



“Infibeam Avenues Limited  
Q3 FY2021 Earnings Conference Call”

February 11, 2021



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**Moderator:**

Ladies and gentlemen, good day, and welcome to Infibeam Avenues Limited Earnings Conference Call for Q3 FY 2021, hosted by KRChoksey Research. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. 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 Ms. Parvati Rai from KRChoksey. Thank you. I hand over to you.

**Parvati Rai:**

Thank you. Good evening, everyone. On behalf of KRChoksey Research, we welcome you all for the Q3 FY2021 Earnings Conference Call of Infibeam Avenues Limited. I take this opportunity to welcome the management of Infibeam Avenues represented by Mr. Vishal Mehta, Managing Director; Mr. Vishwas Patel, Executive Director, Founder and CEO of Payments Business; Mr. R. Srikanth, President; and Mr. Hiren Padhya, Chief Financial Officer. We begin this call with a brief overview of the company by the management, followed by the Q&A. I now hand over the call to Mr. Vishal Mehta for his opening remarks. Thank you, and over to you, Sir!

**Vishal Mehta:**

Thank you Parvati.

Thanks, Parvati, and thank you, everyone, for joining us on the call today. I hope all of you are safe and well. I hope that you had a chance to go through our Q3 result documents.



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At the onset, we had the best quarter ever with a 53% revenue growth quarter-over-quarter and a 95% growth in adjusted profit after tax. Performance was very strong across both our business segments, which is the payments and the platform business, on the back of robust growth in our operating metrics.

Our performance is particularly noteworthy, given the macro environment and the recent pandemic. To our luck, India has done much better in terms of curbing the virus threat contrary to the global expectations. However, the next 12 months will be defined by the timely availability of vaccinations across the country as well as to the workforce to ensure mobility.

In the budget recently it was announced that there were certain specific indications on digital payment industry. The budget has earmarked Rs.1,500 crores, approximately USD \$200 million, for a scheme to incentivize digital payments, thereby giving a boost to the digital payments industry. There is a very clear focus by the government to set up a robust infrastructure for a boundless growth to happen in digital payments, and we welcome this move. Furthermore, the budget also announced an increase in the amount of capital expense for infrastructure and railways. We believe this could boost the procurements by these sectors on the GeM platform, which is provided by us, and will significantly allow several goods and services to be available on the platform.

We believe that the economic stimulus package announced last year during the pandemic, coupled with the current growth-based budget announcements, can put the economy on fast track to achieve high single-digit to double-digit growth rates. This, along with the intention of the government to improve transparency through digitization to make India less cash economy, will significantly boost the digital transactions in this country. We, of course, have the benefit to be working in the digital payment space as we offer a full stack of digital solutions for businesses of all sizes.

Furthermore, I am also happy to inform you that NCLT has approved the demerger of our non-core businesses and subsequently, the businesses will be listed on the stock exchange. The



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entities to be listed are Suidhaa Infoserve Limited and DRC Systems Limited. We have allotted shares to the shareholders as per the record date.

I am also very happy to announce the bonus shares to all the shareholders. The Board has approved to give 1 bonus share for every share held in the company.

I would like to also intimate to you that we now will own majority stake in So Hum Bharat. We increased the stake in So Hum to 50.5% from earlier 33%. As a reminder, So Hum will be leading the license application to Reserve Bank of India, along with consortium partners to set up a pan-India new umbrella entity license, which is focused on retail payment systems. I will now hand over the call to Srikanth to give you business update. Srikanth, all yours.

**R Srikanth**

Thank you, Vishal. Thank you, investors. Thank you, participants, for your time.

Let me start with the macro numbers. Our global revenues for this quarter actually stood at Rs.228 Crores, up 53% quarter-on-quarter, and our profit after tax, excluding share of associates, was about Rs.15 Crores, up 95% quarter-on-quarter, and our EBIT is about Rs.23 Crores, up 33% quarter-on-quarter. This strong operating performance has led to, of course, strong business growth and revenue growth actually for the company.

I will first like to highlight the performance of our Payment Gateway business, contributing bulk of our payment revenues and consolidated revenues. As you all know, we began our FY2021 journey on a very strong note with a V-shaped recovery in Payment Gateway business. We achieved month-on-month growth since May 2020 after a fall in April due to nationwide lockdown on account of COVID-19 pandemic. However, by the end of Q1, that is by the end of June 2020, we had already surpassed our average daily payment processing compared to the pre-COVID level of March 2020 daily average.

This outperformance was despite negligible business from the four major sectors of our business, which is travel, tourism, aviation; hospitality and entertainment industry business, which are some of our major contributors actually of our revenues in the past. Despite there was no business actually from these four sectors, we have actually grown post-COVID level to the extent of significant number.

In Q2 as well, these sectors were contributing far below the normal average, yet we crossed a little over USD \$1 billion on an average payment processing. Also in Q2, we registered about 150-plus new merchants daily from sectors like retail, education, grocery, IT as well as we saw a greater interest from skilled professionals like doctors, lawyers, advisers, who seem to be building their business model online.

Strong merchant registration continued in Q3, which is about 20% above Q2 daily average. We activated a record number of merchants in Q3. Also, we activated about 5,000 merchants in just 3 days around the Christmas Day in December 2020. Q3 marked the highest amount of payment processing ever achieved by the company. We processed payments of about Rs.27,900 Crores. I repeat, Rs.27,900 Crores, on an average over Rs.9,000 Crores on an average on a monthly basis compared to Q2 daily average of Rs.7,500 Crores. This corresponds to 23% jump quarter-on-quarter, 76% jump year-on-year.

We are indeed excited that for December month we achieved a rolling annual run rate of about Rs.1,10,000 Crores or about USD \$15 billion on an annualized basis. Q3, being a festival quarter, along with the holiday season in December, contributed to sharp increase in payment processing. At the same time, improving economic and pandemic conditions in India with receding lockdown restrictions led to increase in the consumption of various goods and services.

Growth in Q3 was also contributed not only by our payment business but also by our platform business. And in all the merchant customers on platforms business, as you all know, Government e-Marketplace, one of our key clients, continued to grow quarter-on-quarter. This growth is especially due to our transaction-based revenue model arrangements with the customer.

As the procurement value grows on Government e-Marketplace portal, our revenue will also grow and so will be our bottom-line. This is due to our business model where revenue growth is non-linear to the growth in cost. We are not linked to any personnel costs. The revenue growth is not linked to any services cost or personnel cost and so on. It is typically non-linear to the growth in the cost. GeM, in the last 9 months ending December 2020, has already surpassed the GMV achieved for the full year of FY 2020, that is, they have already achieved Rs.27,000 Crores. This growth comes despite pandemic event. Government has committed to increase procurement from GeM based on the public reports and is ensuring increasing usage across various departments. Now buyer organization on GeM portal has touched about 50,000 while number of sellers on the GeM portal has surpassed 1 million sellers. Again, it is all from the public reports. Government's intention to make it unified public procurement portal for all central and state government institutions in the country as well as the railways, defense, CPSE, etc., will significantly add to the procurement on the GeM platform.

Recent announcements in the budget towards capex on infrastructures and railways will further increase procurement on GeM. GeM also aims to bring about 20 million to 30 million sellers across the country on its portal with a focus on SMEs, and MSMEs etc. Government plans to bring about US\$100 billion worth of procurement on GeM and government, as you all know, spends around US\$250 billion to US\$300 billion annually on procurement.

We mentioned in the last quarter that we have signed a definitive agreement with Reliance Industries owned Jio Platforms Limited and its affiliates to license, customize, maintain and access Infibeam Avenue's enterprise e-commerce software and payment platform for their internal business use. This engagement is very strategic and is developing well and currently, integrations and testing are underway, and it is going on in full swing. We will provide further updates at an appropriate time.

That said we are going to enable two of the four largest marketplaces in their journey to become India's largest marketplaces. Marketplace in India, whether small enterprise or large enterprise, are going through a certain amount of rough path, but however, our profitability will grow and



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shall continue to grow as our business model is actually linked to deeper opening of further opportunities.

Apart from these two customers, we also saw few other domestic and international clients and have other businesses under the platform business, which are complementary to our marketplace platform. We will continue to add such large customers and pursue such opportunities, not only in India, but also globally. We do not have any competition from any technology enabler to build and implement e-commerce platform of this large scale and such of this technological depth.

Now I will come back to the payment business, particularly on the Bill Payment business. Our Bill Payment Platform offering BBPS services is seeing a record growth quarter-after-quarter, and the numbers are very evident from our disclosures in the last few quarters. Our Bill Payments volume in Q3 has increased by 222% year-on-year and 31% quarter-on-quarter. We have a 94% market share of the total 19,316 billers on BBPS platform as of December 2020. We are the TSP to majority of them.

Total number of agents through whom we provide BBPS services has reached roughly around 650,000 across pan-India and of course, there are more in the pipeline. We continue to add more billers. We have 100% repeat business in this segment. We are seeing a greater traction building for BillAvenue Platform as more bill payment categories are being added on BBPS platform. Billers and agents are also facilitating bill payments through BBPS platform and transaction volume on this platform is increasing month after month as per NPCI data.

As tourism and travel, aviation, entertainments and hotel industry keep opening up in the coming months, we believe we will further benefit as traction on our ResAvenue platform will increase. ResAvenue is our hospitality platform, built on CCAvenue platform payment gateway as an additional layer to specifically target hotels and resorts in the hospitality sector. We have over 3,000-plus hotels using ResAvenue platforms, including some of the marquee clients in India and UAE namely Taj, Oberoi, ITC, Hilton, Carlton, Lemon Tree, etc.



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Moving on to our new business update, which are very crucial, and we have announced this new business updates in the last few quarters. In FY2021, we announced to launch many new Fintech solutions under payment business, namely CPGS, CCAvenue Payment Gateway Services; B2B payments; Express settlement; Neo Banking including digital lending and credit card issuance, on which I want to spend few minutes to make you understand.

It is important to note that this new business is based on our endeavor to improve, not only our topline, but also to boost our margins and increase the cash flows in the company. Our endeavor is also to become an all-in-one payment solution provider, and expand our breadth of portfolios to international markets in due course of time. This is one of our growth drivers in the company. At the same time, we also endeavor to offer our payments integrated with our marketplace platform to create enormous value to our customers. This will enable us to become one of our merchants' core e-commerce digital partner and meet most of their digital requirements under one roof.

I want to spend a little bit of time on CPGS solution. With respect to our CCAvenue Payment Gateway Solution, CPGS, we launched it first in Oman. CPGS is an on-premise SaaS based global payment solution to process cards of various payment networks like Visa, MasterCard, Amex and more, for financial institutions, etc. This service of Fintech solution is also referred as acquirer processor service or solution. Until Q2, we offered this solution to BankDhofar, second largest bank by market value in Oman. We have now tied up with Oman's largest bank, Bank Muscat. Together, these two banks have a majority market share of the card business in Oman. We have replaced two of the world's largest payment companies that were initially offering their services to these Omani banks. It is a very attractive business, as it does not have pass-through. All online transactions that come to the bank will be processed by us. Also, it is fully managed from India, and hence, entire economics is very effective. We will scale this business globally. And these two accounts are considerably our strong reference accounts going forward, and we will scale this business not only in India, but also globally.



B2B payments, is progressing very well. We on-board corporates directly as well as HDFC Bank has white labeled this solution from us, as you all know. We have many large marquee clients using these services for automation of bills receivables and bills payable.

Under the CCAvenue Finance, one of the fintech solution is Express Settlement service. Express settlement is where we lend or settle merchants' funds instantly instead of the regulated T+2 or T+3 days. This service is operational since September 2020 where we charge slightly higher rates for offering instant settlement services, which does not have any pass through. Cost of funds for the company, is currently practically nil as we are using our own internal accruals for this arrangement. As you all know, we do not have any debt for working capital and so on. We are a net debt-free company as we speak. It improves our net take rate and also saves margins. We plan to scale this business to 30% of India's daily GTVs over a period of 2 to 3 years' time.

Neo Banking, including lending and credit cards, are being tested internally and will be soft-launched by the end of this quarter or early next fiscal. We will update the progress of this business at the appropriate time.

Go Payments, one of our subsidiary companies in India, has now over 30,000 agents from 10,000 agents last year resulting in a growth of 20,000 agents in a span of one year across 5,000-plus pin codes in India. These agents assist customers with various services like domestic remittances, AEPS, BBPS, serve as cash collection center for corporates, offer rechargers, etc. They collect cash from the consumers but, in turn, convert cash to digital by making digital balance with us.

These agents use our online platform for offering all the above-mentioned services to consumers. Go Payment is at the run rate of handling little over USD \$1 billion of cash annually, and it is growing month after month. They also have a transaction-based revenue model.

That said, these new solutions, along with our existing business, will allow us to offer comprehensive payment solution encompassing payment acquiring, which is our conventional business; payment issuance, which includes Neo Banking; card issuance and digital lending;

domestic remittances and assisted commerce through Go Payments; and international remittances through one of our investee companies, RemitOnline.

Separately, So Hum, our majority-controlled subsidiary company, will apply to Reserve Bank of India for pan-India retail payment license, along with our consortium partners. The final application date is February 26, 2021. This will significantly strengthen company's offering, payment offering, and will make us a truly global payment company offering retail payment solutions, including offering a global payment networks apart from India's RuPay. We will keep everyone posted with updates, and this is one of our significant updates going forward if it results into action.

As you must be aware, payment business, along with our platform business, is a winning combination. We call internally P+P. P+P is a very successful combination globally. Many software platform and technology companies are now adding payments to their business portfolio to drive growth. These companies command extremely rich valuations despite some of them having a lower operating and profitability margin than us, while some of them are still a loss-making one. There are multiple companies in the U.S., Internet giants in China, some in Japan, some in Asia Pacific. In our case, we have full stack of payment and platform solution with international presence, and it is still growing year after year, quarter after quarter, month after month.

In the last slide of my investor presentation, I had talked about actually our performance, robust performance, compared to some of the peers in the industry, both in India and also overseas. In the interest of time, I do not want to get into more details, but it is very self-explanatory and should there be any questions on that, feel free to really reach out to us. Hence, we have higher operating margin and profitability margin compared to all the peers.

You can see from the last slide of our investor presentation that the investors will have significant amount of headroom, considering our robust performance, both in sales and also in margins. As I have mentioned earlier, we are almost a debt free company. We consistently convert EBITDA into free cash and have a cash conversion ratio of over 100%. Our capex is now behind us. We are



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a light-asset model company, non-linear to people, and revenues are transaction-based models, both for payment business and also on our SaaS platform business.

We continue to innovate and build further on our profit-centric business model and keep adding great business value for our customers, partners and stakeholders. With this, I would like to hand over the call to Hiren Padhya, who is our CFO, to discuss about our financial performance for this quarter under reference.

Over to you, Hiren.

**Hiren Padhya**

Thank you, Srikanth.

Consolidated revenue has grown 53% quarter-on-quarter. So far as payment business is concerned, it has grown at a very high double-digit percentage quarter-on-quarter, mainly due to 23% increase in payment processed to Rs.27,916 Crores.

Revenue also increased due to higher gross take rate, which increased by 33% quarter-on-quarter as sectors like retail, grocery, IT and also improvement in aviation and travel and, finally, the usage of credit card, which has increased during the quarter.

Platform business also grew during the quarter, mainly due to strong growth in GeM and other businesses. Procurements on GeM were highest ever in the quarter of around Rs.8,000 Crores. Growth in Bill Payments, which is highest ever, that has also contributed to the growth in revenues.

Bill Payments volume has also increased to 6.4 million in Q3 that is 31% sequential growth and 222% growth year-over-year. So far as EBIT is concerned, it has grown by 27% to Rs.22 Crores, and adjusted PAT, which has improved by 95%, to Rs.15 Crores. Overall Q3 ended on a very strong note. As we enter into Q4, we are very much hopeful to deliver strong results.

I now hand over the floor back to the operator for Q&A.

**Moderator:**

Thank you. We will now begin with the question and answer session. The first question is from the line of Nilesh Soni from ValueAdd. Please go ahead.

**Nilesh Soni:**

Thank you for the opportunity. I have a couple of questions. Sir, can you please share in more details on your Reliance deal, like what is the revenue potential from that agreement? And what would be the timeline or the period of the agreement, which has been signed?

**R. Srikanth:**

I will take this question. This is a very strategic contract from the company perspective. We signed the contract on September 29, 2020. We announced it to the public on September 30, 2020. And this is our licensing of our marketplace enterprise software platform to JPL and its affiliates for their internal business use. Fundamentally this will be a target platform for them for their internal business use. Contract permit us to do a lot more the value-added services as a part of this contract, which are significant in nature after the software actually put to use and put to target and put to go live and so on and so forth. Right now, the platform is actually, the software is under test stage. And the test results will be out actually and after that, they have their own process of going live and so on, so forth. Now in terms of business model, there are a lot of license fee model year after year. And there are models linked to the transaction's volume. There is a facilitating model for our payment business through this target platform, primarily actually doing payment processing business for their JioMart and other platforms and so on. Of course, we will also have an opportunity to do payment processing business for their telco piece of their business. We also support and maintain the entire cyber platform once it is going live actually. Both the teams are working very hard actually to make it go live. And it also has a training component. And it also has the customization component for customizing our existing marketplace software. So it is suitable

to the needs of the Jio platform. So all combining, put together, the actions are work has already started, and it is going through a developing stage and also testing phase stage and so on and so forth. There are models of licenses. There are models of revenues and as and when the test phase is over and going live, all these revenues will get actually stacked up to you.

**Nilesh Soni:**

Okay. Any timeline or when it will be like going live for them? Have they communicated something like that?

**R. Srikanth:**

Obviously, customer will have the time line yesterday and it is a very huge target platform. It is not a small target. So therefore, we are working out in a very capital manner and at the same time that it has to be a successful delivery and so on. So therefore, there is always a pull and push from the customers. We wanted to do it actually ASAP. But the time plan has also been worked up, and they keep changing the requirements and so on so forth. So therefore, I am not able to say very upfront about the timelines because it is also getting changed from the customer side, actually. But as and when it is going live, definitely, we will keep the investors updated.

**Nilesh Soni:**

Sir, second question was regarding the Oman market. So are you targeting or approaching any other bank in Oman after this Dhofar and Muscat or is any progress on finalization of a new client or something on that front in Oman?

**R. Srikanth:**

As far as Oman is concerned, I think we are roughly with the humble submission is that Bank of Muscat and Bank of Dhofar is actually contributing 90%, 95% of the market share so on this piece, actually. So there are no other major banks actually leftover in the country of Oman. However,

with this, Oman being a strong reference, we would like to replicate the same success story in other parts of UAE and also in India as well.

**Nilesh Soni:**

That is it from my side. If I have any I will be back in the queue.

**Moderator:**

Thank you. The next question is from the line of Deval Shah, an investor. Please go ahead.

**Deval Shah:**

Mr. Vishal, I would like to ask that PayPal is exiting payment executed business from April 1. Will it increase our business? My first question is this. And second question is, we are applying for the umbrella license that for that Rs.500 Crores capital is required. So how we will get to that capital?

**Vishwas Patel:**

I will take it up, yes. As far as PayPal exiting, since it is their own internal call, they were not able to primarily what we gather is that that they are not able to compete with the existing Indian players that are there that includes us, right? And they are going to still remain focused only on cross-border transactions. So from that perspective, it is one less competitor. So definitely, of course, the market is growing anyway. So if you look at the whole digital scape today, there is only 18%, which is digitized right now. So there is a whole lot of almost 82%, which still is the non-digital. So the headroom for us for every player to grow is enough, and there are only 5 or 6 serious players, including us. I think there is a whole lot of opportunity in the coming years. Even transacting customers, only 110 million Indians are transacting digitally. The government vision is to take it up to 500 million, who will transact digitally. So that is as far as the overall stipend to grow. The second question was on the NUE. So the NUE right now at this stage of application, only Rs.50 Crores is required by the consortiums of the main promoters that is there. Post that, Rs.300 Crores of positive network is required and overall investment that is coming. So that is the

post-license. So right now, by February 26, is where we have to just demonstrate Rs.50 Crores, which we can easily do between us and our very strong consortium partners who are coming in. As you are aware, NUE license is like once-in-a-lifetime opportunity. If you see the world's most valuable company, finance companies, Visa, with \$500 trillion market cap. And Mastercard is also at #5 globally. It is more than JPMorgan Chase also in the valuation. So network license like what Visa, Master, NPCI has is very valuable, and our company is making a very determined effort for it.

**Deval Shah:**

So is Yes Bank is your consortium partners because there was news floating around that Yes Bank is acquiring 10% stake in So Hum?

**Vishwas Patel:**

Yes, the final one, as and when we finalize, we will let you know. I think by February 26, when the final licensing is done, we will do announce who the consortium partners are.

**Deval Shah:**

Thank you.

**Moderator:**

Thank you. The next question is from the line of Devesh Kumar from InCred. Please go ahead.

**Devesh Kumar:**

Congratulations on a very good result. My question is about the markets. Should one be looking at your international side because domestic opportunities are so used that one gets a sense that this itself will be the engine of growth or area where you can grow very fast. So one is, how do

you look at segments, domestic versus international and in domestic, this first-mover advantage, how far that will be effective on that if you could make some comment? Thank you.

**Vishwas Patel:**

Look, we are already two decades in the payments business and thing is that there is all-around focus on our progress. So if you see, we are a global Fintech company now. We are already present in India and in the Middle East, mainly in Oman, UAE and Saudi. We are already there in the U.S. now and we will continue to grow. So if you look segment-wise, while the platform business has always been in India and internationally where we have deployed for earlier with many international brands, the payments business also is divided into multiple platforms so one is the aggregator business that we do where we acquire and own the direct merchant relationships. So in India, we already do it for last decade, have 1 million-plus merchants and process 1 lakh Crores amount of transactions every year at that run rate. Internationally, also in UAE, we have done significantly well. We are the number 2 player there, processing AED 3 billion worth of transactions every year and going fast with a lot of blue chip customers there. Saudi also has just started, and we are making significant headway, and we will continue to grow. So the CPGS product, as you said, is backward integration for us, where we offer the entire platform and the services to banks and we have started off on a very good footnote in the last two quarters with two banks in Oman, that is Bank Muscat, and Bank Dhofar, also the Jio Platform in India who has used it. Of course, we will take it up. So we will have a separate team, who will take it internationally also. So the all-around idea is that we are going to be a global company, and we are going to explore opportunities to the build, not only domestically, but also internationally.

**Vishal Mehta:**

To just to add to what just Vishwas said. So you are right, the domestic market is huge for us. Given the 20 years that we have in this market and given the recent demonetization as well as the pandemic that the take rate in the domestic market has gone through the roof. Fortunately, with the experience and the risk management frameworks and many others that we have



established and they are very deep integrations with all the banks and the banking partners, we have got more than a few thousand integrations, which are deep integrations that we have made and then we are adding more than 30,000 merchants every month. So that part has worked out pretty well for us. We do not think that we have to live in a world where we say that these competitive advantages of first-mover will be there forever. So we are always innovating, and we are providing more stickiness in terms of analytics and many dashboards and many other specific feature sets that most merchants require to be able to make it somewhat more sticky and also work on the success rates, the success ratios, and analytics will be a big role going forward for us. To your point about international, you see, it opens up a very large opportunity for us because if you target merchants who already are processing with us in India and open up in new geographies, and what Vishwas mentioned, which is that now we are there in at least four large geographies, that on a single integration for a merchant, they can be lighted up across multiple geographies. So if you look at very large MNCs and the likes of Googles and the Facebooks and many others who have got presence in multiple countries, that a single integration with all common processes, systems, frameworks, established brand, that it opens up a very large opportunity for a set of customers that we typically only operate only for India or potentially opens up for other geographies as well. So we think that digital will not have boundaries. We will continue building up our strong state-of-the-art framework for payments across multiple geographies. We believe that the market in India for payments has highly evolved. Whereas in other geographies, it is still in a very nascent stage compared to what India is. So this gives us a technology advantage to be able to get into those geographies and also be able to make a difference in those.

**Devesh Kumar:**

Thank you.

**Moderator:**

Thank you. The next question is from the line of Abhishek Khanna from Jefferies. Please go ahead.

**Abhishek Khanna:**

Sir, I had one question, which pertains to your revenue breakup, which is mentioned on the Slide 4. So I just wanted to know, right now, what is the breakup that you foresee for, let us say, FY 2021 between payments and platforms? And what is the breakup that you foresee, let us say, two or three years down the line because from what I understand and is it the case that you are moving away from a higher share of payments business towards a more share of the platforms business? That was my first question.

**R. Srikanth:**

Abhishek, I think we are experiencing roughly around 74% and 26% breakup towards payment business and platform business and in terms of growth, I think we are seeing actually almost good growth in both of our piece. Namely on payments also, we are seeing significant growth and also on platforms also. The platforms, we are seeing are growth because of these existing customers and also two very large strategic customers, namely GeM and JPL. The model is actually transaction revenue model in the case. So over a period of time, I think in terms of CAGR growth, both the business vertical will grow. We believe that the range bound of 75% to 80% will be there actually between payments, and the balance is actually market platform. Internally, we created a sort of competition that every business has to really grow. Every piece of business has to really grow. Even within payments, actually, we create a little bit of competition that every subvertical actually within payment business has to really grow. So therefore, from that perspective, the average trend, which we have been seeing is 74-26. The trend is about 77%, 78% and so on and so forth going forward as well.

**Abhishek Khanna:**

That is the trend that you would want to continue with going forward?

**R. Srikanth:**

It is not a question of we want to continue. But the question is that it will happen by design because payment is...

**Abhishek Khanna:**

There is no conscious effort to change it per se.

**R. Srikanth:**

I would say that because we would like to really have actually a range-bound of we are comfortable with 74-26, for the simple reason that platform business is extremely profit-centric because it is a nonlinear business model. It is not like unlike services companies, our revenues are not linked to cost, cost of people and so on. It is a product organization, typical SaaS-based model. So therefore, the profit-centric approach is going to be a heavy contributing factor actually from platform side of our business and payment side of business is actually, as you know, it is extremely competitive. And there will always be rate pressures and net take rate pressures and gross take rate pressures and so on. Therefore, we do not want to really lose any business opportunities in the context of our payment business. But I think, overall, it is like two horse actually in a vehicle. So both the horses will grow actually.

**Abhishek Khanna:**

Got it. One more question that I had was on the CGPS solution that you are offering in Oman. While I understand, so in a sense, Oman is a saturated market right now because you have acquired both the large institutions that you are mentioning there. And then you are saying that you plan to get into the same business in other countries as well. So I just wanted to know, is there some sort of progress that you have already made in, let us say, India or any other country? And what is the potential that you see here, let us say, in India? And in addition to that, just if you could give some color on what is the revenue share of this particular product in your entire total revenue, CPGS specifically?

**R. Srikanth:**

I will answer the second question, and then I will leave the first question to be answered by my colleague, Vishwas. Second question is that the CPGS solution started about two quarters ago. So it is in terms of revenue penetrations and revenue concentration, opportunities are very, very huge because banks being the customers actually in this particular piece. And therefore, since we just started 2 quarters ago, the revenue penetration as of now is relatively lowered because it is right now restricted to Oman country. But we would like to really replicate the same success in elsewhere as well, including India. So therefore, over a period of time, the CPGS is going to be here, not only for the revenue, but also for the bottomline. So that is our strategy. So this is the new business offering in addition to acquiring side of our business and so on. Regarding first question, I would like to hand over to Vishwas.

**Abhishek Khanna:**

Is there a target probably that you would have in, let us say, 2 or 3 years, percentage share of revenue that you want from this before you move on to India about this?

**Vishwas Patel:**

Okay. Look, CPGS, we are stepping into the domain of what FSS or PayPal payments or what Mastercard, MIX or CyberSue software does. It is like giving the entire Payment Gateway solution, either hosted or on-prem deployment or processing their transactions and their merchant network, right? So basically, any bank in the world that is into acquiring will need this software. So there are existing players that I mentioned, and we will be competing against that. So we already started with Oman. We are already making inroads into some of the banks in UAE and Saudi Arabia. In India also, we have done the first deployment with Jio platforms. We will be using this enterprise payment platform of CPGS for processing their platform transaction. We also will be offering it to many other banks here in India as well as around the globe. So there is a whole new unit set up to go across the Middle East, ASEAN, European Union and others. So you will see significant upscale in new client orders coming in on the CPGS product.

**R. Srikanth:**

In addition to what Vishwas is saying, Abhishek, is that we have actually core banking integration with almost all Indian-based banks over here. And we have a relationship with almost all Indian-based banks over here. In this particular piece, interestingly, we found out that the banks do not want to do this kind of a piece. They want to really get it done actually from players like us and so on. Therefore, there is a greater degree of opportunity, and we have a platform and we have a solution, and it is working very well actually elsewhere. So why should we now replicate? I think the discussions are going on, and we are moving our clients very, very carefully. And we believe that this is going to be definitely one of our growth drivers actually going forward.

**Abhishek Khanna:**

Just as a final follow-up, if I may. So you mentioned and pardon my misunderstanding, if it is. So this is a solution which is useful for, let us say, acquiring banks, right? One last question that I had in response to that is, not a lot of banks are very active in terms of acquiring right now. Probably that was the case maybe 5, 7 years back, but now a lot of banks are not very active in terms of acquiring customers, the acquiring part of the payments business. So is it a possibility that the market in India, specifically, might be not very huge for this particular product?

**Vishwas Patel:**

So let me put it in terms, let me put it in different terms. The acquiring banks that were there 5 years back were less than half a dozen. Today, there are more than 1.5 to 2 dozen banks, around 18 to 20 banks who are acquiring transactions and with the mushrooming of the small finance banks and all the different kind of banks that are there right now, most of them are getting into acquiring. Because, one, they see a huge uptake; second, they see it as a way of opening new bank accounts of SMEs and listings. So for them to offer, along with their bank accounts, also appoint processing services for their SME swaps or MSME. So it is an all-inclusive solution part of the overall taking of processing, different services around there, opening and keeping their current

bank account. So you will see a lot many banks, especially the new generation banks, which are getting into the acquiring piece.

**Moderator:**

Thank you. The next question is from the line of Het Choksey from K.R. Choksey Shares & Securities. Please go ahead.

**Het Choksey:**

Congratulations, Vishal Bhai, Vishwas Bhai, Srikanth and Hiren Bhai for a stellar quarter. I had 2 questions. The first question is regarding the bonus issue, which you have done recently. With the spree of acquisitions that you are planning to do, do not you think that you can utilize the amount in a better way rather than getting a bonus at this juncture? My second question, which is a little bit more pertinent to the broader philosophy of acquisitions and investments, you have done significant investments in IGPL, which is GoPay and the recent So Hum Bharat and erstwhile Cardpay which is into IGPL now. So can you just take us through, like, how do you see the conversions and integration of these various acquisitions into potential revenue opportunities and growth opportunities and easier streamlining of payments across various merchants and categories?

**Vishal Mehta:**

Sure, Het. So in terms of the second question, which is the investments that we have made in Go and many of the other companies, including Cardpay, now it is part of Go, you see there are 2 different aspects of payments. If you think about abstraction, one is acquiring and second is issuance. And if you look at the history of the company, we have been focused on the acquiring piece, which is acquiring merchants for collecting payments on their behalf and remitting it into their accounts, typical role of a payment aggregator. So basically for any merchant, you want to be able to go and offer a service where they can accept payments. And that service, we offer. Now the second part, which is what you would hear about, is the issuance piece. And with the

recent framework opening up for Neo Banking and many others, you see for companies that are supposing 10 different bank accounts and they want a consolidated statement, and they typically do not need to go to the bank, and you can actually offer much better dashboard analytics and many others for a company who has to make 50,000 transaction payments every day. You see, those things will now start coming up. And issuance is a very large space. Historically, it is been dominated by many of the card companies who work with banks, including banks, by the way. And the largest issuer maybe is HDFC Bank in India. But I am sure that there are more and more companies who want to perhaps get into that space. If you think about card issuance, there is debit card and credit card, but there are also corporate cards and so those opportunities, if you recollect, one of the things that we have done I mean, typical issuance is lending but one thing that we have done in lending, which we talked about a couple of quarters ago, is express settlement where instead of doing T+2, T+3, T+7 settlement, that we do the settlement on the same when we charge the merchant because the money is anywhere in the escrow account. I will tell you that we do about Rs.3 Crores to Rs.4 Crores of settlement on a daily basis today as of today, which is that express settlement product itself, merchants are willing to pay slightly more to get settled earlier that completely improves their cash flow by 2 to 3 days. So as we get into that space, Go is our opportunity to get into the issuance part, if you will. And Go is already doing debit card issuance. And with GRIT, they will also get into the corporate card and credit card issuance and we think that there is a potential for that business to grow. It has to be a separate team in a separate company that focuses on it because focus will drive success. And that is where, since Go is already doing \$1 billion plus of such businesses, that they can continue taking on the credit part as well and keep on growing that portfolio. So if you think about Neo Banking, if you think about issuance, all of that will become part of our subsidiary, which is the Go Payment subsidiary and now even Cardpay as part of it. I think that we have been closely tracking a lot of companies that do lending in the SME and MSME space. And many of these companies, they do very well in the short term. But then in the long term, they already have certain issues that keep on coming up. With the data that we have and more than 1 million businesses transacting through us, that we see some kind of a network effect that potentially comes in place, whereby for the companies who we acquired transaction for the merchants that we acquire transaction for, the

same merchants, we can also be working with them in terms of issuance because we do not need their bank statements. We do not need a lot of information because We have got history of theirs for so many years. And so we see that there is some kind of a network effect that potentially plays out. It is too early to say. But through this express settlement, we will learn. Through Go Payments and debit cards, we have learned more. And with GRIT and corporate cards, we will learn slightly more. So we do not expect that investments will play out immediately, but I think it is a very important aspect in terms of buildup. And for a credit-hungry country like India, there are many companies who want to work with Go in terms of offering their balance sheet to be able to land to such corporate clients, and we will be working with that first and eventually building up from there. So yes, there will be some amount of investment cycle. And eventually, we think that it is already actually doing very well. It is almost at a point where it will breakeven. And we expect that as we build up more, then potentially, it becomes an opportunity for us to get into the second part of the seesaw, which is the issuance piece. So I hope that answers that question in terms of investments. We do not think there is an immediate return. It is a good medium to long-term investment. We have made that. And fortunately, we are at a point where we are almost breaking even in those businesses.

**Het Choksey:**

Yes, I think that Go Payments is accurate, but how do you see the integration with So Hum? I think that is what I was thinking about.

**Vishwas Patel:**

Vishal let me explain. So look, if you know the company philosophy, we are into payments and platforms. So platforms, we already know. We are doing on a mass scale. And if you see there are going to be 4 marketplaces in the next decade fighting it out. So one is, of course, going to be Flipkart and Amazon. But 2 of the other parts will be totally powered. But in the sense, the heart of it will be ours, one is the GeM platform, the monopoly distinct from the government for acquisition, and other is going to be the Jio Platform where we are going to make a significant



contribution. On the payment side, payment side is divided into 2, 3 parts, right? One is the acquiring part. The payments part is what we are doing in CCAvenue within Infibeam Avenue. So that goes from CPGS, that is the backward integration right from the switch to the entire thing they are offering to the bank to the front end that comes to the CCAvenue part where we do the direct merchant, and we send aggregator business in various jurisdictions. So that is the entire payment piece and platform piece that we do in Infibeam Avenues. But then we require investments in multiple pools. So one, the investments are required in the ancillary piece around this platform that we do so one is, of course, domestic remittance and assisted commerce as well as lending and these things. The other one is international remittances, where we need to have. So our investment in RemitGuru, RemitOnline, that is there. Today, the platform that is built over there is used by 9 out of the top 10 banks in India, a \$9 billion worth of remittances flow through that platform. That is the international remittances. And once that will become real-time, it can be an alternative into payments within CCAvenue. That is on the international remittances. For Go and GRIT, that is there, as Vishal very clearly and easily explained. The entire insurance part and the lending part and the domestic, where we have presence across 25,000 assisted agents, in around 600 cities and towns is what we are doing through our investments in Go and GRIT. So the entire lending piece, it is going to be a very important piece. It is something that we are going to do within the Go GRIT framework. The last piece comes is the network. Network is, as I told, it is like a Master, Visa, the scheme which works over everything else, right? So it is like the scheme where all the banks become the members and then through that comes the merchants. So these are the 3 pillars of piece that we have, the payment platform piece, the international and domestic money transfer as well as the lending and the GRIT part. So here, so if you understand, we are covering the entire payment landscape. Key part, we are doing it within the company and others we are doing through our subsidiary companies.

**Het Choksey:**

Okay. That is helpful. That is a good clarity from both Vishal and Vishwas Bhai.

**Vishal Mehta:**

Just one more point on is actually getting into the network part, which is what Vishwas mentioned. And it is, again, an application for license with consortium partners, which we are talking about, which we talked and covered. And that is where we see an opportunity to actually utilize a lot of technology and infrastructure and framework that we have built out and technically be able to create something, which is of a scale of similar to an NPCI rupee and even more. To answer your first question around the bonus issuance, of course, it is a Board decision. We see a lot of growth potential in the next few quarters as we build-out. And you will see quarter-over-quarter also that we have seen significant rise in terms of our business and the processing volumes. For the first time, every month, we have done more than \$1 billion. And that is a significant jump. We have been adding 30,000 to 40,000 merchants every month. And that goes from merchants across all different types and ranges. So as we build up, and then We have got some large clients, what Srikanth covered, in terms of being able to work on a very large infrastructure platform, deployments like GeM, Jio Platforms and many others, that as we see that growth and the potential that bonus was considered by the Board as an option to be able to build up as we go forward.

**Het Choksey:**

Understand. That is very helpful. Just one clarity which I would like to understand, Hum is now like an acquisition and it could be a subsidiary in the future. You said that there are going to be potential partners in So Hum, which will be announced soon in February. So I have one comment. I just want to get some understanding as to how will data sharing happen, considering that it will be your subsidiary? And will this data will also be available to the other affiliates who will be part or you will use the data for your own mining purpose and revenue generation ability?

**Vishal Mehta:**

So I think we need to think about this and you have touched a very important topic because it is the need of the hour in terms of data, data sharing. And I mean, it is not just us, but it also has a repercussion to the likes of Facebook and Google and many others, okay? So I think there is a lot

of interpretation around it. At this point, we are just focused on the build-out of the business first and not necessarily we are not worried about the data sharing part. And the first part of So Hum would be to actually get the license and apply for it with the partners and be able to build the pieces together. So that is a very important question, something that we have the right people actually thinking about it to be able to guide us.

**Het Choksey:**

I asked these questions because since you are very, very bullish on the payment space, and which is your USP, considering your cash and cash generation ability, I was thinking whether you would actually be able to acquire the entire company and not go for partners which would be?

**Vishal Mehta:**

That is not possible because RBI is mandated that it is distributed ownership. A single company cannot own the entire setup. So I think that, regulatory-wise, it is been covered. It is not efficient what we need to seek.

**Moderator:**

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

**Vishal Mehta:**

Thank you all for joining our call, and thank you for being an investor. And we look forward to keeping you updated on the progress of the company.

**Moderator:**

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