well. This has led our other expenses to increase, causing operating margins to contract a bit. However, these investments will yield strong growth and profitability for us as we prepare ourselves for the long-term sustainable growth.

Overall, we had a strong performance, and we expect to keep the momentum going in FY 2020.

Now I will hand over to Vishal Mehta.

OUTLOOK

Vishal Mehta:

Thank you.

In conclusion, we believe we have a very strong and a sustainable business model that we have created, that we will continue building up upon. We believe this year will be another strong year for our Payments, Infrastructure and Platform business. We believe that our payments business can do very well, the way we think for the next few years we will double payments on a yearly basis.
As a reminder, and for those who are perhaps wanting to think of how to look at payments in the future, we net a revenue of between 10 and 20 basis points (bps) in payments. So in other words, our margins are 10, 20 bps at the bottom. And our revenues are between 100 and 125 bps, out of payment processing. So when we process 50,000 crore of payments, the revenues are about 100, 125 bps on an average, with net being about 10 to 20 bps.

Now if you are doubling payments and we believe that we could continue on building out more than US$ 10 billion of payment this year. We expect that, that can provide a very large fertile ground for us in terms of building out that opportunity. So, in other words, if payments can be a few lakh crore of payment processing for us and if we are able to net about 10 to 20 bps, then every 1 lakh Crore is anywhere between 100 crore to 200 crore of net. In scale and as we achieve scale in becomes a very large opportunities for the company to generate very strong cash flows.

The way we think about payments is threefold-pronged strategy: First is expanding in international with payments which allows us new processing which we never had for both existing merchants who are already present internationally as well as new merchants. We already have a payments company in UAE. We will expand into Saudi this year, which we have announced. And we will continue doing so to build out additional processing volume.

The second way to increase payments is as e-commerce and payment processing industry grows in India, that we will verticalize our approach and build out solutions that allow us to process more. When I talked about BillAvenue, when I talked about ResAvenue, when we talked about GeM and others, each of them are verticalized approach in terms of offering payments to an industry vertical, so that as more and more of India becomes digital, we can play a role in that. And we believe that as our existing merchants on the platform, as they grow in the digital economy, they would be able to process more.

The second is the infrastructure piece of our business. We believe that each of these payments has hundreds of millions of transactions flow not just for us that we can actually offer it as a service to others. We believe infrastructure is key in terms of building our payments and Fintech industry in the short to medium term. And we also believe that with the new policies of the government to keep data in India that, that becomes a very important moat to be able to offer the service to clients.

The third part is the platforms piece. We believe that as GeM is able to process upwards of Rs. 17000 Crores last year and expectation is about Rs. 50000 to one lakh crore this year, it is reasonable to assume
that we will be generating about 10 bps out of these transactions and so we believe that in the next few years, as GeM scales up to a few lakh crore, then it becomes an additional revenue, which is net to us.

So, with these initiatives and as we grow into new and disruptive technologies, we believe there could be a good scale that the company can achieve going forward.

I would like to end this piece now. I request the moderator to open the floor for questions and answers.

Moderator:

Thank you.

Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Piyush Sakhiya from Raisonner Capital. Please go ahead.

Piyush Sakhiya:

Good afternoon one and all. Many congratulations on the great last quarter and a good one year. Sir, I have a two-part question. Anybody can take it up if they want. So, our transaction processing volumes have grown at a CAGR of 100% for the last three years. How do you guys plan to sustain this breakneck growth trajectory, to achieve a figure of Rs.80000 to one lakh crore for FY 2020? And the higher transaction volumes, have translated into handsome operating revenue growth of more than 35%. However, the EBITDA margins have come down. Could you please delve more deeply on the reasons for the drop of the EBITDA margin and where do you see them stabilizing in the years to come?

Vishwas Patel:

As we said earlier, the digital payment business is only 12% of the overall economy. The headroom for the other 88% is huge to go online. And we have seen a good traction now with number of different business verticals coming on board, be it bill utility payments, which Vishal described earlier, which can go up to 20 crore bills generated. Here, on a single page you can consolidate the bills and make one payment through a single app. That is the kind of thing we are looking at, be it for aqua, power, municipal tax bill, society bill, insurance, school or college fee, electricity bill, and more. So, all those things under one app, with a scheduled reminder is what we are aiming through BillAvenue, where we already have half-a-million agents. We are also seeing a lot of traction coming in, from other sectors as well, like education. For example, we signed up the Poddar school group along with jumbo kids group. Almost all, about 224 of their institutions
are going live. A lot of other education institutions that we are pursuing, the Indian School of Business namely, has also gone live. So all these educations, and thousands and thousands of education institutions across the country are going live, will help in the strong momentum of payments growth.

As we said earlier, we are building multiple platforms, be it for hospitality, where most of the hotels today in India are not like franchisee-based models like in the West, where everything is a Super 8 or a Best Western or Comfort. The Indian hotel owners have their own brands and need not go in for this. They are three-star or four-star categories which are traditionally reliant on OTAs or agents to do the bookings. They are now also using the social media and the search engines to directly reach out to the consumer, thereby saving on that 10% to 15% agency costs. So that business also will grow because India has a huge 350 million of internal tourists who travel across the country and that is a huge opportunity in the hospitality sector.

So travel, education, utility bill payments, then the B2Biz platform, which is a B2B business. The entire vendor management, collection, say L&T Electrical wants to collect payments from thousands of his agents across the country in an automated manner with carding and other solutions. That is the platform that we have launched. So, the payments business traction is still surfing, scratching, like a startup kind of a thing. And with only four or five players competing here. So that business still has long, long headroom and with the tailwinds on our side, we see a good, strong traction for digital payments to grow. Regarding on the consolidated EBITDA, Vishal, do you want to take it on?

Vishal Mehta:

Yes. So in terms of EBITDA, Hiren had mentioned in his discussion, we have grown about 100% year-over-year in payments. We believe that this is the right strategy and philosophy for us. We have seen a slight compression in margins. Every single transaction that we process on the platform is profitable. We have never taken any transaction which is below interchange. And we believe that we will continue building up on that. If you look at the actual EBITDA, and if you look at year-over-year last year, you had some amount of EBITDA which was coming from Other income. But this year, Other income has gone down by about Rs.17-odd crore. And so, when you actually consider that component of Rs.17 crore, and if you compare EBITDA, then you would see that EBITDA has actually grown year-over-year, number one. Second, we have forward invested in people. If you look at our SG&A, you will see that we have had an increase of about Rs.18 Crores in SG&A. And so as we build out the business into new territories, we forward invested this year, to be able to out a much larger next year for us. So we believe that EBITDA margins that you see right now, we expect, and as we are forward invested, you will see a slight expansion in the short term. But we will have, international payments that we are building out. And like we mentioned earlier, we have
expanded in Saudi recently. So as we expand more and more, you would see a slight compression, but eventually, you will see again, coming back to the levels. And I expect to see around 200-250 bps expansion of the current EBITDA would be a reasonable expectation to have for the coming year.

Piyush Sakhiya:

Thanks a lot.

Moderator:

Thank you. The next question is from the line of Gunmeen Kohli from KR Choksey Investment Managers. Please go ahead.

Gunmeen Kohli:

Thank you for the opportunity. Could you give us a breakup of exceptional item of around Rs. 48 crore in the quarter?

Vishal Mehta:

Sure. So if you look at the note number 13 of the financial results that were published, it talks about the exceptional items for the year March 31, 2019.

Gunmeen Kohli:

I was actually asking for the consolidated number?

Vishal Mehta:

Yes, for consolidated number also, it is note number 13 of our consolidated financial results. A loss of Rs. 10.7 million is associated with partial disposal of investments in our associated company and a profit of Rs. 482.6 million is associated with the disposal of investments in the wholly-owned subsidiary. Note 13, both in standalone and consolidated provides the exact specifics and amounts.
Gunmeen Kohli:

Okay. And could you provide us with a breakup of the revenue from services like CCAvenue, BillAvenue, the GeM platform, BuildaBazaar?

Vishal Mehta:

Sure. What we do is, we segment it out into products and services. As we have mentioned in the past also, if you look at the financial results, going forward, we would not have product revenue because we have divested the subsidiary of ours. We have uploaded some slides, and on Slide #8 of the consolidated performance snapshot, we have shown our revenue and EBITDA have grown and the increase in our payments revenue and GeM revenue. So, the way to think about it is that, we will record revenue of 100 to 125 bps on payments, we have processed around Rs. 49,000 crore. And again we typically do not give a breakdown specifically of each of the components because, as you will appreciate, it is a transaction-based model. And as we have evolved from a subscription to transaction-based model, we now report Web Services revenue comprising payments and platforms business together. But maybe to give you a perspective, we would be doing about 100 to 125 bps of revenue out of payments processing volume. And we have been netting between 12 to 17 bps. So that is the way to think of our payments business. Our payments business is the majority of our revenue in terms of our Services. And as we provide platforms we will be netting out payments. So whenever we talk about platforms, that even Vishwas talked, about ResAvenue or BillAvenue and others that, we would be making amounts of payments. If you look at our segmental, reported in our financial release, you will be able to understand the segmental revenue also, as to what we did in product as well as services. That will give you slightly more details.

Gunmeen Kohli:

Okay. And going forward, can we expect consolidated results on a quarterly basis or not?

Vishal Mehta:

Yes, you can. Absolutely.
Gunmeen Kohli:

Okay. And when I look at the consolidated balance sheet, your receivables have gone down from some Rs.110 crore to Rs.25 crore. And you mentioned that you have seen some increased competitive intensity in the payment solutions business. So, could you throw some light on the receivables here?

Vishal Mehta:

We had divested few subsidiaries in Q3 and Q4. So there is some amount of impact as a result of that, which is coming from the divestment of these subsidiaries. However, the receivable cycles also improved quite a bit for us. There are some amounts when we work with government and institutions, that you would have some amounts of receivables that would continue. But you can assume that the numbers will somewhat be similar to what we have seen right now, going forward.

Gunmeen Kohli:

Okay. The three companies that you divested from this quarter for strategic reasons, do you hold any percentage in those companies or are you fully divested from those?

Vishal Mehta:

We do hold some percentage in those companies, for each of them we have made announcements, and they would show up under either in associates or in investments. Just to let you know, we have not given up on our long-term aspiration on the omnichannel marketplace framework. The deal of NSI with Suvidhaa Infoserve, it is both cash as well as a swap. We will hold a minority, not a majority. You will also appreciate that we can also offer our existing platforms to Suvidhaa merchants. In other words, today, for example, the Suvidhaa network also holds utility payments of BillAvenue. So we believe that there is value to be added bi-directional, but we will continue holding a portion into the divested entities and will make the right long-term choices for our shareholders. Each of these areas are interesting for us. We have also invested in certain opportunities, Vishwas talked to you about Go Wallet and others. So, when you build out a physical network in India, while e-commerce has evolved and it has grown significantly, but we believe that the right way to grow e-commerce is not just the way online, which is the way that maybe Amazon and a Flipkart have grown, but we believe that an offline and an online model will potentially be the right choice for a country like India because that’s the only sustainable way to grow. And we have also tried our own marketplace, which have not done very well on, and we have said that it was not our focus. So we believe that, the omnichannel way is the right perspective and we will continue holding our investments in those as
we build out. We will also have a lot of ground reality in terms of we build out the framework and the opportunity for India in that way.

**Gunmeen Kohli:**

Thank you. I will get back in the queue.

**Moderator:**

Thank you. The next question is from the line of Srinivas Rao from Deutsche Bank. Please go ahead.

**Srinivas Rao:**

Thank you very much for taking my call. I have two questions. First on your data center business. I know you did talk quite a bit in detail about the model being different from the usual space renting sort of model. I just want to understand how do you intend to actually sell the service? I mean typically Amazon and Azure kind of sell virtual machines and they have kind of software stacks which kind of helps them sell eventually, storage and compute and virtualize that. Is that something which you intend to do? And hence is there anyway we can calibrate what kind of revenues you can generate of this business say over a two to three year period. So that is my first question. Second, on the payment side, you are one of the few who actually has a profitable payments business compared to pretty much of wallets and etc., which you see across not just India but across Asia, frankly. Why is that the case you think you are profitable? Is it because it is more B2B, or more B2C and also that you are now getting into remittances, is that a market, which is, it is large, but do you think it is as a viable a market for you? Because that is the market where you have traditionally banks but there are some telecom companies also trying to get into it. So how do you perceive that part of sort of the payments market? I will come back for more questions. Thanks.

**Vishal Mehta:**

I will take the question of payments and Vishwas will add a little bit as we go through and then talk on the data center part of your question as well. As far as payments, is concerned, you see there are B2C payments that you alluded to, which is the wallets, where you have the Paytms of the world and the Jio wallet and GooglePay and PhonePe and many others. They offer the customers a wallet to be able to transact both with customer as well as merchants. You also have the Apple Pay, the Samsung Pay, Xiaomi Pay and many others entering into that space. The business model there, of course, is to be able to own the wallet on the phone of the customer, and because customers will self-select the payment option they
would like to utilize, and so that’s MobiKwik and many others, and there's a whole world around it, which is the B2C or the C2C payments that we talk about. Now you see, as a merchant who is accepting payments, they would want to accept across any of these payment instruments, though it be a wallet, net banking, through UPI, credit cards, debit cards and many others. So, for a merchant, and if you are a merchant, which is a hotel or a McDonald or educational institution, that you would want to collect payments from whichever way the customer wants to pay. And so where we operate is we operate in the B2B side, which you rightly pointed out, which makes us neutral. We provide opportunity for practically any merchant to integrate into us. And what it does for a merchant is that it makes their business and their life very easy because they do not have to worry about, say, is there a new payment option? Is WhatsApp Pay coming up live and what do I need to do to integrate? So it makes it very easy for them to be able to go and say, I do not have to worry about APIs, I do not have to worry about the success rates, and I do not have to worry about fraud, fraud frameworks and many others. All I need to do is sign up and I can start accepting payments. Tomorrow, for example, if some other handset manufacturers instead of Samsung and Apple comes up and says, I have a new payment instrument, I want to promote, then customers are always going to perhaps look at where they are getting maximum rewards, or cash backs and so on so forth. So customers are going to self-select, tomorrow if it is WhatsApp Pay then so it is. So for the merchant, it is very easy for them to go and say, okay, I have one place to integrate with a central accounting, central setup, and central repository, and I do not have to worry about where the next promotion is going to come from. And so when it comes to refunds, when it comes to managing across so many different payment options, and there are more than a couple of hundred that I can cite to you, which are integrated into us, then it makes it very easy for merchants to go and say, for a single integration I can have all these options. And I do not have to worry about accounting, accounting ledger and many others. And so, as we work more on the B2B side of payments, there is a very large value proposition. It is of course a very involving business because every integration, every setup, every new change, updates, frequencies have to be managed. But we believe that’s a very defensible one, one that will allow us to keep on growing because we already have more than US$ 7 billion processing through us in India. And we believe that as we scale up, we can continue building up, upon. And we also have relationships with the banks, institutions, merchants, merchant networks. So, as we focus on other verticals, tomorrow there would be another application that allows bill payments being promoted using some payment instrument in the front-end, but in the back end, as long as it goes through our framework infrastructure in some way, it becomes a very different super proposition for us. So you are right, as we focus more on the B2B side of the payments that allows us to keep on being profitable. If you look at B2C, there is a huge cost of acquisition and a huge cost of being continuously being able to utilize and have the customer only pay through you and build that loyalty. And I think that, that is the place where there is a lot of burn that comes in. In the B2B space that we operate in, also like Vishwas
mentioned, there are many companies who operate in that space who lose a few hundred crore every year. The strategy or the perspective there is to gain market segment share with the hope that merchants will stick and that they would become profitable. But you see, in India, merchants are also very smart. So they would only select the payment or they will route the payments through the network that allows them to give certain advantages but short-term eventually they will go with someone who has tried and tested, built out, secured and is scalable. And so we have kept that discipline in us, we have kept that positioning that allows us to build up. Even internationally, we do exactly the same, which is the B2B payments and not the B2C. Vishwas can add more on the payments and then I will take the data center question.

Vishwas Patel:

Okay. So, essentially, as Vishal already pointed out, there are 240-plus payment options that are there. So, for a merchant, to offer, if he wants, there is Paytm or a MobiKwik or Airtel Money wallet, and many more. So instead of integrating separately and then receiving separate payments on a T+1 basis and doing separate reconciliations, doing separate files, instead, one integration with CCAvenue takes care of all of that. So across the 200-plus payment options, this is one single settlement, one single reconciliation, one single place where you can refund any transactions the merchant wants. And this is where the neutrality comes in. And we do not have our own wallet, so we do not compete with the Paytm, MobiKwik’s, freecharge or other players that are there. And yes, the new competitors, there are four or five of them; VCs fund it who wants to look at growth traction. What happens is that these players do not have all the options that they can offer to the market. Secondly the options that they have and they give, are below their cost interchange, the other options, comes to us. As I said earlier, all the merchants in the country, all the major merchants are already connected to us, give us any name, the IRCTC or IndiGo Airlines or other 20 Airlines or OTAs, they are all integrated to CCAvenue. So, the merchant plays around, if someone is going on a loss, they will route it through there. The moment they stop the burn, they come back to us. So that’s the game which is going on. So if you see if PayU claims, they have done Rs. 60000 crore of transaction, where we did Rs.49000 crore, they have incurred a loss of Rs.154 crore, Paytm had a loss of Rs.1800 crore, for doing their B2C customer acquisition and cash backs and other things. That’s not the model, so we are looking at profitable options. For the bigger merchants and for medium and small, we are by default there for all options. So that is one part of the strategy.

Second question was on your international remittance strategy where we were competing with the banks. As I told you earlier on the RemitGuru where we have invested in ‘Avenues Payments’, here the model is two-pronged. One is, providing a platform to financial institutions, so when you say competing with banks, today, HDFC Bank, Axis Remit, Kotak Remit, Bahrain Finance Corporation, and other eight or ten other
installations we have done, the entire platform for remittances for the bank is a white label technology solution powered by ‘Avenues Payments’, that is the RemitOnline piece that is there. It is a dual strategy, on one side, we help all the banks in building the next-gen scalable infrastructure, the platform, to do all the remittance businesses, which includes the next-gen kind of electronic KYC, with real-time social number being verified, or EML checks or checks of United Nations, all those can be done real time, while building the next-gen kind of, India’s first Blockchain-based remittance platform launched by us for Axis Bank, India’s first outward remit, totally online, for Kotak Remit was launched by RemitOnline. So, a lot of technology stack that we have within the remittance space is what we are offering to the banks which is a good revenue model that we help them power. At the same time, we do have a B2C aspiration like the TransferWise, internationally, and Xoom, where we are competing with them on the RemitGuru. But going ahead, we see the whole thing changing, where today, the remittance is not real time. What RemitGuru aims to do is that someone in London can instantly log in to Barclays, and the money via IMPS is credited to the account in real time, 24/7. Those options later on can be used as an international net-banking option across all our merchants for shopping. So that is where we are aiming to do the investing in this kind of ventures where we see high-growth potential. And with a very small team, a couple of billion dollars is already flowing through the platform, in just two to three years that they are doing business.

On data center, Vishal, you want to take over?

Vishal Mehta:

So as far as the data center question is concerned, if I understood the question correctly, you would like to know, how would you market the services and what is the revenue potential of that? So, I will try to attempt to answer those. Unlike a traditional data center model where you will do rental on space, we would be building it out more like Amazon Web Services (AWS) model, which is, you pay based on utility. And the entire industry has shifted that way. People do not want to invest into capex, as in, merchants would actually position themselves as its better off being utilized as a service. If you look at most of the AWS framework, it was built out as only cloud. Now there is a combination of on-prem and cloud, which is, on-premises you would keep certain business data, and then you would want to integrate and host few things on the cloud. So when we look at that opportunity, we say, okay, we are our first customer. We have hundreds of millions of transactions flowing through our platform. So all the applications, size and the compute that is required to be able to scale it up to that next level, we become our own customers, which is how we started out. The second thing is that we go into applications. You see Blockchain is also open source, it is not any proprietary software. There are different fabrics out there. There would be a business model because you typically don’t have to charge for software since it is already open source, but you would want to charge for compute,
so for example, every node that you would want to have a certain amount of revenues for. So, as Blockchain applications grow, and if there is US$ 1 per node or Re.1 per node compute for calculating the billing amounts, as the Blockchain network grows, that we get paid more. And it is reasonable to assume that on a single node, that you would have a few thousand dollars. So as the number of nodes increases, there is revenue potential associated with that. The larger the Blockchain network, the larger the revenue that comes to us. And what we talked about is that utility can also be offered as a service. So in other words, rather than going in saying that we are just giving storage and compute, which AWS and others do fairly well at a very competitive rate, then you actually give not just that, but you provide it as software and infrastructure platform together for application, I think it becomes fairly well. So revenue model, the way I would think about it is based on utilization, and you will also see that what we spend on our utilization today, we will migrate it into our own data center frameworks and infrastructure. We are our first clients. And we know what works for us; we will also offer it to others as a service. It will be based on transactions, as in on utility and transactions, is how we would want to account for it as far as revenue model for infrastructure-as-a-service is concerned. And in the future, we may expand into services similar to AWS for utilities that do very well for countries like India.

Srinivas Rao:

Understood. If I can understand, when you move your compute to that data center, which you talked about, should we expect positive margin for you, say, over the next 18 months? Is that a fair assumption? Your own operating costs should go down to some extent. Is that a fair way to think about it?

Vishal Mehta:

For the utilization that we do, we are doing it to build out a business and build out a more secured framework. I would not just too much focus on expansion of margin, but more of expansion of revenue opportunities in margin, by offering it as a utility. We currently use third-party data centers that are now available at very competitive rates. So, in other words, we do not expect that there will be a huge savings for us. Artificially, EBITDA will go higher because we have invested in capex but, at the net level, you won't see too much of an impact.

Srinivas Rao:

That's what I was trying to figure out. This is helpful. Thank you so much.

Moderator:
The next question is from the line of Pritesh Vora from Incedo. Please go ahead.

Pritesh Vora:

My question was in the CCAvenue business. You did AED 1 billion processing volume in UAE last year. So on like-to-like basis, how much growth is expected in CCAvenue in India business over last year?

Vishwas Patel:

We have processed slightly over Rs.47000 crore in India for this year and the rest is from the UAE business. We did over AED 1.2 billion in the UAE.

Pritesh Vora:

All right. And Sir, my second question is on the BuildaBazaar business. Apart from GeM platform, you have not talked about your core BuildaBazaar business much. Can you explain first what’s going on in the BuildaBazaar business?

Vishal Mehta:

As I mentioned earlier, there are two kinds of platforms that we used to offer. We used to offer BuildaBazaar platform to merchants who had supply chains, and those are the ones like Amul and others, whereby there is a supply chain tied up to the platform and the framework. That business was housed in one of our subsidiaries namely NSI Infinium Global Private Limited. This is the subsidiary, which has been divested to Suvidhaa Infoserve. So you can think about businesses, which are more tied to supply chains and retail, even for SMEs that they become participant into the Suvidhaa network. That is the business where there is actually digital supply chain, and that is a business that is potentially going to get into the omnichannel framework, which is what I alluded to last time. We tried our hand at the marketplace for many, many years, and what we realized is that marketplace as a standalone opportunity without physical network will not be sustainable. So while you can spend billions of dollars in terms of building out marketplaces but without a physical touch point, that it is not going to be a sustainable model for a country like India because of primarily two reasons. One is that the margins in retail are razor thin, which is the waterfall, that, they talk about from the manufacturer to the customer, is not as large as what you would see in the Western countries. The second thing is the ASP of the product is also very low in India which is the average selling price. So what ends up happening is that your logistics cost become very high on a low ASP, resulting in low margin. As a result, it is very, very difficult to make money at that level. And so if you have an omnichannel setup,
where you have a physical touch point for the customer, closest to the customer, that is the model that potentially generates revenue and it also generates service revenue because there are other services that can be offered from the same outlet. And so that is the strategy that we think was the right one for us. And so as a result, the framework and the platform, which is related to the supply chain of the products and services, is part of the new ownership. The one that we want to continue building upon is the one that we call Enterprise software to large clients, including Government e-Marketplaces, including many of the large theme parks that we provide our services to. And that is the business that we want to continue focusing on because basically, you are providing infrastructure to a large institution or a government who, in turn, is offering it to many, many more clients. So, it’s more like an aggregation and not necessarily a direct model. In aggregation model where you are not just providing a single instance, but you are giving all the instances for them to give it to others. So that is a business that we will continue to focus.

Pritesh Vora:

So you said the entire business is divested to Suvidhaa, or you have kept some business with you, some percentage of the business?

Vishal Mehta:

We have a percentage of that business, which is divested to Suvidhaa, so, we will have ownership in Suvidhaa.

Pritesh Vora:

How much ownership?

Vishal Mehta:

We will not have a majority, but it will be decided at the time of filing of the merger. Today, Suvidhaa is invested 5% first and 1.41% later. So that is about 6.41% that has been taken over by Suvidhaa in cash. And at the time of filing of the merger, that this swap ratio will be defined.

Pritesh Vora:

Right. And Sir, can you tell us on the audit part, there was some communication between the auditors, what is the issue around the auditors?
Vishal Mehta:

It is all there in the public. There is nothing new for us to report on that. So in other words, if you look at most of the announcements that we have made, that you would have quite a bit of background around each of the specifics. The numbers that we have reported are audited numbers, and there is nothing more to report at this call.

Moderator:

Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga:

A couple of clarifications. So, first, like post divestment of the subsidiaries, what should be done like-for-like number FY 2019 revenue, like how much will be impacted on FY 2019 revenue?

Vishal Mehta:

Depending upon the swap ratio and the amounts that we will essentially go into, but what I can tell you is that the way to think about our business is as follows: We processed Rs.50000 crore of payments this year with the revenue reporting of 100 to 125 bps in payments. So we plan to double this year as we have doubled in past three years. So if you have to think about what to project and how to think about it, we believe that we want to continue building to build it up, hopefully, at a similar pace, and we have got plans to do that. And so, like I said, if you are able to process Rs.1 lakh crore, we will net anywhere between 12 to 16 bps on a net level in margin. This is one way to think about it, and you could perhaps run your sensitivities on that. But you can think about Rs.50000 crore or US$ 7 billion going to about US$ 10 billion in FY 2020, through our payments and checkout business this year. The second thing we will do is, provide Infrastructure-as-a-Service, infrastructure meaning data center. Of course, like I mentioned earlier, you will see some expansion in EBITDA because of this. But with the depreciation and amortization, there will not be a meaning impact at the net level. But we believe that given it is a significantly large opportunity, we expect that we can generate a good US$ 10 million to US$ 20 million in that business in revenues on an annualized basis.
Giriraj Daga:

But just want to clarify this was not there in FY 2019?

Vishal Mehta:

This was not there in FY 2019. And then if you think about our business as far as platforms are concerned, we believe that GeM was about Rs.20000-odd crores last year. As per government estimates, it is going to be Rs. 50000 to Rs. 1 lakh crore this year. It is reasonable to assume we net about 10 bps in that business. And so we expect that business should also keep on building up and generate revenues for us. What you would see going away is the product revenue completely. You will not see the product revenue, upwards of a couple of hundred crore. This is a business that we have been doing through our subsidiary, and you will not see that revenue flow to us for this year for sure.

Giriraj Daga:

Okay. But that number is not a fair number calculation. It was like a product close to 400 crore put together?

Vishal Mehta:

Correct. So, it is about Rs.200-odd crore for the product revenue and some amount of service revenue that flowed through the subsidiary also. So, you are right, on a like-to-like comparison, you will see about Rs. 300 to Rs. 400 crore will not show up as revenue. It will show up as minority interest in that business which should show up in this year.

Giriraj Daga:

Understood. My second question is on the balance sheet. You mentioned about Rs. 320 crore of asset classified for sale. So once the transaction happens, like how much will come from the cash, and how much will come from the stock out of that total?

Vishal Mehta:

It is reasonable to assume that the investment that is there is also of the entity where UniPropitia is taking over, is investing into the company. So this is the investment that we made in our subsidiary. But we believe that in the past, we had assumed that Suvidhaa was 5% and the rest of it is swap, but they kept on investing
into the business. So while I do not have the exact number for you, but you can imagine that majority of it will be through swap.

**Giriraj Daga:**

My last question is on the infrastructure business. So now on data center part, like we invested about close to Rs. 235 crore of the investment target. We invested so far Rs. 210 crores. We have given this in the notes to accounts. Now should we be able to assume that at a certain point of time maybe second or third year we should be able to do 20% PAT of that number, maybe a PAT of Rs. 50 crores in the third or fourth year?

**Vishal Mehta:**

The Rs. 210-odd crore that we have mentioned, that number includes the infrastructure, which is the building where the data center is housed. So you are right, it is part of the data center, but it has also got some office floors, along with it in the GIFT city.

**Giriraj Daga:**

If you can highlight only the data center infrastructure?

**Vishal Mehta:**

The data center investment will be close to about Rs. 125 crore.

**Giriraj Daga:**

Okay. So is a Rs. 25 crore profitability possible in the second or third year?

**Vishal Mehta:**

We typically do not give forward-looking guidance, but it is reasonable to assume that the opportunity, to be able to see pickup in these service-based framework, is fairly large, and it is somewhat dovetail with the fact that data has to be carried only or data has to be stored only in India and not even in any other geography. So if you look at even the large networks, including the Visas and the Mastercards and many others, they have been mandated to keep data only in India. And since we work in the payment space, so we have got quite a bit of insight into how the regulations have been playing out. Also, there is some
looseness in terms of how Visa and Mastercard perceives this, but they have got some latitude because they are global players. But we believe as regulations become stronger and stronger and more clear, that there's a lot of mandate regarding financial data to be stored only in India, which means that all these different kinds of application services for companies to be able to utilize will become very valuable proposition for us. So in short to answer your question, Yes, we will be targeting upwards of that if you are to think about it going forward.

Giriraj Daga:

A small clarification, does the Suvidhaa deal include the Infibeam Global EMEA unit? Is it still in the company?

Vishal Mehta:

Yes. it is still in the company. 49% ownership of that is still with the company.

Giriraj Daga:

So what was the profit last year, in FY 2019?

Vishal Mehta:

FY2019 profit of EMEA, because we did not have it for full year, is upwards of Rs.40 crore

Moderator:

Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments. Thank you and over to you!

Vishal Mehta:

Thank you all for making it to our conference call today and thank you for your participation. And we look forward to continuing the discussion and dialogue with you going forward.
Moderator:

Thank you very much. Ladies and gentlemen, on behalf of KR Choksey Research, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.