"Infibeam Avenues Limited
Q1 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Infibeam Avenues Limited Q1 FY2022 Earnings Call hosted by InCred Research. 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. Sreesankar from InCred Research. Thank you, and over to you, Sir!

Sreesankar: Thank you, Malika. Good afternoon, good evening, ladies and gentlemen. We have with us Mr. Vishal Mehta – Managing Director, Mr. Vishwas Patel – Executive Director, Mr. Srikanth Rajagopalan – President, Mr. Hiren Padhya – Chief Financial Officer and Mr. Purvesh Parekh – Head of Investor Relations from Infibeam Avenues in this call for the first quarter FY2022 results. Without much delay, let me hand over the call to Mr. Vishal Mehta to give his opening remarks and the key highlights for the quarter. Thank you and over to you, Sir!

Vishal Mehta: Thanks, Sreesankar. Good evening to all of you and welcome to the first quarter FY2022 earnings call of Infibeam Avenues Limited. As we are all aware and we know that we are witnessing a series of pandemic events and the impact on the domestic as well as global economies, and as new virus strains are panning out, it seems that this pandemic is far from over. COVID has posted a huge challenge to the humanity and currently "touchless or zero contact" seems an inevitable solution that helps us keep the virus or COVID-19 at bay. My reason to ponder on this issue is mainly because the future economies that I see steering towards complete digital domination is inevitable.

The world economies are at a very crucial transition phase and I see exponential growth in coming years for Infibeam Avenues. As they all adapt to digitalization as a whole and digital payments being a very vital and important part of it for keeping everyone secure from touchless transactions. The more society turns as a whole towards digitalization and stores their data digitally, the more exponential growth I see for digital economy in Infibeam Avenues. No doubt COVID-19 is pain to the entire human race, but friends whether we like it or not, this pandemic has created and has been a catalyst for digitalization. God has blessed us all human with this intrinsic indomitable nature where we overcome sufferings and obstructions sooner or later.

This nature of human race has made every entrepreneur and business fight this invincible virus in its own way paving the path to human race for safety and success. We at Infibeam

Avenues believe in looking at the bright side of every adversity and challenges. In this challenging time we decided to look towards the bright side and outgrow all adversities to their advantage. The advantage I see for humans is a permanent digital world or digital economy. This reminds me of the famous Roman philosopher Seneca's quote, "Luck happens when preparation meets opportunity." I firmly believe that we at Infibeam Avenues aptly fit this quote. We are an excellent example of preparation meets opportunity. Infibeam Avenues for years has been prepared and created assets, building payment gateways with vast national and international client deal, data center infrastructure, processing payments with the run rate of $18 billion.

We have garnered over more than 3 million merchants with full KYC. We have developed and provided SaaS based solutions for clients including the likes of GeM, and several of the Indian banks and others. Now our years of preparation will work wonders for years to come. Imagine the kind of data that we are sitting on top of and due to years of preparation of such a high-end technologies and services that we have built over the time, it has put us in a position to get the most out of this mass digitalization of economics that has now begun in full swing. The digitalization of human race for most of the works especially the payments is irreversible. Infibeam will soon foray into the credit business, which will be one of the biggest bets for our exponential growth, but at the same time it will be the safest bet.

Of course, why safest, as I mentioned earlier preparation meets opportunity. With the mass digitalization of economies, data driven credit/lending will be the way forward. We are well poised to scale it within a few months of our entry as we are sitting on top of huge amounts of data both users as well as merchants and with an up surge of digital payments and adoption by various organizations our user data has practically doubled in the last one year. Scaling up of Infibeam Avenues' profitability by multiple times via neo banking and data driven lending poses an enormous opportunity for company. Our neo banking and data driven lending will be asset light and digital only, almost a plug and play format for us. Our current payments platform already has millions of customer data to whom we will be providing credit financing via strategic tie-up with banks and NBFCs.

Merchant data on our platform is growing in leaps and bounds almost every month due to the pandemic as well as our reach and we will soon reach more than 10 million merchants using our platform. The quote of preparation meets opportunity also aptly fits here because in the monsoon session the Government of India has passed amendments to the factoring law, which has now enabled as many as 9000 non-banking financial companies

NBFCs to participate in the factoring market instead of just 7 NBFCs. The factoring or bill discounting market is worth $6 billion in India. The factoring market accounts for only 0.2% of India's GDP way behind comparable developing economy such as Brazil, which is at 4.1%, China at 3.2% according to a report of the parliamentary standing committee on finance which endorses the bill.

The factoring market worldwide is projected to reach $9.2 trillion by 2025. Our credit business will be data driven lending matrix derived from our existing business functioning, which will be deployed to tap this factoring market starting with Indian markets. Our CCAvenue payment gateway infrastructure is at a run rate of processing $18 billion worth of digital payments for FY2022 and another $10 billion on GEM platform. In this trend continues where people institutions or organizations are adopting digitalization at such a fast pace we may soon process more than $100 billion worth of digital transactions. Exponential growth in digitalization has led to exponential growth in the data creation and massive use of online payments, which will help our credit business.

We would not set up our own NBFC at present as it is not our core business, but surely we will have tie ups with several strategic banks and NBFC and other credit lending products including business loan, working capital loan and other parts of factoring / bill discounting, so we will not only experience a growth coming from transaction fees from payments which we currently have, but also from high credit commission fees that we will receive by enabling such transactions. Why would NBFC or bank prefer us, the reason is very straightforward, in a data driven lending, banks and NBFCs will get verified data on merchants, financial status, standings that has been created by merchants themselves with the years of transactions that have been passed through our payment gateway network infrastructure.

This is an opportunity where merchants will be able to get collateral free, highly competitive rate loans plus credentials and credit repayment capabilities are assured to a certain extent for such banks and NBFCs.

That's it from me; I would now pass it on to Vishwas. Vishwas, all yours.

Vishwas Patel: Thank you, Vishal. Good afternoon to all of you. In these challenging times, technology has been at the forefront of business activities especially for millions of MSMEs and small vendors who have been badly affected by the pandemic. Our fintech portfolio of digital payments and e-commerce SaaS platforms has enabled more than one million merchants in the pandemic since last year. Unlike the same quarter last year, digital adoption and usage has been higher this quarter. Last year in Q1 our TPV was around INR 18,765 crore, 28% lower than Q4 of FY2020, the pre-COVID quarter. This can be attributed to stoppage of travel and hospitality business from slowdown and many other businesses, it was also because of the relatively lower adoption and usage of the digital platforms to do business during the pre-COVID period compared to now.

However, COVID pushed businesses to adopt digital as the primary mode of doing business. We say this because we achieved a record TPV of INR 50,651 crore in 90 days in Q1 of this year, this is up almost 4.7x versus quarter one of last year. This is also higher sequentially. While, travel and hospitality businesses are still below average, many other traditional businesses adopted digital means, and new businesses with technology first business model are coming online including individual professionals. Utility, retail and education are among the leading contributors to this growth.

As we have mentioned in the past and on several calls with analysts and investors, demonetization set the stage for digital adoption while COVID has surely accelerated this adoption. Both our businesses, Payments and Platforms have benefited massively during this period. Our TPV has increased from INR 12,600 crore, just under $2 billion in FY2017, the year of demonetization, to a current run-rate of INR 2 lakh crore, that is almost $28 billion for FY2022. Also some new age payment option have brought the informal economy into the formal economy, which will also boost the digital transaction going forward. And the digital business models will eventually become a new normal.

We are also certain that many old and traditional small and large businesses will adopt online platforms for doing business going forward. We are seeing a huge traction in India from conglomerates and other large enterprise is expanding into digital businesses fast switching their digital launches and their go-to-market strategy. Tech businesses are also raising funds to fast pace their digital journey. More than 21 new unicorns have been created in a short period of 8 to 9 months and many new generation entrepreneurs will also start this business model and in all this, payments will be at the center of all digital transactions, and our payments business, CCAvenue, as we all know is one of the India's oldest and the most innovative digital payment gateway and among the most trusted by the businesses and banks will surely benefit, plus the tailwinds are strong and supportive as there is ample headroom for growth. Consider this, as on FY2021, digital payment transactions per capita per annum in India were just 33 transactions in India. Indonesia was at 34 way back in 2017 and South Africa was at 79 and Singapore and Sweden were way ahead at 782 and 498, in 2017. India lags here and has ample room for growth.

Also over the last few years our assessment of online payment gateway industry shows it has grown annually at 50% for the last four to five years and currently is at $175 billion as of FY2021. Top five players contributed around 70% to 75% of this TPV. So we believe the industry will grow annually at a minimum rate of 25% reaching about $550 billion in FY2026 and if this growth continues it will reach $1.5 trillion by FY2031.

We will not be surprised to see a higher growth exceeding our expectations. Various sources indicate the number of the digital payments users in the country were approximately 175 million in FY2021 which has increased to about 225 to 250 million after the second wave in just three months. We expect the digital payment users in the country will reach 650 million by FY2031 by when the smartphone penetration could reach 900 million to one billion with 250 million plus 5G connections. Also digitally transacting merchants will increase from 15 million to 20 million currently to over 50 million by 2031.

With this, the overall monthly digital payment in India, as defined by RBI, could reach US $10 trillion in FY2031 from the $2.4 trillion in March 2021.

And our payment business is already on the automatic growth mode due to the explosion in digital transactions of which we will be a big beneficiary due to the full stack of portfolio that we offer. Our payment business TPV has increased 134% year-on-year and now averages over INR 10,000 crore every month, which was less than INR 5,000 crore in Q1 just last year. And with a multi-merchant, multi-tech, multi country portfolio, our payments business growth will accelerate. The payments business is our cart and the platform businesses the horse before the cart which will elevate our growth.

I will now request our CFO, Hiren to talk about the financial and operational performance of Q1 FY2022.

Hiren Padhya: Good evening everybody. Gross revenue was up by 120% Y-o-Y to INR 216 crore as total processing volume has jumped 170% year-over-year to INR 50,651 crore. India and UAE payments, GeM and Go payments have all increased sharply contributing to the growth. Volumes have also increased very sharply to 55 million in this quarter. We are also seeing a great traction from merchants as over 1500 plus merchants have been activated or on boarded daily in Q1. This helps us build a strong future pipeline for growth. We have experienced this with a growth in total processing value over the last two to three quarters and this merchant pipeline continues to be very strong. Bill Payments business has shown a stellar performance, gross revenue has increased over a 1000% in Q1 or over 10 times year-over-year. Gross margin has increased three times year-over-year and we expect it to improve further in the next few quarters as transactions ramp up. Revenue in this business is transaction based with a flat fee structure as per the guidelines of NPCI.

Now coming to EBITDA, our payment business EBITDA as a percentage of net revenue is over 50%, which is among the best for any payments company. This margin is comparable with some of the top international payment companies in a similar business. Our UAE payments business generates even higher margin. Majority of business in UAE is through credit cards. Platforms business also generates very high EBITDA margin of nearly 60%, as there is no pass through like payment business. The enterprise e-commerce software is built by us over the years, which aptly fits the quote "preparation meets opportunity".

Now as far as PAT is concerned it has grown 14% to INR 13 crores compared to INR 12 crore in the same quarter last year.

This combination of platform and payments is a very successful model for us and globally also it is well proven. It consistently generates positive cash flow for us quarter-after-quarter and our cash conversion ratio that is cash flow from operations by EBITDA is consistently above 100%.

With this I hand over the floor back to Sankar to begin the Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Unnati from KR Choksey. Please go ahead.

Unnati: Thanks for the opportunity. You had said that net revenues have grown at a slower pace although the gross revenue has grown at a much stronger levels, so just wanted to understand you have mentioned that other operating revenues were the major reason behind these lower growth in the revenue year-on-year, so just wanted to understand whether the subscription revenue from the e-market software side has weakened and that is the reason why there has been a weakness in the net revenue growth year-on-year and whether it has the same set of reason that are attributable for the quarter-on-quarter weakness also in the net revenue?

Srikanth: I will take this question, so basically on the net revenue takes, it was actually 8 bps in the previous quarter and the current quarter it is actually 7 bps. The fundamental point is that you know on the overall if you really see the blended take rates it is 6.9 bps actually in Q4 and 6.8 bps actually in Q1, it is actually 0.1 bps drop in the net blended take rates on both platform business and the payment business. As we have been publically articulating we have two horse engines actually to pull our cart, one is Payments as Vishwas was mentioning that, INR 32,489 crores was our payment value for this quarter and from transaction based e-commerce enterprise platform it was INR 18,000 Crores so all put together it is about INR 50,000 Crores, now the basic point is that still as we know that we started our second wave during this quarter under reference and still the hospitality sector, entertainment sector, even aviation sector, travel and hotel sector have not been fully opened actually on the entire pan India basis, so that is our profitable sectors actually this is our legacy and that is one of our profitable sectors and which are the huge double digit business vertical concentration actually. So despite the volumes have gone up primarily because of our BillAvenue platforms led with our utility bills and our energy bills and education sectors and so on that really compensated the growth, so once these sectors gets actually fully reopened we believe that there will a North-based movement actually on the net take rates actually.

Unnati: Thank you.

Moderator: Thank you. The next question is from the line of Ravi Mehta from Deep Financial Consultants. Please go ahead.

Ravi Mehta: Thanks for the opportunity. Sir, I see the mention of getting into neo banking, the CPGS roll out globally and so many initiatives has been mentioned in the press note, so I was wondering whether the opex could be little bit on the higher side for one or two years to do all these roll outs and then probably we can see the higher profitability coming in, how does it work?

Vishwas Patel: Yes, Ravi, I think you hit the nail very, very correctly. There are two new initiatives, one is on the credits and lending space actually tying up with banks and NBFC for which we started investment actually during the current quarter end of reference, towards our platforms, towards our frameworks, towards our credit algorithm and towards our overall credit solutions and so on so that phases of investment are actually started during the current quarter under reference. So this kind of an investments possibly may continue for a few more quarters to get into the full fledged lending partnership with banks and NBFC and to make a difference actually in the lending market, and as you know that our potential net bps actually for our PG business is about 10 bps on an average and that is what the peak, right now it is about 7 bps, 6.9 bps and so one, but on the lending the margins are multi-fold higher, so therefore lending is definitely the accelerated growth drivers for the company and that is what we visualize and that is was actually as a vision statement Vishal had made as a roadmap in the beginning of this conversation that we are entering and foraying into the credits space, so therefore this is not the new roadmap and which we have publically articulated in September 2020 that we are getting into the neo banking and for that actually we have a GRIT card issuance platform and for that to start the lending actually we have started the Express Settlement. Ravi, as you know that we talked about actually in Q4 and also Q3, fundamental point is that our run rate we started in bootstrap from zero on express settlement towards part of our lending and by the end of FY2021 that is last year our run rate was roughly INR 3.5 crore per day which is about roughly $100 million and now based on our Q1 run rates we are actually almost doubled it, we are doing now on an average INR 6 crore per day, so this would mean that we have already guided the market that we will double the run rate of our express setllement from $100 million to $200 million and I think we have almost doubled actually even by the end of this first quarter actually so based on the current run rate, so now today we are doing express settlement of little over $50 million on a quarterly basis, so this is the one of the profit driver, so therefore on neo banking in a way towards express settlement on a secured lending is already started, but this is not enough, therefore we see a bigger opportunity in the lending given the fact that we have a huge database of merchants and we have invested actually in a phase manner towards various credit algorithm, technology framework and solutions and blend with the merchant database which is a data driven approach we believe that we will be able to attract the top banks in the country towards partnership because banks are willing to really do that as they lack actually this kind of on-boarding process, so we believe that that is going to be a good opportunity for us because the market size is three digit in billion dollar even if we get actually 1% or 2% of that over a period of time and that is going to be a huge loan book actually for us, of course the caution statement is that we are not exposing any credit risks, we are the enablers, but however we make actually huge margin actually through our solutions so that is basically the strategy, so that is we have started and you will find a little bit effect our margin percentage in the next few quarters because of this initiation, but this is going to be a steep capital which we are doing out of our internal accrual for the future growth actually, Ravi, in that sense you are absolutely correct.

Ravi Mehta: And I believe that nothing will be capitalized everything will be expensed?

Vishwas Patel: Yes.

Ravi Mehta: Sir, any aspiration what kind of lending book you aspire to reach once you are tapping this opportunity tying up with the NBFC and banks?

Srikanth: Market opportunity is huge, it is very premature to really number, any number is a good number actually, so the opportunities is really very, very huge and the challenges that you know to build a nice credit algorithm and the programs and the technology solutions read with our huge database of merchants, in addition to that we have existing relationship with the large players actually so we believe that we will be able to leverage that relationship to boost this lending business.

Ravi Mehta: And the target market would be someone beyond the reach of bank or preferred by NBFCs or who would you target?

Srikanth: The target would be banks and NBFCs are our credit exposures and BIN exposure partners and for all practical purpose the ultimate loan takers are I would say end merchants actually to a larger extent could be SME and MSME, even corporate players and a bit of the high end and low end and all this kind of combinations actually because the exposure is going to be taken by the banks and NBFCs, of course we have some moral responsibility but not a legal responsibility, but our role is basically an enabler role to make sure that we get a end-to-end success through this lending model.

Ravi Mehta: We would not be giving any kind of some credit guarantee or something like when we generate a loan?

Srikanth: Under regulation we cannot really neither take the credit exposure nor give any LOGs or guarantees and so on this is under regulation because we being a PG players, but that is what we are partnering with the banks and NBFC.

Ravi Mehta: Thank you, Sir. I will come back.

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

Santhosh: Good evening everybody. My question is a generic one which is I just want to inquire about the e-commerce platform enterprise for Jio Mart specifically whether it is for website as well as for Android app whether we are giving solutions for both and the second question would be, whether the payment gateway was active because the last when I checked it was being directed to PayU Money?

Srikanth: Basically, the mobile and app base is definitely in the roadmap and you know it will eventually come and as far as the payment processing is concerned, I think we completed the white labeling process with Jio and it has gone live and we will as in the past, we will continue to compete with the other players to grab more PG business through our relationship.

Santhosh: Thank you.

Moderator: Thank you. The next question is from the line of Sreesankar from InCred Research. Please go ahead.

Sreesankar: I have a couple of questions, the way we have board it to Middle Eastern markets and gaining traction over there and that has been doing pretty well, what is your roadmap going forward to go internationally, I am asking this question despite knowing that that is a tremendous opportunity for us to grow, but I would like to understand that the take rates are going to be much more on the higher side in the international market than what it is locally because of the serious competition out here, can we have some roadmap, please?

Vishwas Patel: The strategy for us is very clear so we have two distinct products, one is CCAvenue payment gateway, which is a direct-to-merchant strategy where we on broad the merchants and we have direct merchants relationship and the second is the CPGS product that is the CCAvenue payment gateway service product where we give the entire tech of CCAvenue payment gateway along with the switch and you can do on-prem deployment for any banks. Our strategy in the Middle East is very clear, so where the markets which are huge and potentially very well developed with smartphone penetration we want to have a direct merchant relationship and we have to go there so that strategy is already there. If you look at the Middle East region and GCC we are there and we have direct merchant relationship with the thousands of merchants we do around AED 2.75 billion processing every year, so all the top merchants there be Emaar, Nakheel, Burj Khalifa all those are our merchants. Similarly we have started that direct to merchant aggregator relationship in Saudi Arabia, then there is other CPGS product, which we do in the smaller markets which does not have a direct merchant relationship so CPGS is what we give, so in the market of Oman, a small market of about 4 million population we have deployed a CPGS product so the biggest bank there is Bank Muscat because almost 80% market share is using CCAvenue Payment Gateway for local merchants there. The number two bank in Oman, Bank Dhofar is also using our payment platform. We intend to have a similar strategy in smaller markets of Kuwait, Bahrain, and Qatar, etc., and also some part of the North Africa market also. While direct merchant relationship we will be launching soon in US just delayed because of COVID, but we have already done an acquisition there, so the strategy is two-fold as I said, for bigger market also have direct merchant relationship with

CCAvenue and in a smaller markets we will go with the CPGS product that will give the entire tech where earn on every transaction on every merchant ID opened and other things from the banks.

Sreesankar: If I take this forward does it also mean that when you are operating in the international markets, the backbone will be based out of India more like an off-shoring part of the business, so that you will be able to manage your cost better that is my first question. Second is, we are in more in a SaaS product unlike in a IT services, which is time and material, our scalability as our revenue scales up our incremental numbers of employees that is required or the staff that is required, personnel required, is going to be much the lower, so can you please explain the scalability of this models, now if you start the number of transactions starts increasing do you require to have more number of personnel board or is it that it is only the business development people required on board?

Vishwas Patel: Right, I will answer your first question first, as far as growing the pie there in multiple markets that is there, it is not people centric how the transaction scale up so in digital format if you have seen our numbers we have doubled the entire platform in this business from what we were last year to now INR 50,000 crores worth of the transactions in this quarter and our team size is still around 650 odd people across both the platform and payment business, if you would have to a put similar number in a UAE market that we do today at AED 2.75 billion processing yearly there are less than seven people there. It is a SaaS business unlike offshore business of Infosys, Wipro where you get the contract and then you have to hire the people. Ours is a very scalable technology where from last year to today around INR 50,000 crores in a quarter what we are doing today is quite different and it can grow automatically without putting the requisite resources. Similarly, when you say when we put up in international countries, now the regulations there are changing, as countries around the world try to mimic what RBI has done on data localization and local payment options, that strategy is changing, but that also put into the major existing providers who have been traditionally using solutions hosted in US and other places, so for us even in Bank Muscat and others we did an on-prem deployment here from Mumbai. While all the other related people that are required maybe the data might be hosted there within the bank premises with the bank data center or a private cloud within the bank but the entire resources are handled out of here so our experts and risk compliance team everything is built out in Mumbai and even for UAE, Saudi and Oman and even now US, all will be handled from Mumbai, so it’s a low cost center here and good money can be charged to these banks for the services from here, so that is the strategy how we are going forward.

Srikanth: Sankar, in addition to what Vishwas is saying is basically a global delivery model, so basically the delivery is happening from Mumbai jurisdiction and the local guys mostly I would say baring one or two who are tech in nature and evangelist and otherwise they are all BD guys for relationship. In terms of revenue model broadly 100% of our payments are all transactions based and fee could be actually fixed fee based or the bps base and all that, but basically it is a transaction base so therefore it is not linked to any human resources in any manner and on the large e-commerce platform side of our business and it is exactly like a product business of any large IT players, so we have very large SMEs and MSME and the medium enterprise and even for that matter retailers online platforms, which we have an ability to license, so we do not limit that, but nevertheless that is the large enterprise customers or the MSME, SME or even retail customers for that matter on the large e-commerce enterprise platform our people are actually in common because they are all hardcore domain specialist people and platforms specialist people and products specialist people based out of Bengaluru. So, from that perspective the numbers are not linear actually to any human resources and as you could see on the GEM, the processing volume and value basically that there is a set of people working from the Bengaluru team and Delhi team and revenues are flowing into the system based on the order processing value so it is completely linked to the transactions so that is the beauty of this business actually.

Sreesankar: Thank you.

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

Het Choksey: Good evening and congratulations to the entire team for a fantastic progress in the last one year. My question is a little bit strategic, around April 2020, we acquired a company called AI-Fintech, which is into mainly digital payments and digital platforms and consumer lending across the industry verticals, you acquired various companies like IGPL and Cardpay Technologies, now these companies have already acquired since some time, but as an investor I would like to understand how is the company trying to position this company and integrate across various services, and the second question would be since you are talking of the data, which you plan to monetize across consumer lending and maybe digital credit lending, how is it that this tie-ups with foreign payments banks and at the same time merchants would also facilitate lending because I understand every country they did not allow monetization of their data and clients, so what is the roadmap of the company and how do you plan to mitigate some of the risks going forward?

Vishwas Patel: Vishwas, here. Let me take this. So, looking from perspective AI-Fintech LSU was taken in US because we plan to launch in US since we have a ready company there to launch our submission, but unfortunately due to the COVID and the flight cancellation we have not done it. As far as two other companies that you mentioned that is Cardpay, which is now under the subsidiary of Go Payments, it is already on our run rate post it becoming a majority owned subsidiary, it is already at the run rate of a billion dollars TPV and whole idea here is that within CCAvenue what we do in platforms, platform in payments is one part and then backend of the entire payment is concerned, but Go and Grit that is one part, they do assisted commerce business, so they have like 40000 relationships across 1200 cities and towns where they give all the assisted commerce services, now within Cardpay they will do the entire issuance network, giving credit through issuance network that is the corporate cards and other part that is where Cardpay comes in, the technology and other will be built out in Cardpay will be launched to give out that corporate cards and lending thru cards. So the entire issuance while payments is acquiring the entire issuance network along with the assisted commerce will be within our majority owned subsidiary that is the Go Payments, that is one strategy that is there. The second investment strategy also you mentioned two other one, one is the new NUE that you are setting up in partnership with Reliance and two others global major that is to do the network business like the MasterCard or a Visa. Visa you all aware is $0.5 trillion market cap company present globally so like Visa and MasterCard, this NUE will do that kind of a network business and has global aspirations, and our other investments is in RemitGuru, which is now Fable Fintech, which is already doing around $11 billion of inward remittances, so international remittances and platforms will come within the Fable Fintech. That is the investment thesis, the entire acquiring and the platform what we are doing is within Infibeam Avenues, our investments in Go, which is our majority owned subsidiary, is on the issuance side and on the assisted commerce side, and the international remittances thru Fable Fintech, and the NUE business, that is the network business, will come under the new investment that we will do thru investee company SoHum. This is the overall aspect of payments.

Het Choksey: Yes, absolutely, so I think this part is very clear, I think what I want to understand is that the NUE, the license which is scheduled for this year and most likely the company should be able to pursue it giving the strong technical strength which the company has, how do you see integration of these with this NUE platform because as I understand you want to have a converged platform to do this lending going forward, so can you help me understand.

Vishwas Patel: Lending is very clear that the strategy is for India within India within the platform in payment business that is not through the remittance business where we have invested or through the Go payments, only the limited lending on the corporate card or thru the NUE. NUE is a different business all together that we are investing, but in the payment ecosystem the card networks that is on top of it having a national switch where all the banks connecting that is very important to build our version of UPI, etc. so network business is quite different. The lending piece what you are talking about is very clearly within the Infibeam Avenue business what we are doing within the platform and the payment business, it is not for international also, we have no plans right now looking at international where the interest rate is quite submerged right now and but in India it is a huge opportunity, it has a huge credit uptake and there is a huge demand from SME, MSME to kick start post this pandemic so we are very focused on that and with the kind of rich data and the new kind of algorithm we are putting in on the merchant data across various platforms and payments business gives us a very refined knowledge which is not available with traditional banks to do very secure and safe lending with very negligible NPA that can be out of it.

Het Choksey: So, Vishwas, so I can rightly put up a followup here, what I understand looking at the global payment business and global consumer lending business and digital fintech is that that I presume brands which are built more digital or retail facing franchises or brand recall they survive extraordinary well over a time now Infibeam is extremely powerful as a company in the B2B space since you are going to venture into maybe eventually get a consumer lending P2P, I would like to understand how will you position your brand?

Vishwas Patel: Let me very clear that there are two strategies, there are lending to consumers which can be a multiple fold, consumer lending, instant loans whatever and then there is a lending to corporate, SME and MSME. We are clearly focused to be a lending all to SME, MSME or corporates where we know the default ratio can be negligible and the data that we have of their multi-processing and the different ways of recovering money is a very clear strategy. So for us lending to SME, MSME will do that. As far as consumer lending is concerned we are very clear that we are going to act as an aggregator of all consumer lending app that are there in the market. So as a CCAvenue payment gateway where you see on the check out whether you want to convert into buy now pay later (BNPL) will include everything that is available in the market and make 1% or something of the transaction account upfront without taking any risk because we very clearly understand that if you are to recover your consumer loans for INR 4000 to a person in Ahmednagar, Itanagar or MuzaffarNagar you know it is going to be very difficult to recover that INR 4000, so we do not want to be on the consumer lending space for small amounts. We want to be an aggregator so if there is a Bajaj Finserv EMI there on a pay now later or a Simple or any other we are aggregating all those and we are going to earn on a transaction upfront which is equivalent to the interest what you would have charged if you had give out the direct loans without taking any risks, so consumer loan we are acting as an aggregator, where SME, MSME with the rich data that we have we are going to do direct lending.

Het Choksey: I think great clarity probably we will catch up some thing later, but all the best to you for the rollout and good luck for the full year.

Moderator: Thank you. The next question is from the line of Sreesankar from InCred Research. Please go ahead.

Sreesankar: I have one last question, one of the reasons why margins slightly squeezed is the areas where you get higher margins like aviation, travel, etc., has been on the lower side and education, etc., are increasing, what do you see, as the transaction increases can we expect to see improvement in margins, is it a fair assumption?

Srikanth: Yes, Sankar, that is what I said earlier there are two reasons why the margins are slightly contracted in this quarter, primarily because of the point which you mentioned and once the sectors are completely reopened, the net take rates will actually go northwards that is one thing. Second thing is that since we have started investing in credit algorithm investments and the framework investments and technology solution investments, leading towards lending business, as a facilitator and enabler actually to the banks and NBFC to capture a larger piece actually for growth, so that also taken a bit of hit actually and that hit may likely to happen in the few more quarters also and that is basically a steep capital which we have to really invent without that that the lending growth will not really happen and we would want to be a differentiating factors also for the banks and NBFC because almost other PG players may also enter into a solution maybe a different solution, but we want to be a value differentiator actually on the technology therefore the investment into that kind of thing is very important and that is also one of the reasons why it has taken little bit of hit and that is basically the broad reasons actually, once the sectors will get reopen and I am very sure that the net take rates will go actually upwards.

Sreesankar: And also once you start seeing more number of the merchant that you have onboarded in your presentation you talked about closer to the 1500 per day, etc., that starts yielding also we should start to see improvement in margins, correct?

Srikanth: Yes and no, that is basically forming part of our business because our growth of FY2021 was $19 billion and today we are talking about $28 billion to $29 billion so, INR 50000 crore means INR 205000 crore on an annualized basis which means about $29 billion, so that is actually bundled for our extra on-boring of our customers or merchants 1500 actually daily on-boarding it is not a joke, it is a huge number actually that is all bundled, but that maybe have an impact actually in the profit, but that is not the main reason, that is the main reason for the growth, but the profit driver would be actually contracted because of this actually.

Sreesankar: Thank you.

Moderator: Thank you. The next question is from the line of Sri Karthik from Investec. Please go ahead.

Sri Karthik: Thanks for the opportunity. I have a couple of questions, recently RBI has allowed payment gateways and other PPI providers to circumvent the acquiring banks and have a current account with the RBI itself. I wanted to understand what will the impact of that as a payment gateway that is one, secondly whilst I understand that part of the reason why the take rate is going down is because of the discretionary expenses associated with travel, etc., what is the impact of the increase in UPI transaction in the transaction mix, which is affecting your take rate, those were the two questions?

Srikanth: I will take the second question and maybe Vishwas may address the first question. By design strategically that we are staying away from the UPI base actually, so when you see our UPI based transactions quarter-on-quarter, this is by design, that our typical concentration of UPI is always in the range of 3.8% or 4%, it is actually less than 4%, so I think that is manageable, you cannot avoid, but that is manageable. I think going forward also we will have a real time mechanics and analytics so make sure that you know we are not exposed to UPI in a bigger manner, the reason is that we do not get anything actually significantly better in the UPI, but however we should be present over there that is the strategy.

Sri Karthik: On the UPI transactions as a payment gateway provider because your website still says 2%.

Vishwas Patel: So, we are not charging, no website says 2%, we are not charging anything for UPI, UPI and Rupay debt cards whatever has discussed by the finance ministry we are following that to the T, hence the focus on getting non-UPI merchants is what our strategy so overall base we are at around 4% to 4.5% of our overall volume overall on UPI. On your second question on RBI allowing us direct access, yes, there is a good opportunity for us to participate directly do payout using the RTGS on the payment infrastructure, but we are still awaiting our PA licences from the RBI, post that we will be able to do that, but more importantly what it helps is on the card issuance side within our subsidiary company Go and Grit where we do not necessarily need issuing or an acquiring bank to issue a Master or Visa, it will be a direct network level asset to us, where we can work bypassing and save on the fee that is paid to an external bank margins, so margins will better in that card issuance business that we have while NEFT other RTGS and other access some business model will evolve it is too early to predict what more we can do with that access directly without a bank participation.

Sri Karthik: Sir, not very clear in direct or at least my understanding isn't so great is the confusion pertaining NEFT and RTGS that what we could make out of these, there are pertaining to this particular account that you will be opening with RBI will be helping out only in the NEFT, RTGS transactions or even the credit card and other payments can be routed through the current account?

Vishal Mehta: Just like you we also have 101 questions on this how it will operate like, right now its just for PPI, for PPI it is a very simple because, the balances that are there in a wallet is already simple that they can use it and transfer it out, how it will work out for a bigger ecosystem like PAs and payment aggregator like us and feasibility on the issuance side it is not clear, I think coming days when this is operationalized and work for the other guys and maybe a business model will evolve.

Sri Karthik: And if I can squeeze on one more, which is a payment switch provider that you use currently?

Vishal Mehta: We have of a payments switch of our own, but we use multiple, we are connected via 8 acquiring banks including all the big banks like HDFC Bank, SBI, ICICI, Kotak Mahindra, Punjab National Bank, Bank of Baroda, Axis bank so there are various solutions and switches that they use, we are also connected with a Lyra switch and many other switches that are there, certified switches for our deployments in international markets and we have our own switch also, which will go post this certification process to make it live so that where it is.

Sri Karthik: This is very useful. Thank you so much.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Sreesankar from InCred Research for closing comments.

Sreesankar: I would like to thank the entire management as well as all the participants. Thank you.

Vishal Mehta: Thank you.

Moderator: Thank you. On behalf of InCred Research, that concludes this conference. Thank you for joining us. You may now disconnect your lines.