

February 09, 2023

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001 Company Code No.: 539807	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Company Symbol: INFIBEAM
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Dear Sir / Madam,

Sub: Transcript of Earnings Conference Call for the quarter and nine months ended December 31, 2022

In compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Investor/ Analyst conference call on financial performance of the Company for the quarter and nine months ended December 31, 2022 conducted on Monday, February 06, 2023, after the meeting of Board of Directors, for your information and records.

This transcript is also available on the website of the Company i.e. www.ia.ooo.

Kindly take the same on your records.

Thanking you,

Yours faithfully,

For Infibeam Avenues Limited

Shyamal Trivedi
Sr. Vice President & Company Secretary

Encl.: As above

INFIBEAM AVENUES LIMITED

Regd. Office: 28th Floor, GIFT Two Building, Block No. 56, Road-5C, Zone-5, GIFT CITY, Gandhinagar, Taluka & District - Gandhinagar – 382 355, **CIN: L64203GJ2010PLC061366**

Tel: +91 79 67772204 | **Fax:** +91 79 67772205 | **Email:** ir@ia.ooo | **Website:** www.ia.ooo



“Infibeam Avenues Limited Q3 FY2023 Earnings Conference Call”

February 06, 2023



MANAGEMENT:

Mr. Vishal Mehta – Managing Director – Infibeam Avenues Limited

Mr. Vishwas Patel – Executive Director - Infibeam Avenues Limited

Mr. Sunil Bhagat – Chief Financial Officer - Infibeam Avenues Limited

Mr. Purvesh Parekh – Head Investor Relations - Infibeam Avenues Limited

Mr. B. Ravi – Strategic Advisor - Infibeam Avenues Limited

Moderator:

Ladies and gentlemen, good day and welcome to Infibeam Avenues Limited Q3 FY2023 Earnings Conference Call, hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajat Gupta from Go India Advisors. Thank you and over to you, sir.

Rajat Gupta:

Thank you, Lizann. Good afternoon, everyone, and welcome to Infibeam Avenues Limited Earnings Call to discuss the Q3 and Nine Months FY2023 results. We have on the call with us today Mr. Vishal Mehta - Managing Director; Mr. Vishwas Patel - Executive Director; Mr. Sunil Bhagat - Chief Financial Officer; and Mr. Purvesh Parekh – Head - Investor Relations. Also joining us on the call today is Mr. B. Ravi who is advising Infibeam on Corporate and Financial Strategy as an independent consultant.

We must remind you that the discussion on today’s call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. I now request MD, Mr. Vishal Mehta to take us through the company’s business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you, and over to you sir.

Vishal Mehta:

Good evening and welcome everyone. On behalf of the entire Infibeam family, I wish you all a very happy and prosperous 2023. To start with, I am very confident that 2023 will be a great year for our country, and more importantly, this decade will see India reaching new heights where the GDP is expected to cross \$5 trillion putting us at number three spot globally. One of the studies that have been done across so many nations on use of electronic payments, what has been coming out of this study is that nearly \$1 trillion have been added to GDP of various countries and it has been able to raise consumption. So digital payments is expected to play a very important role in terms of our country achieving certain GDP expectations. Digital payments in India grew more than 70% in FY2022 and it is estimated to grow by 45% to 50% in FY2023 to approximately Rs.54 trillion, or \$675 billion.

Between 2021 and 2026, industry is expected to grow in the range of 30% to 40% annually. The government and the regulator are also very supportive given the vision to make India digital and also turn India into a cashless economy. To capture the massive growth we have charted very clear strategies and we are working on certain initiatives like our omni channel payment solution that we will deploy across more than a million devices by end of FY2024. The next is industry-specific vertical solutions for deep industry penetrations, like what we offer to the hospitality industry or the hotel industry to build their revenue. Bill payments for utility and recurring payments through Bharat Bill Pay. We have certifications for processing airline transactions covering more than 20 plus airlines, solutions for auto insurance, payment infrastructure, as well as B2B payments and payments for banks. We are constantly solving industry problems through payment solutions that really matter to the consumer and merchants, and now, we have achieved another milestone of being the industry-first to process digital Rupee transaction for online retail payments. We are ready to go-live with any bank that offers or that wants to offer digital Rupee. We are in discussion with several banks and we are also getting inbound requests from many banks to partner with us.

As government and RBI looks to curtail cash of 32 lakh Crores, which is almost \$400 billion also the addressable market, we believe they are promoting the use of digital rupee to avoid certain cash costs like printing, avoiding currency manipulation, ability to track the currency, etc.

RBI has requested banks to quickly make the technology infrastructure and onboard new merchants to proliferate India’s own digital currency across the country. We are currently among the only few to be able to onboard new merchants. This will enable us to build a very strong pipeline for future to upsell and cross-sell, while also giving us a lead position in processing digital rupee transactions. We believe just like UPI commuted a revolution in digital payments, in the same way e-rupee will create the next revolution for India. As it is in true sense a real-time money transfer with instant settlement to merchants. One of the reasons why we believe so is because it is exactly the same as cash, but in a digital format. Even UPI today is not instantly settled, and follows the same process, like any other payment options of T-plus N number of days’ settlement. The use-case for digital Rupee can be many-many and this will create new opportunities in the digital payment space.

With that said, last quarter was very strong for us. We on-boarded more than 0.5 million merchants in Q3 alone in the payment gateway business alone, which is we have a history of more than 20 plus years and we have overall added a record 1.1 million merchants in a single quarter across all our offerings, reaching 8.4 million merchants, an increase of

72% year-over-year, and our daily merchant addition averaged 11700 for last quarter, which is hovering around 7000 to 8000 in the last few quarters. Number of merchants in the payment gateway business in Q3 grew by 385% year-over-year. As the digital payment industry looks right for growth in India, with strong entry barriers and strict compliance, we plan to take the most advantage of being able to onboard new merchants.

As mentioned in our call last quarter about international launches in the second half of FY2023, payments in Saudi Arabia is now live. We are literally one of the top two providers for payment gateway in UAE and Saudi Arabia being live we have on-boarded several merchants and will subsequently provide updates to other geographies in coming quarters. If you look at going into FY2024, we will expand these geographies and talk about other launches as we build more tie-ups and onboard more partners. GeM continues to remain strong. GeM, achieved a processing volume of 1 lakh Crore of order value in November in just eight months of FY2023 versus achieving the same number in 12 months of FY2022. As per GeM announcements, GeM is expected in targeting to touch order values of 200000 Crores by FY2023 which is twice that of FY2022.

By end of January 2023 order volume and value on GeM has already crossed 1,50,000 Crores. GeM has done Rs. 50000 Crores in just two months of December and January. Apart from GeM, we continue to explore more opportunities in our software platforms business to widen our offerings and expand partnerships. We will keep you updated on the developments.

To sum-up, I am extremely confident and happy with the progress that we have made in the business, including improvements in the net take rates in our payments business, which we intend to take to double-digits by FY2025. We see very strong tailwinds for digital payments industry and believe that the game is still not over. There is so much innovations and opportunities that constantly arise and we feel that with prudent policies, compliances, safeguarding the consumers and merchants and all these profitable business models, we will be able to pay-off in the long-term. I will now hand over the call to Vishwas who will give you an update for our payments business, Vishwas, over to you.

Vishwas Patel:

Thank you, Vishal, and good afternoon everyone. Q3 is a strong quarter for Infibeam Avenues for payments business, being a festival travel-related quarter. We experienced a strong merchant pipeline during the quarter. In Q3, we focused on quality rather than quantity to build a long-term sustainable business whereby we were able to increase our take rates and hence profitability in the business. Change in payment mix towards non-credit payment options led to a lower gross take rate and hence moderated gross revenue, but the net take rates increased as non-credit payment options, net banking, debit card contribution increased, which are more profitable for the company leading to better profitability.

Merchant seems to have chosen more debit in this quarter to save on the MDR costs. This resulted in higher earning for us as we provide 60 plus net banking options to direct integration with the bank's core banking solutions, highest globally and over 100 plus debit card options. Contribution from 0 MDR payment options in the quarter have gone up from nearly 6% to 7% to roughly 10%. The subsidy incentives that are announced by the government on 0 MDR or non-chargeable payment options like UPI and RuPay debit card in the current fiscal. The government has increased it by two times to Rs.2137 Crores from the previous 1040 odd Crores in the previous year. We hope to receive our share in Q4 or Q1 of next financial year.

The industry demand, however, remains at Rs.8000 Crores from the government. Today, Fintech and PG's, have not received anything from the government, what the government has shared with the banks, inclusive of previous years.

Now let me give you a quick update on our investments in Go Payments that is instant global Capex. Infibeam Avenues has invested Rs.16 Crores in Go Payments increasing its stakes to 54.80% from the current 52.38%. Go Payments has an offline business model targeting the unbanked and the under-bank. The business was significantly impacted during the two years of COVID in it is four years of operational history. However, the company has managed to quickly turnaround and scale the business last calendar year and turn EBITDA-positive in December 2022. We are extremely proud of the management, we have turned into profitability in such a short spend during the challenging environment, both in terms of the pandemic and the competition by focusing on our core philosophy to generate profitable revenue and offer quality services. Our investment in Go will help to scale further and achieve profitability while scaling the business. This will help Infibeam achieve higher return on investment and benefit all the shareholders of Infibeam Avenues.

As far as the international operations are concerned, UAE is still going very strong. We have commercially started operations in Saudi Arabia, and we will scale this from next financial year. We are also in the process of rolling out our CCAvenue all-in-one app that start pay in the DCC soon as it is a ready market for tab-based payments. According to Visa study, contactless payments are among the highest in the GCC region as out of total digital payments 94% are contactless in Saudi Arabia, and 92% in UAE. Finally, a comprehensive set of payments and software payment

solutions, platform solution supports all the digital payment acceptance requirements of the merchant be it in-store, online or omni channel payments, along with the tools for the merchants to enable e-commerce.

With this, I now hand over the call to Sunil Bhagat, our Group Chief Financial Officer. Over to you Sunil Bhai.

Sunil Bhagat:

Thank you, Vishwas Bhai. Good evening everyone. We are extremely pleased with our performance in Q3 as we work towards improving the quality of our earnings. We were severely impacted during COVID from lower business volumes, low-margin businesses like utility, education, insurance etc., and severe pricing competition. However, Infibeam focused on profitable revenue growth by ensuring quality customer onboarding, strengthening ties with ecosystem partners, expanding high-margin bill payment businesses, growing the infrastructure services, strengthening international markets, etc.

If you look at our standalone performance for five years from FY2018 to FY2023 from comprising Infibeam India payments and software payment businesses, including the GeM portal. The growth in profit-after-tax is approximately 10x. The company will continue to focus on its core business philosophy of profitable revenue growth and strive to bring the same in the next 10x in this decade from various strategic initiatives and we will undertake that. Q3 this a seasonably strong quarter for Infibeam.

The payments business net take rate grew by 63% year-over-year to 8.9 bps. The company is taking steps towards growing its net take rate across payments vertical and reach double-digit take rates in FY2025. Improvement in net take rate led to higher net revenue-generating better operating and profitability margins during the quarter. On a like-to-like basis, consolidated PAT for the quarter was Rs.27 Crores, up 11% year-over-year and highest among the three quarters reported PAT, and like-to-like standalone PAT for Q3 was Rs.24 Crores, up 28% year-over-year. Overall, we are on-track to process transactions worth Rs.7.5 lakh Crore for FY2025.

With this, I will now hand over the call to the operator for starting Q&A. Thank you.

Moderator:

Thank you. Ladies and gentlemen we will now begin with the question-and-answer session. The first question is from the line of Rahul Bhangadia from Lucky Investment Managers. Please go ahead.

Rahul Bhangadia:

Thank you for taking my question, sir, congratulations on a very good set of numbers. Sir, you have mentioned in the previous call also and just a while back you mentioned that you intend to take your net take rate to double-digit by FY2025. Given that GeM will be one of the bigger driving factors in the PPV growth of the company and there the take rates are of the order of, let us say, seven base, how does the math work-out, or where will the double-digit kind of number come from.

Vishal Mehta:

There are three things that we are focused on. Internationally, our debt rates are 15 basis points compared to India. So if you look at our projections for the next up to 25, we expect that today a single-digit percentage of our revenues come from international. We expect that to go into double-digits. So based on what we believe we should get to 20% to 30% of our revenues in the next two years to come from international growth as well, and international take rates are far better today compared to our take rates in India. That is one part.

The second thing is that we expect to actually introduce offline payments that is TapPay. So we believe that if we are at 8.1 merchants, we should get to 10 million merchants, and over there since the card is present, we expect that the take rate should be better in offline setup compared to the online setup where the card is not present. We have also filed certain patents around those areas and we expect that with certain kinds of SDK that we open up where you literally do not have to do anything, you just plug-in the SDK into the existing payment setup of yours and it starts processing payments. So our expectation is that going to a million, that is more than 10% of merchant base, you will see perhaps some improvements in that area as well, and the third thing that Sunil just highlighted, which is we are focused on profitable sectors. So we have taken-up sectors where we believe the value is pretty strong. Today the overall growth in payments is expected to increase significantly. So a combination of those factors, we believe that we will be able to get to a better take rate.

Today we are at 8.9, we are not calling up saying that, we can do it next quarter. What we believe is that, let us make sure that we have built out the strong phases on how we can get to double-digit, which is what we are focused on today.

Purvesh Parekh:

Just to add, the double-digit, that we are talking about is for the payment business. GeM is a single customer where the take rates are already contracted. So we are not including GeM as part of the double-digit. It is only the payment business where we are talking about double digits.

Rahul Bhangadia:

So then, let us say on a weighted-average basis we might still be around the 8 or 9 bps number only, right.

Purvesh Parekh:

That is dependent upon what is the weightage of our TPV coming from payments and coming from the GeM business.

Rahul Bhangadia:

Thanks for that clarification. That was important, and just a question on the GeM portal. When does the process start and by when will we know the end result?

Vishal Mehta:

Basically, the RFP has been out and the current positioning is that by end of this month that they will be taking the bids. So very likely in the next few weeks, we will know, and so that you know, it is 18 months until you actually build-out the new framework. So, this contract will continue into 2024.

Rahul Bhangadia:

Sorry, I did not get the last part, sorry 18 months bit, I did not get that.

Vishal Mehta:

The new RFPs states that you need to build-out the framework in the next 18 months, before existing opportunities will move on to the new framework. So the existing contract which we have will go on until 2024.

Rahul Bhangadia:

So does that mean that when you shift to a new framework, whatever work you have done in the last five years does that mean it is a build-up on that or it is a separate thing altogether, how does that work?

Vishal Mehta:

Yes, it is a separate thing. So in other words, there may be some base that can potentially be common. I think a lot of systems, processes, integration, so on and so forth are in place. But there are certain requirements that government have, which is additional functionality, on-top of whatever we have provided so-far. Also, if you go to the RFP, you will see that there is a payment of Rs.135-odd Crores towards buildup up of the new framework. Then there is a fixed and a variable that goes on every quarter.

Rahul Bhangadia:

And should we expect your consortium to bid as it was in the previous tenure?

Vishal Mehta:

We still have three weeks left, so there may be a few changes, but, yes, we expect that definitely we are bidding.

Rahul Bhangadia:

Sir, just one final question if I may squeeze in. We do not have a non-transaction revenue recorded in this quarter, has that been clubbed with the transaction-based revenue, just trying to get an understanding there?

Vishwas Patel:

There is the platform revenue include GeM revenue and the non-transaction revenue. So the entire platform, revenue has two parts, one part coming from GeM, which is the transaction revenue, the other part is non-transaction.

Rahul Bhangadia:

So, you have a net take rate of 85 Crores this quarter that we have declared. A part of that will also be non-transaction revenue, that is how it is?

Vishwas Patel:

Sorry, 85 Crores, I did not get that?

Rahul Bhangadia:

85 Crores is the transaction-based revenue, right. The net take rate.

Purvash Parekh:

85 Crores, can I take this offline with you, because I think you are mixing up something.

Rahul Bhangadia:

Yes, I will take this offline. Thank you so much for answering these questions. Thank you very much.

Moderator:

Thank you. The next question is from the line of Akshay Doshi from InCred Capital. Please go ahead.

Akshay Doshi:

Yes, hi sir, thanks for the opportunity and congratulation on the good set of numbers. Sir, I had around three questions. So first question is that you had guided for TPV of 4 lakh Crore for the year-end FY2023. In nine months, we were able to achieve around 2.75 lakh Crore. So sir going ahead, how confident we are to achieve the balance 1.25 lakh Crore, and also, if possible you can share the January numbers of TPV.

Vishal Mehta:

Sure, so if you look at our numbers for the last quarter, on a consolidated basis we do about 95000 odd Crores in transaction processing volume. So the question is that are you able to gap the 95000 to 1 lakh Crores to 1.25 lakh Crores. Generally, we see Q4 being very strong in certain verticals and GeM being one of them, because a lot of buying, government buying happens in the last quarter. So we are tracking it up. If you look at just the normal transactions of applying Q3 to Q4, we expect that even Q4, so far has been very strong for us. So while we do not talk specifically about months, what we know is that today we are tracking to the number closer to 4 lakh Crores, and then, as and when of course like I said, the last three months for GeM typically are very strong months. So what you will see is that government spends a significant amount of capital in the last three months of the year. So we expect that, yes, you will see numbers which are closer to 4 lakh Crores. Today, we believe that we are tracking to that number.

Akshay Doshi:

Sir, my second question was like, what is the update on TapPay, like how many merchants have we on-boarded? How is the progress going on there and what is your target for the next financial year?

Vishal Mehta:

Yes, so I will start and Vishwas can add in. What we had communicated last time was that we would like to reach 100000 odd merchants by this year end, which is March 2023, and next year we would like to get to a million merchants. Which is 10 lakh merchants by end of 2024. So we have laid out our strategy in terms of how to achieve it. We believe that 100000 we will be on track to achieve by end of this year, which is FY2023. You will start seeing hopefully, next year offline QR codes and many others, which is CCAvenue QR codes in offline payments. Because once we reach a critical mass of 1 million merchants then that is where wherever you see certain QR codes which are more UPI related, you will start seeing CCAvenue TapPay QR codes as well for merchants. So I believe that this year we will definitely reach 100000 merchants, and next year we should be tracking for one million merchants.

Vishwas Patel:

I think it is a combination of both. CCAvenue Tap Pay as well as allowing our SDK. I do not know whether you are aware but even if we give out our SDK, which is the software development kit for someone to integrate into their existing payments, it requires a set of approvals from card networks. Because one needs to actually ensure that security has been taken care of, which is the utmost importance, and we know anyone and everyone who actually uses an existing payment provider can actually allow people and consumers to tap and pay. So we are happy to announce that we have been approved by card networks for our SDK to be integrated into existing payments network, which means that the million looks very doable for us for next year.

Akshay Doshi:

Sir my last question was on your gross revenue, so if I look at the quarterly numbers from Q2 to Q3 it has been reduced from 477 Crores to 415 Crores. So any reasons around that?

Vishwas Patel:

So essentially we have like 100 plus payment options various credit cards, debit cards, net banking and others. So credit cards, typically the usage, the MDR is high, merchants are more-and-more pushing towards net banking, and Master, Visa debit cards and other options. Our earnings on credit card is less than what we earn on net banking and other options. So merchants have started pushing, even if you see on many checkout pages of websites, they are pushing up the debit options more so that their cost goes down, MDR cost is down. For us it is better if it moves towards net banking and debit cards and other things. So hence you will see that though the gross revenue has come down marginally to 415 Crores, but take rate and profitability has increased considerably this quarter. So even our take rate now has gone from 7.5 bps to 8.9, so our take rate and profitability has improved.

Akshay Doshi:

Thank you, sir. That was very helpful and all the best.

Moderator:

Thank you. The next question is from the line of Meet Rachchh from Anubhuti Advisors. Please go ahead.

Meet Rachchh:

Hi, thanks for the opportunity. So first question is in terms of the TPV guidance. So sir, what percentage of TPV do you expect coming from GeM portal in the guidance of 7 to 7.5 lakh Crore for FY2025?

Vishal Mehta:

So we believe that today, if you look into it approximately close to 1.6 to 1.7 lakh Crores comes from payments, and that is expected to continuously increase, in fact, we expect that payments will significantly be larger in the coming few quarters. But if you look at the perspective or forecast that we have developed, we think if it is 2 lakh Crores for this year, we will be conservative for the next two years and we expect that maybe that 2 will be 3.5. So payments will get to about 4 lakh Crores.

Meet Rachchh:

At the time of renewal of this contract, are we expecting any reduction in the take rate from 7 bps to, let us say 5 or 6 bps, considering the strong increase in volume of GeM?

Vishal Mehta:

Yes, absolutely. If you look at how the contract is structured there is fixed and variable, this time around. If you remember, last time when we bid for the contract, it was all variable. So in other words, there is a fixed component that comes every quarter post-deployment. So there is an amount that comes pre-deployment which is the onetime amount which is about close to 135-odd Crores and then there is post deployment amount that comes every quarter and then there is a variable component on-top of it.

So if you look at the blending of that and depending upon the number of transactions, the kind of transactions, one can make assumptions and come up with certain take rates. But we would expect that based on the volumes as the volumes increase, we have taken a very conservative approach. I am sure that there could be aggressive approaches as well, but we plan for a conservative set-up and we think that there may be marginal impact to the take rates that we get from GeM today versus what we will achieve given that the volumes will be higher. But it is slightly calculus formula, because it is based on number of transactions, the value of transactions, and a few other parameters.

Meet Rachchh:

The third question. Sir, can you please explain our revenue model in processing the digital rupee transaction?

Vishwas Patel:

So as of now, there is no revenue model in the digital Rupee. It is just coming out. So just like now only test pilot period is going on and there will typically option is available across merchants and the volume comes in, so that kind of regiment it is up to the Reserve Bank of India to put in a mechanism where there is some money to be made by the services providers who are going to activate this across the country.

So, right now, is just the test pilot. So it is like it is 32 lakh Crores of cash in the market. So this is the UPI movement to disrupt cash. Right, so in a digital format it comes like in a notes currency it transfers, and in real-time a check-out mechanism in online, where we have enabled, how does the state pay cash to the digital Rupee. So all those mechanisms it is all quite innovative and let me tell you it is the first in the world right now. So going on to the MDR and this mechanism on revenue, it is too a little early, maybe the next one or two quarters, there will be more clarity on all the pricing, mechanism and even impact processes of charge-back, is another thing that will come in place.

Meet Rachchh:

Okay, thanks, sir. Thanks and thanks for the answering questions. All the best.

Moderator:

Thank you. The next question is from the line of Prakshal Jain from Lucky Investment Managers. Please go ahead.

Prakshal Jain:

Thank you for the opportunity. I wanted to ask that this change in transaction mix from credit base payment options to non-credit based payment options, which has led to lower gross revenues for us this quarter, so was there some special trigger this quarter because we are seeing, I mean, we have recorded lower gross revenues Q-on-Q for the first time this quarter. So was there some special trigger this quarter?

Vishal Mehta:

So thanks, yes, there was one figure, which is lot of competitors, they started giving portfolio rates to clients, portfolio rates, meaning a single rate across different payment options, and so whether your mix is X or Y that you get a single rate and there are several clients where the shot can add to it more, but the point was that there are certain take rates for credit is different than debit and other payment options, and so what has ended-up happening is that wherever the payment options of credit were lower for a merchant base it makes sense for them to start sending transactions there, and then we were perfectly fine with that approach, because obviously the rest of the volume came to us. Because we were better than those. So there is a slight impact there. The second one as Vishwas said the merchants started pushing non-credit options because in credit, they would lose a lot more compared to other payment options so they are non-credit payment options. So for the merchant also, it made sense to start pushing the non-credit options because it is more lucrative for them compared to credit, and so combination of those two triggered the gross revenue a bit.

Prakshal Jain:

So just for clarification sir, on the first factor that you mentioned, you said that the volume came to us because we offered better rates to the clients and as compared to our competitors. Is that right?

Vishal Mehta:

When you offer a single window across payment options, so for the sake of argument based on the mix, you would want to if somebody approaches, let us say here is the single take rate merchants are smart enough, they will start sending the options where they are getting benefits and of course for non-credit base option even if we keep and maintain our same rates obviously they will prefer us. So I think, it was not about getting better rates, it is just a better option for the merchants to send volumes to us. That is one, and second is that merchants also have started pushing a lot of non-credit options to us, given that it is more lucrative for them to process those for customers compared to credit-based options.

Vishwas Patel:

Yes, just to simplify it. So typically, some of the competitors are offering a merchant rate of say 1.85 across all options the credit card, debit card, net banking and all those things. So 1.85 across merchants. Now, we typically use to give credit card at 1.92% and net banking at 1.25% at the rates that we have. Our earnings on-net banking are anyway higher than what we used to earn on credit card. So what merchants started that to do, some of the bigger ones that we had, there credit card to add 1.85% to them, but all the net banking, which is to go earlier with the same, since we are at 1.25% and the other take rate carries at 1.8% for them, they started pushing all their debit options of net banking and others on to us. Hence, you see a spike in the volumes, you see a spike in the take rate, but yes gross revenue will come down a little bit. Because of the payment mix change.

Prakshal Jain:

Okay, all right, thank you for the elaborate clarification, thank you.

Moderator:

Thank you. The next question is from the line of Deepesh Sancheti from Maanya Finance. Please go-ahead.

Deepesh Sancheti:

How much percentage of credit and non-credit volumes coming?

Vishal Mehta:

Credit is about 1/3rd about 33% to 35% percent and non-credit will be which is ongoing CI, debit card, net banking, etc.

Deepesh Sancheti:

Going forward, do we see these volumes of non-credit going, I mean, increasing?

Vishal Mehta:

So primarily, if you look, look India is a diverse society like unlike the people in the West who live off on credit, right India, China, and other Asian regions are more debit societies, where if you have money, only then you spend. You will not go overboard on credit and other things, right. So that is why the credit card off-take has been stagnant. If you see the overall credit card numbers also for every month it is always segment between 95000 Crores a month to 1 lakh Crores a month. So last three-four months it has been stagnant there, right. But the other side, the debit and others is growing massively. Net banking, debit cards, and other usage is growing massively. So that is the trend that you can look overall even from RBI figures also, right. So that is where it is there, but for us, it depends, if tomorrow credit makes a comeback and as youngsters and adults, go more in for credit, maybe the credit transactions will also do. From our prospective we are offering all 200 plus options credit, debit, net banking, wallets, SI's, EMI everything. So it depends on the customers, and merchants. We will track overall from a macro perspective, how the payment option changes, but yes, let us see. But it is something which is on the macroeconomic front, and how the payment option the consumers are choosing whether then on to us payment progresses, where we are just an enablers of this transactions.

Deepesh Sancheti:

And right now, what is the market-share?

Vishal Mehta:

In what?

Deepesh Sancheti:

In this payment processing.

Vishwas Patel:

There are various ways to look at it, so credit cards for example, I already told you what is the kind of processing, we are doing. You can just compare that with the volumes that RBI gives out you will get a rough idea. We do not give out the entire mix, like how much is debit, how much is credit, how much is net banking, but our credit, like I said, is about 33%, 35% for the last quarter. The rest is debit, you can just take a look.

Vishal Mehta:

But if the numbers out that you add, we think that we are in, I mean, depending upon how you look at it, we only record what is processed, successfully processed transactions, and not necessarily transactions, which have been attempted, and in that we believe that we will definitely be in the 10% to 15% of the consumer to merchant side, we should be at least higher or almost there.

Vishwas Patel:

Plus we only count, the e-commerce volume. We do not count the payout. So I think some of the companies also count the payouts as their processing volume. So that makes it a bit difficult to compare between the companies.

Deepesh Sancheti:

And are we also planning to build platforms just like we did for Jio Mart? Are we planning for PVR, AJIO, which is part of Jio Mart or Tata Neu where these kind of places have, there is maximum credit card transactions, especially in the travel business?

Vishal Mehta:

Yes, we are like, if you see in our revenue avenues in hospitality more than I think 2500 are already using that platform, and with the new challenges of tokenization of cards non-storage of the credit cards and they are property management systems and others. So a lot of innovation and new technology is being built in and partnership with some of the biggest hotel chains in the country. That is with the hospitality platform. We also built a platform on the B2B perspective. Today, Hindustan Unilever, Bisleri, a lot of guys are using this entire vendor management along with their credit payments and other things, where there is card issuance as well as acceptance so card issuance platform it is something through our subsidiary Go Payments we are building. A lot of CUG, debit or credits have gone out for their systems.

So lot of as you said, if you see the whole overall our company solutions its payments and platforms. So it is like a horse and a cart. Both go together and pull each other. It gives us enhanced margin. This gives us stickiness with the merchant where new competitors cannot just give a one part of the solution and trying to take because of this tightly integrated together between our platforms and payments.

Deepesh Sancheti:

Okay sir, thank you. Thank you so much.

Vishal Mehta:

For this, that could be in the hospitality solution that more than 1 million room nights in a year, bookings for our hospitality partners.

Vishwas Patel:

1.4 this quarter.

Vishal Mehta:

1.4 million room nights, 14 lakh room nights is what we have booked for our business for our hospitality partners including some of the biggest names.

Deepesh Sancheti:

That is in this quarter?

Vishal Mehta:

No, for the full year.

Deepesh Sancheti:

Full-year, okay. Yes, thank you sir. All the very best.

Moderator:

Thank you. The next question is from the line of Ayushi, an Individual Analyst. Please go ahead.

Ayushi:

Hi, sir, congratulations on great set of numbers. Sir, I wanted to understand the breakup of other income, and because we can see that on a consolidated basis, like other income has reduced from 32.76 Crores to 13.3 Crores. So sir, what is the reason behind this decrease and what are our sources of other income?

Vishal Mehta:

Sure, so. Basically, last quarter we have talked about this. It was a one-time income last quarter. That was recorded, because of the mark-to-market on certain investments that the company has made, and that is primarily the reason why you saw the other income grow last quarter. This quarter it is interest income that we accrue. As well as the slight M2M gain that we recorded this quarter as well on our investment.

Ayushi:

Okay, okay, sir, and another side guidance of 110 to 125 Crores for FY2023, that is considered as other income or is it excluding the effects of other income?

Vishal Mehta:

Basically, we had given the guidance with the objective that we will attempt to actually achieve the targets without the other income. We think that we see visibility on numbers within the 10% range. But again, like I said, Q4 is typically a very strong quarter for us. So we are tracking it and we think across the board, the guidance that we have given for revenues are definitely on the higher-end for EBITDA will be in the higher-end of the range, and for PAT we will see how the performance is in Q4 and come back to you on this.

Ayushi:

All right and sir, the final question, how many cash pays have we installed so far? And sir, in the management commentary in the beginning, you said we that are among the only few to process EDC transacting. So who else are in the market and what kind of competition are you seeing there?

Vishal Mehta:

Okay, let me get the first question. Can you repeat the first question?

Ayushi:

Sir, how many POS or like TapPay terminals or the LTE have been distributed? Sir have you tied-up with any major merchants and what is the update over there?

Vishal Mehta:

Right now, TapPay is mostly focused on the smaller merchants. So we have in this quarter, we already announced around 50000 to 100000 installations of TapPay done across the market and it is growing fast, and as I said it is revolutionary because it takes away the clunky point-of-sale terminal, which costs around 10000 to 12000. Here any kirana shop even in the deepest village of Manipur or Assam or Odisha can just go to the Playstore and download the app and start extracting payments on his own phone, the credit card, debit card payments on the customer payment scenario. So all those things perspective it is growing very fast and it just needs a little bit more push and training and other things that we are focusing on, and as we mentioned earlier, we aim to take it up to 1 million up to 9 merchants shortly. But even the bigger merchants a lot of things where we are working with hospitality, they were forward-looking cannot say, but lot of high-end, good technology is being coded to make the use cases within the hospitality where they can live room, check-in, check-out instead of going to the counter and checking out to lot of delivery boys can have their individual Tap Pay thing where they can collect payments, when they deliver the goods instantly through credit, debit and other things. A lot of other things has been coded and being built. So it is evolving technology.

As far as CBDC is concerned, we have built a lot of high-end technology to enable RBI mission to make the CBDC, the Central Bank Digital Currency, the e-Rupee available right now. We have done a proof-of-concept with five or eight merchants where we did the first online CBDC transaction for retail payments in the country. So we are the first to do it. A lot of coding effort and lot of, since it is totally new in the sense that many aspects of this kind of currency option has not been given by the Central Bank. So it is a continuously evolution process and I think once all those processes and other things comes in place, it will really take-off. But right now, it is just in a pilot phase, and we are still working out on lot of modalities and lot of use cases and lot of enabling to make it as strong and as innovative as UPI for debit this kind of system that can disrupt cash. So it will take some time and effort, but we have been the first and we are still working and building a lot of new technology and use cases for this also. It will evolve in the coming quarters and we will see the growth, we will report it as well as also the press is also very keenly following it.

Ayushi:

Just to confirm. So, sir if we look at like the CCAvenue the app downloads right now, there are like 100000 downloads plus. So all those downloads are by small merchants only, right. There are not any big merchants over there?

Vishal Mehta:

There is a mix of both, mostly we are focusing on the smaller merchant, when there is an immediate need, and then definitely there are some middle merchants also. But as this thing will give out the client names in the coming quarters. Then you make bigger use cases and uptick and get deeper integration to the bigger names in the market.

Ayushi:

Okay sir, sir thank you so much for that comprehensive answer.

Moderator:

Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain:

Just wanted to understand the perspective regarding this payment aggregator issue where we are seeing that the competition is not getting the approval, but we have got the license, so any shift in the market-share is something that we might have observed and how you see the competitive landscape shaping up out again.

Vishwas Patel:

Vishwas here. So basically, look, we have been a long-term player over two decades growing this entire digital payments system, right, and we have done it step-by-step block-by-block, building compliances, building the next level of security, and even more importantly not being greedy in giving access to the Indian payment systems to the unstop less merchants, right, and many, we have seen many we have seen now where because of the complexity of this compliance issues or giving access to merchants to Indian payment systems there today now, RBI has told them to clean-up their act, right. So today, yes four of our biggest competitors cannot onboard any new merchant, as of now, as of today, and yes, it has impacted them. But it also shows to our shareholders that the value that we delivered on building the next level of security and the compliance that we follow a top-notch, that is why we are active and we displayed a record number of new merchants that we on boarded in this quarter and many of these comes because of the reputation and the goodwill and the strong compliances that we have demonstrated to our RBI as well as all our banking partner and to our merchants, that is now paying off.

So yes, it does affect the market, it does affect many other players where they cannot onboard new merchants. So this our long-term strategy of playing real long-term value-driven game, and it is paying off now.

Rahul Jain:

Yes, so of course, I understand the long-term aspect of it, which is very, very relevant. What I was also trying to understand is, anything, you know, it is likely from a near-term advantage perspective also, if we are able to onboard some relevant scalable merchant in the interim which could have given us the advantage of taking market share in the near term.

Vishwas Patel:

If you have seen, we have been constantly doubling our TPV over the years. So we are not dependent on this opportunity, but on a long-term goodwill and other things that is there, right. Merchants do trust us and definitely the current onboarding of any new merchants by the four top other PG's is definitely helping the case, but we do not look at it that way as then opportunity in someone's despair. We stand by our feet, and I think 22 years is good enough time to develop an application where people and merchants do trust us, because this is ultimately money that we are handling and it is a record of 22 years, that it is every day thousands of Crores are paid out by us, and we have not a single penalty by any car company or RBI or anything. So that value system somewhere there is a premium and there is a credit given. So that is paying-off, and we will continue to grow that reputation and quality and technology and compliances that we always have been known for.

Vishal Mehta:

In the short-term, you may see it, you will see, if you look at the daily merchant addition averages, we used to have in Q2, we were averaging about 7000 merchants we have gone to 11700 from there on a daily average business. So the number of merchants who are signing-up for this has significantly increased. That is a small short-term blip that you will see because of this uncertain events and perspectives.

Rahul Jain:

Just last one clarification, and sorry if this has been a repeat question regarding the GeM, what we saw is one of your consortium partner has seen a revenue impact, because of the repricing on the volume-led basis, is that already factored in our revenues also or it is yet to add them?

Vishal Mehta:

It is factored in, absolutely.

Rahul Jain:

Sure, thank you so much. That is it from my side.

Moderator:

Thank you. The next question is from the line of Anil Nahata, an Individual Investor. Please go ahead.

Anil Nahata:

Thank you for the opportunity. The first question I have is that, Vishal can you give an update on the Trust Avenue initiatives that we had launched some two or three quarters back?

Vishal Mehta:

Sure, so the platform was launched for merchants to avail loans from banks and NBFCs. We had two different ideas of actually growing that framework up. Now, basically, the whole idea was a tech platform where we own a tech platform and there is a spread between give-and-take. So it is similar to what the DSA or a super aggregator DSA looks like from a revenue model perspective for us, and the two opportunities that we were wanting to build upon is our own merchant base and then working with a very large marketplace. Significantly, large market place, because finally, the market this has a lot more data and information about how to utilize the framework, so that we know when products and services are being offered that there could be factoring, there could be certain kinds of loans that can be provided to merchants. So we are actively working on building up the pilot for very large merchants to be able to utilize Trust Avenue.

So while we have launched it, I think the margin needle mover for us would be to be able to give out. Because this is a technology framework, and when you provided tech framework to maybe one of the top-five marketplaces in the country then potentially that will become a very interesting opportunity for us because automatically it gets to scale, and that is the one that we have been working on, and we will be talking about that maybe in coming quarters.

Anil Nahata:

So can you give us some sort of timeframe that you are looking towards the integration of course you said that you will talk more in the coming quarters...

Vishal Mehta:

Next, it will be in the first-quarter to the second-quarter of next year. So that is the timeframe when you can expect to hear from us about Trust Avenue more.

Anil Nahata:

And secondly, about the tie-up with the bank site, the loan disbursal site.

Vishal Mehta:

Yes. There are many aggregations as well, and there is a lot of value chain that is associated with that. So generally speaking, when the volume is significantly larger than the economics of that changes significantly as well, and so I think it is a combination thereof. You must have seen some of the loan disbursals of other fintech companies and how they have worked out. We have taken an appropriately conservative view in terms of how to enable such activities. If you look at factoring of course, the spread is not as large as unsecured loans and I think fintechs and banks and financial institutions, they are somewhat getting acclimatized as well as not being shy about giving such loans based on data. So success rates across-the-board will improve, and I think given that you know a large market base can utilize it, it becomes a very interesting opportunity for us to be able to act as a technology partner in this. We have made it very clear, we are not putting up the balance sheet on this, and we will continue working like a TSP, which is a technology solution provider.

Anil Nahata:

The second question to Vishwas, why Tap Pay, in the last quarter I had a question as well. The key question that comes to my mind is, what is inhibiting the rapid scale-up of this? I mean, is it something that it is a technological limitation is a market learning issue or what? I mean, suppose if I want to take Tap Pay tomorrow can I go and take it from a business?

Vishwas Patel:

Yes, of course, you can. So we are live in that prospect. So you can download the app and even do online registration and start accepting payments. So that is live and I think we have almost 1000 merchants now who is doing back. The thing is any introduction of any new kind of acceptance mechanism, right for that it takes little time to push up. Word-of-mouth has still not started, right. The moment it picks up and moment when they see the convenience, the use cases

and other things, then it will take-off like anything. So right now we are just working on lot of different use cases. Like for example, let us say, if it is a restaurant and they have 12 delivery boys, so they cannot have 12 point-of-sale terminals in their hands, right. But within one merchant account of the restaurant, can we have 12 user management's right with each delivery boy's mobile number mapped, so whenever they collect the payment the main account gets a notification that this payment has been collected and all that stuff.

So building on that, still it is continuous development, a lot of other things that is there, but rest assured, you all can see the benefits. Rs.12000 clunky point-of-sale terminal with battery issues and supplying printer rolls to say a Tier 4 city or town, deep out in village, deep inside a state like Manipur or Orissa, is much easier to just download the app and do everything on your existing phone. So those are all things that there, many used-case, you will see the qualification. It is just a matter of time. World has already recognized that contactless payments the Tap Pay is the future where all these existing terminals will be eliminated in the next two or three years. So we have the right trim. We are the only ones which are certified with pin-on-glass where transactions, any transaction above 5000, you can enter your pin on the phone of the merchant. So that certification exclusively with us, and pin-on-glass for higher or bigger amounts more than 5000 is only with us right now.

So all those things are there it is a matter of time, till it fully goes out. We will see a lot of deployments, where we are having an integrated solution where we put, not only the Tap Pay also, our QR code along with our marketing efforts now. In the coming few quarters, you will see a lot of traction and changes coming there, and we will be leading the whole effort of this contact-less payment in the market.

Anil Nahata:

So basically we can think about seeing some meaningful revenues coming on to this from Q2 FY 2024?

Vishwas Patel:

I think some of the revenues have already started. It is a merge thing because ultimately at the back-end it is still the CCAvenue Payment Gateway that is just the form factor. The Tap Pay is just a form factor. So you use the CCAvenue Payment Gateway, it is an Omni-Channel payment gateway. That means that you can use Tap Pay for your offline in the store, customer present scenario, you can use it for your own company app, if you have to collect payments in that, you can send-out WhatsApp Payments Link, other things like that, you can use it on your website, along with the existing shopping cart and all those transactions are reflected into one CCAvenue Payment Gateway. So this is just another form factor that we have added, to specifically cater to this offline and other merchants, whom we were not catering all these years because we never believed in the point-of-sale terminal business, because that is very expensive difficult, and not revolutionary. This is something which is different and can disrupt the whole thing.

Anil Nahata:

Absolutely. I mean, that is why I think lot of participants have the question on Tap Pay, because this is really a disruptive thing. So if I can just ask you a question that, I know it is all ultimately aggregating into the payment gateway business, what kind of transactions, you are seeing on this and have we crossed a lakh transactions per day, some sort of order of magnitude that will give us an idea of...

Vishwas Patel:

As I said, it is a merge transaction I cannot divulge right now. So overall, on the transaction volume all these transactions are also reported. We are not segregating because as we said through the phone app the CCAvenue app which has Tap Pay you can send the payment link also, and the transaction will commence, and in that app only of them and others also there. So that with an intricate level of detailed reporting that these transactions for a particular merchant came via tap on phone or on their website or in their app, or through a payment thing or through QR code, those details I think are too detailing to disclose. On the overall volumes, it is reflected, this is all I can say.

Anil Nahata:

Okay, thank you for that, and the final question on GeM I heard a previous participant asking a question that there has been some repricing on volume basis. Can we get the sort of idea on what kind of repricing has happened? And since then, this has been applicable?

Vishal Mehta:

If you are referring to GeM repricing, is that your question?

Anil Nahata:

Yes, right sir.

Vishal Mehta:

Yes, so. Fundamentally, what it means is that beyond a certain threshold of volume on a particular order that there is a capping. So in other words at a certain threshold of a value that, because if you remember and recollect, we had a variable fee, and so, in other words, if there are multiple orders for a single setup that you have done that it continues exactly the same way, but you know, for a very large order, there is a capping that government has introduced and that is the repricing that we talked about, and second is the G2G order, government-to-government order. So if there is any government-to-government order, then there is repricing on that. So, I think if I had to summarize the two impacts that you would see. There also a slight change in terms of the, if you recollect that beyond a certain volume that bps for the consortium goes down. So there has been a marginal change in that. But the two major changes are these two, and that has been factored in, in all of our revenues.

Anil Nahata:

And this has been applicable since like which quarter?

Vishal Mehta:

This has been applicable since the last two quarters.

Anil Nahata:

Thank you very much. That answers my question. All the best.

Moderator:

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

Vishal Mehta:

Thank you all for joining the Q3 investor call and we look forward to keeping in touch with you. So thanks again.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Go India Advisors, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.