"Infibeam Avenues Limited Q4 FY 2021 Earnings Conference Call"

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MANAGEMENT:	**MR. VISHAL MEHTA – MANAGING DIRECTOR, INFIBEAM AVENUES LIMITED**
	MR. VISHWAS PATEL – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER (PAYMENTS BUSINESS), INFIBEAM AVENUES LIMITED
	MR. R. SRIKANTH – PRESIDENT, INFIBEAM AVENUES LIMITED
	MR. HIREN PADHYA – CHIEF FINANCIAL OFFICER, INFIBEAM AVENUES LIMITED
MODERATOR:	**MS. PARVATI RAI – KRCHOKSEY RESEARCH**

Moderator:

Ladies and gentlemen, good day, and welcome to the Infibeam Avenues Q4 FY 2021 Earnings Call, 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 guarantees of future performance and involve risks and uncertainties that are difficult to predict

As a remainder, 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 Ms. Parvati Rai. Thank you and over to you, ma'am.

Parvati Rai:

Thank you, Steven. Good evening, everyone. On behalf of KRChoksey Research, we welcome you all for the Q4 FY 2021 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 the payments business, Mr. R. Srikanth – President, Mr. Hiren Padhya – Chief Financial Officer.

We begin the 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:

Thanks, Parvati. Good afternoon to all of you and welcome to the Quarterly Earnings Call of Infibeam Avenues Limited. Today, we have got an exciting agenda, we would like to discuss with you the overview of the company, the industry in the payment space. Then we will go over to the financials. And eventually we will end up talking about some business outlooks and then answer questions. I will hand over the call now to Srikanth, who's the President of the company to walk you through this thing. Srikanth, all yours.

R. Srikanth:

Thank you, Vishal. Good evening to all of you. I hope every one of you and your family members are safe and I wish good health to all of you. It is my pleasure to present the standalone and consolidated accounts of the company today. I would like to spend five minutes on the industry and then take you through the operational and financial performance.

Please refer to Slide #4. The choices available to the consumer, as you know, for payment options fall into three categories. One is credit options, debit options, and third one is cash. Credit options largely includes card-based payment transactions through Visa, MasterCard, and AmEx, etc. Debit options include the bank accounts and wallets. If you observe, majority of the interventions and innovations are really taking place in India is around debiting the bank account, this is primarily because India is largely a debit economy, unlike most parts of the world where credit options are widely used.

While digital transactions have increased manifold in India over the last five years, cash continues to remain the king and non-cash transactions are still very low in India. So, it's a great opportunity for company like Infibeam. Demonetization was the first booster for the growth of digital payments in India. COVID has been other catalyst for the growth of the industry. Referring various institutional research, we observed that there are only about 150 million to 175 million digital users in our country, and about 15% to 18% of payments are only digital. This provides a very, very strong headroom for growth for a company like Infibeam.

Referring to Slide #6, the high level committee appointed by Reserve Bank of India found that per capita digital transactions per annum during the year FY 2018 in the country was only 17.5 compared to 34 in Indonesia, 79 in South Africa, 148 in Brazil, and as high as 782 in Singapore. Since 2018, per capita transactions per annum has grown only to about 33 in FY 2021 based on RBI payment system indicated data. We believe India has kicked off growth in the digital payments sector, and we will see more merchants and consumers coming online. Structural and secular trends are driving digital payments market growth, resulting in exceptional momentum in payment business in Indian. Consumers, businesses, banks, governments are all adopting digital mode for business and digital transactions have increased by 3x-4x in the last five years, growing at a CAGR of over 50%.

Various research indicates that the opportunity in payment sectors in India will cross US$1 trillion in the next three to five years' timeframe, and P2M (person-to-merchant) size will reach US$500 billion due to very strong tailwinds and, emerging industries like online groceries, ed-tech, med-tech, e-gaming, tech companies and many more that will join the future, including the e-governance. The number of industries 10 years ago vis-a-vis today having digital business model and accepting payments online will give you a perspective of how much industry has really expanded. From only having railway ticket booking online and airline bookings, then, today the industry has expanded to having e-retail/e-commerce, ride hailing, restaurants, groceries, entertainments, newspaper subscriptions, online education, bill payments, insurance, taxes, and the list goes on and on and on.

The next 10 years could see many more industries and services coming online where the payment gateway by default will have a natural growth. And with the low penetrations in India, government's vision to make India a less cash economy, as well as support from Reserve Bank of India is a positive for the industry. Specifically talking about opportunities in the payment gateway space in Slide #7, payment market will grow at 40% CAGR from the estimated US$80 billion in FY 2021 to an estimated US$307 billion by FY 2025, as estimated by Bank of America Global Research.

Current low penetrations and sticky base will aid growth for the established payment gateways, and for those who can also offer various value-added services. We will touch upon this in a moment. In the fourth quadrant you will see, in the same slide, the payment gateway is the most lucrative market for growth. I just mentioned earlier about how digital industry has expanded in the last 10 years.

In the next five years, I would say, transacting users will increase to 440 million from 160 million users, and an additional 10 million merchants will go potentially online. There are a staggering 68% of the 60 million MSMEs that are still offline, while 30% of Indian MSMEs will soon push themselves up to transact digitally, compared to the 2%-3% active today, as they see more growth and success through the digital model. Based on the ongoing growth and expanding addressable market over the last few years, we believe there is a greater degree of opportunities and many areas within the payments that we can now address, given our growing merchants clientele across our FinTech platforms.

Through Slide #12 and #13, under the business overview section, let me explain our business strategies and plans to capture growth in the digital space. Slide #12 provides a snapshot of multiple growth engines we have under two core business, namely payments and platforms. This is our stronghold. We are a full stack payments company offering various solutions under the payments business; payments acceptance, bill payments, payment issuance, neo business offering, domestic remittances and assisted commerce. We also offer international remittances through our investee company. Additionally, we also offer e-commerce marketplace platform for large enterprises planning to launch e-commerce at a massive scale. Platforms and payments combination is a proven model globally. And there are many examples of such companies in the U.S. and China and Japan, and many parts of the world. Internet giants are also entering payment space, world's largest social media company, world's largest search engine company, world's largest e-commerce company, etc., etc., are entering payments business.

Our strategy behind building a broader portfolio or multiple sources of revenue generation is explained in Slide #13, where I would like to spend a few more minutes.

Please see Merchant Sourcing Platforms part in green. Through our sourcing platforms CCAvenue, payment gateway solution; and GeM platform, Government e-Marketplace platforms; bill payments platforms, which is our BillAvenue platform; hospitality platform, which is our ResAvenue platform, we have built a strong pipeline of sourcing merchants. Bank alliances also is a strong merchant sourcing channel for us. Over 2.5 million merchants are integrated across our FinTech platforms. Every day, on an average, 2,000 new merchants got registered across our platforms in financial year 2021.

In the last 20 years of offering our core - payments and e-commerce platforms, these businesses have been our cash cow, and continue to generate positive cash flow for us. We have been consistently profitable. We have also expanded our flagship business brands CCAavenue PG, e-commerce SaaS platforms, ResAvenue platforms into international markets, and more expansion is underway, where we will build a strong pipeline of merchants in future in the international markets as well. This is one of our growth drivers for the company.

With this large merchant base and an understanding of our business that we have built over such a long time, it's time we focused on issuing side of the payments, that is lending business. There are various formats of lending that we will get into, the most risk less form of lending is by way of Express settlement. And the same was launched by us in September 2020, we had publicly announced this. We are currently at annual rent rate of US$100 million through Express settlement of merchant funds. We want to expand this to US$200 million by next year and reach about 10% of our daily payment processing in India in the next three to five years. We processed payments worth roughly Rs. 300 crores on an average on a daily basis in Q4 2021. And we have guided this as a part of business outlook in our earnings release.

Our next lending model would be to start offering credit cards to SMEs and corporates and business loans once partnership with the lending ecosystem players and integrations are completed. Presently this is actually work in progress. As mentioned earlier, we have large merchant base, and we have an existing relationship with most of the big merchants in India. This will reduce our go-to-market timing and reduce our marketing and customer acquisition cost.

One more important strategy to understand here is that in our e-commerce marketplace platform business, we are working with two of the four major e-commerce enterprise in the country, namely, one is government enterprise and another one is large private enterprises in the country. Unlike typical e-commerce model, where making profits may still be a dream even for big companies, we have a sustainable, profitable model. Plus, we have the ability to expand our scope of offerings from pure e-commerce platform to payment services, including lending. And that is one of the part of our next phase of growth.

So, the long-term takeaway from here is, sourcing platform will continue to generate strong merchant pipeline for us and we will continue offering them our core services, plus explore partnerships with the large enterprises, like the one with Government e-Marketplace- GeM, and Reliance owned Jio Platforms Limited, and build partnerships with financial institutions globally for payments acceptance, as well as accelerate on our payments and CPGS business, that is CCAvenue payment gateway services business. And keeping generating profits and cash flows into the company.

To push growth further, we will expand and increase the contribution from the lending portfolio and expand our business internationally. This will improve operational performance and improve cash flows, which we can use to grow faster. Just to let you guys know that our business model is such that the costs do not increase proportionately with the increase in revenues, and this is an advantage of platform-based companies. So, in other words, cost is not linear actually to the revenue which we are generating, and revenues are all based on the transaction-based models.

Now, let me take you through the business and organization developments in the last financial year. These developments are part of our strategy that I just mentioned.

Please refer Slide #15. We signed a very prestigious contract with Reliance owned Jio Platforms Limited and its affiliates, somewhere in end of September 2020 last year, as we have publicly announced, to, license, customise, maintain and access our enterprise ecommerce software and payments platform for their business use. I am happy to share that Jio Mart went live on our platform in March this year. The base platform is the same as Government e-Marketplace platform. But it was customized for Jio's environment. As part of the overall contract, we will also offer payment solutions to Jio Platforms Limited. We have already contracted with JPL to offer our bank grade CPGS platform.

Please note that Jio is not just another customer, Jio is a market in itself, and there are various partnerships that we are exploring with the company. One such partnership is the consortium formed with Jio, and Jio's business and financial partners, namely Google and Facebook, to apply for retail payment license or payment network license from Reserve Bank of India. At the right time, we will share more details on this partnership and other developments.

Under our payment business, we signed a definitive agreement with one of the world's top banks, JPMorgan Chase, for its India business, to offer our flagship payment platform, CCAvenue, for processing transactions of its enterprise clients in India. Our entire portfolio of 200-plus payment options is integrated with JPMC in India. This relationship is particularly helpful, keeping in mind our plans to expand in the U.S.

In financial year 2021, we announced launch of two business under the payments segment. These are all new business offerings which we announced. First is the CPGS business or CCAvenue payment gateway services business. Traditionally, our focus has been on merchants within the payment processing. As part of making Banks as our customers where we can process larger volumes of payments, irrespective of any payment gateway, we extended our scope of PG platform by doing backward integration in acquiring business. by launching the acquirer processor services called CPGS.

We launched this in Oman around September last year, as we have publicly announced. We tied up with two of the largest banks in Oman, namely Bank Muscat and Bank Dhofar to gain roughly 90% of the market share of processing online cards in Oman. And I just mentioned two minutes ago that the same platform has been given to Jio Platforms as well. We manage the entire technology from India. We will expand these services globally, starting from GCC region, and we will also partner with some banks in India. With this, we are now present on both sides of payment acquiring transactions, a front-end PG with 200 plus payment options, and a bank grade global back-end card processor. And in this CPGS business, banks are our ultimate customers.

The second new business which we announced to enter into was neo banking and lending. For this, we acquired a company last March, April timeframe, Cardpay technologies based out of Bengaluru. IAL, a large number of merchants portfolio, over 2.5 million, and adding 2,000 plus every day are potential customers for offering lending services. In the lending space, we have already started Express Settlement, as I was telling in the beginning of this call, which I explained actually earlier. Later, we will offer cards and business loans to SMEs and corporates.

So, the whole of FY 2021, we focused on building strength and resilience in the business. We have taken steps to build a sustainable business model, evident from the developments I enumerated. We have created a very strong moat around our business. We are differentiated not only by core payments and e-commerce marketplace platform that we have developed over the years, but also by the possibilities that we can create with our portfolio of offerings to complement our existing core business.

To unlock value for the shareholders and focus on our payments and platform business, we had announced demerger and simultaneously listing of the non-core businesses. Accordingly, NCLT has approved the demerger, and after complying with the listing norms, both entities, Suvidhaa Infoserve and DRC Systems were listed on the stock exchange in March 2021. Additionally, we rewarded our shareholders with 1:1 bonus shares in December 2020 as a part of our corporate action.

Let me now take you through the operational and financial performance of IAL in FY 2021, in Slide #16. The three charts reveal the operational performance of our business at large. Payment processing has increased 55% Y-on-Y to approximately Rs. 100,780 crores in FY 2021. Monthly payment processing in Q4 averaged about Rs. 11,000 crores, from little over Rs. 6,000 crores in the same period last year. Thus, we are at the annual run rate of processing Rs. 1.2 lakh crores to 1.3 lakh crores, or about $18 billion in payments in FY 2022. And that's just in India and UAE. Soon, we'll also see international markets like Saudi and a few of the GCC countries and USA adding to this growth.

Merchant registrations continue to be robust, and our alliance partnerships continue to deepen, opening up more business for us. Our retail contribution continues to dominate in terms of number of merchants on the PG platforms. Education, utility, grocery, IT are among the larger contributors in FY 2021. B2B registration tripled, and utility doubled in Q4 vis-a-vis Q3 sequentially. Basically, merchant registrations in FY 2021 has been the best we have seen in our history, at 300 plus registration on an average every day in the PG business alone, and it seems like we are at the cusp of digital growth from here.

Talking about bill payments business through our BillAvenue platform. The average daily volume growth is almost about 7x in March 2021 compared to April 2020. Bill payments volume in FY 2021 is up 226% year-on-year to 25 million, and it is up 40% sequentially. We have seen month-on-month growth in volumes in the whole of FY 2021.

We have 93% market share of total 19,633 billers on BBPS as of the 31 March 2021. We are a TSP to majority billers. As more biller categories open up on the BBPS, we will onboard more billers on a consistent basis. Simultaneously, we continue to build the agent network across the country as bill payment is still largely a cash affair in India. We have grown our agent networks from 600,000 last year to nearly 675,000 as of now. Number of agents institutions have increased from 175 last year to the level of 250 at the end of financial year 2021. The industry processed about 35 million bills in March 2021, about 1 million a day. Our aim is to process 1 million bills daily in the next three to five years.

Lastly, the performance of Government e-Marketplace, GeM. Our largest and our significant customers in e-commerce marketplace platform, which has few of the customers. GeM achieved cumulative GMV of Rs. 1 lakh crore in March 2021. Since inception in August 2016, more than 90% of GeM's GMV has been achieved after GeM went live with us. This is an exclusive contract for almost six years, as you all know. We went live in January 2018. We won the contract in August 2017. Within a period of five months, the entire target platform went live in January 2018. We earn a very high single-digit basis points on value of the procurements. Again, this business model is linked to the transaction revenue.

As you can see from the chart, GeM GMV in FY 2021, was about Rs. 50,000 crores. Government is targeting to double the procurement in your FY 2022 to Rs. 1 lakh crore, which is about $13.5 billion, with the integration of railways and addition of more government bodies, as well as adding more merchants on the platforms to offer wider variety of products and services on the platform.

Last year, we signed a definitive agreement, as you all know, with Reliance owned Jio Platforms Limited to offer the same platform for Jio Mart, customized to its requirements. Jio Mart is now live on our platform and is integrated with various 3P platforms for 10x value proposition and 10x consumers experience. We are proud to state that we are now connected with two of the four largest e-commerce enterprises in the country. GeM and Jio together opens up huge opportunity for us to offer our payment solutions.

To summarize this slide, both payments and platform business have shown excellent performance in FY 2021. Despite the ongoing pandemic, we have built a strong pipeline of merchants from whom we expect a good business going forward as they grow their business through the digital mode.

With this, let me move on to my financial performance. However, before that, it is very important to really thank the entire leadership of Infibeam Avenues and also employees of the Infibeam Avenues and the customers and merchants who supported us actually through this journey throughout the period consistently. Thanks for all their untiring efforts.

Let me just go to the revenue model. This will be made clear from Slide #17 and Slide #18. Please prefer Slide #17, which is Infibeam's revenue model. Infibeam revenue comes from two business segments, payments and platforms. Payment business contributes 78% of our gross revenues, including revenue from our subsidiary company Go Payments, and 22% comes from our platforms business. In payment business, approximately 95% of revenues are transaction-based revenues, and the rest being set-up fee, maintenance fee, etc. Platform revenues are largely license fee, subscriptions, maintenance, development, setup fee, value-added services, and a portion as a transaction-based revenues from the GeM platform. Thus, IAL's revenue can also be classified as a transaction-based revenue model, plus non-transaction-based revenue model, refer the blue boxes in the middle row. And the derivation of the transaction-based revenues are explained in the third row of the same slide.

Our operating expenses are predominantly a pass-through cost in the payment business. As you all know, I have articulated through various calls that payment ecosystem members are, issuing bank, network players and so on. So, we have to really provide the pass-through cost actually for them. So, therefore, our operating expenses are predominantly pass-thru costs in the payment business.

Let me explain this through Slide #18 where you will understand the payments revenue model and learn about the ecosystem players and the digital payment industry. In payment gateway business, we offer 200-plus payment options. In a single integration to the merchants, we provide various debit and credit card payment categories, namely debit cards and credit cards, and net banking, wallets, EMI, UPIs, pay later, etc. Each category has a different take rate and involves cost to the company on top of which we add our margin and give it to the merchant as a bundle. We have taken here the example of a credit card option used by the consumers while making the payments for online purchases on a merchants' website, or merchants' app to help you to understand the revenue models and value chains in the digital payment business.

As you can see from the pictorial representation, of the 2% being charged to the merchant, a significant portion is typically shared with the issuing banks, acquiring banks and the payment network. And therefore, they are the main ecosystem players in the credit card payment option. A credit option which also includes a financing cost, and the risk of non-payments will have a different MDR vis-a-vis the debit options which directly debits your bank account. For certain options, though, there are regulatory guidelines like RuPay debit cards and UPIs and QR codes, hence, we earn differential rates on every different payment options, depending on the payment options used by the consumers. Rates also differs depending on the size of the merchants and depending on the industry.

However, international markets are a bit different. It goes without saying that their take rates are higher. The rates in the UAE, for example, are higher compared to India. There are very few payment options in the UAE, about 15, unlike 200-plus in India. And credit cards contributes a larger pie vis-a-vis India, as India is culturally a debit economy. Indians typically spend what they have rather than using credit. So, in India, we see larger usage of debit options, also evident from the number of debit cards in the country, and net banking and UPI transactions compared to credit cards. Hence, take rates are relatively low in India. I hope all of you would have got a bit of clear understanding of our revenue models.

With this, I proceed to discuss our financial performance of the company in FY 2021, presented in Slide #19. Transaction processed value has increased 27% sequentially to Rs. 50,391 crores. For the full year of FY 2021 the TPV was Rs. 139,405 crores, which is about US$19.1 billion, and is up 59% compared to FY 2020. So, in a nut shell, 27% sequential growth and 59% Y-on-Y growth, and this is exactly the reason why we have shown an impressive performance in Q4. Average monthly TPV in Q4 was approximately Rs. 17,000 crores. With this run rate, we will be able to process TPV of Rs. 2 trillion rupees, that is about US$28 billion dollar in FY 2022, and that is pretty much our current run-rate actually. Both payments TPV in Q4 was up 30% sequentially and 159% Y-on-Y.

Government e-Marketplace, GeM cumulative GMV crossed Rs. 1 lakh crore, which is US$14.1 billion in FY 2021, cumulatively. Daily GMV as per GeM publication was close to Rs. 230 crores to Rs. 250 crores in March 2021 vis-a-vis Rs. 100 crores in March 2020. Bill payments grew through our BillAvenue platform month-on-month in FY 2021 and continues to show a stronger volume. FASTag is now live with us and we expect to see strong volumes going forward. With that, gross revenue for the full year FY 2021 was up 3% to Rs. 676 crores on a like-to-like basis. Gross revenue in Q4 fell 12% to Rs. 201 crores from Rs. 228 crores despite growth in TPV, primarily because of the second wave of COVID. Q4 drop in gross revenue was impacted by the change in the industry and pricing mix. Flat-fee based utility and education sector contribution increased, while contribution from percentage-based retail transaction from aviation, travel, tourism, hospitality and entertainment have reduced, leading to a lower gross take rate and hence the drop. I am sure the moment the COVID situation improves, all these sectors where we are conventionally very, very strong like aviation, travel, tourism, hospitality, entertainment, will again actually reboot and we will have a different take rate altogether.

But we structured the pricing and payment business for capturing market opportunity in the current year. Our net take rates improved 30% sequentially to 6.7 bps from 5.2 bps in Q3. This lead to increase in transaction-based net revenues and hence our net revenue increased sequentially in Q4 by 8% of Rs. 66 crores from the level of Rs. 61 crores in Q3. EBITDA fell marginally 7% sequentially in Q4 to Rs. 37 crores but was up 5% in Q4 compared to Q4 last year. Adjusted EBITDA as a percentage of net revenue in Q4 was 56%, compared to 65% in Q3 and 58% last year. For full year FY 2021 EBITDA, which is actually a very important factor for our growth and for our guidance and so on, it is 61% of the net revenue from the level of 60% in FY 2020. And this is what we are guiding for the current year to 65%.

PAT in Q4 was up 148% sequentially to Rs. 32 crores, and up 30% Y-on-Y. PAT as a percentage of the net revenue was 48% in Q4, compared to 21% in Q3. For FY 2021 PAT as a percentage of net revenue was 30% vis-a-vis 41% in FY 2020. The drop in PAT, as you all know, in FY 2021 is on account of the entire year as a whole, and lower contribution of share of profits from our associates, excluding which, the growth would have been 34%. Fundamentally, we have grown actually on the PAT. We are consistently converting EBITDA into the cash, and our cash and cash equivalents have gone up significantly to Rs. 178 crores from the level of Rs. 99 crores in the beginning of the year. In the following months, as the effect of pandemic slows, we expect the pricing mix to change, thus improving the net take rates and hence operating performance.

Going into FY 2022 and further, our payment gateway business in India and Government e-Marketplace, GeM, will continue to grow naturally. Payment growth will be driven by merchant business coming online, more sectors adopting to digital mode of doing business, new sectors with unique business model opening up with the digital model. Government e-Marketplace will keep growing as the government is determined to build an online procurement model, and thus integrating various government bodies procurement into GeM, like what they have done during last year railways department.

Apart from this, our additional revenues and margin drivers include:

First, payment expansions internationally. We have been articulating this as one of the growth driver for the company on the top-line and also for the bottom-line. And we plan to have this footprint in more than 10 countries in the next two to three years. UAE, GCC, Saudi, Oman, is solidly in place and now U.S. is also already launched. And we will be aggressive on Saudi and few other countries actually in the next two to three years' timeframe. Second, new businesses announced in FY 2021, namely CCAvenue Payment Gateway Services, branded as CPGS, neo banking, cards and lending. Third driver is the bill payments through our BillAvenue platform. Growth in remittances and assisted commerce, Go Payments, is seeing multifold jump in its business where monthly payments has crossed actually 3x in March 2021 compared to March 2020. And this is an encouraging factor for us to really have a growth in the remittance and assisted commerce. And of course, lastly, partnership with Jio Platforms and JPMC Bank in India. And on the profit driver growth, needless to say that, Express settlement is one of the driver.

Now, please turn on to Slide #20. We have a very strong balance sheet. As we generate cash quarter-on-quarter and year-on-year, we have this advantage due to our platform-based business model that allows us to scale faster compared to cost. The company's cash has increased, as I was saying earlier, to Rs. 178 crores as on 31st March 2021, vis-a-vis Rs. 99 crores as on 31st March 2020. It's up about 80%. In absolute volume terms, it's up actually Rs. 79 crores. We are virtually a debt free company with very negligible debt of Rs. 20 crores, a term debt at a very concessional rate of interest. And therefore, we are net cash positive, we are a net debt free company. Our EBITDA to cash conversion has remained over 100% consistently for many years. And time and again I have been articulating to the investors and this is actually a fact.

Fourth, cash from operations before working capital in FY 2021 was Rs. 148 crore, this is the cash generated. This has been consistently positive and strong for the last many years by virtue of our business model. In payment business, we have a negative working capital, as we receive money in first and settle with the merchants after T+1, T+3, T+5, T+7, as the case maybe. Working capital thus includes settlement money of merchants lying with us on the closing date of the balance sheet. Hence, for us, cash from operations before working capital is the right measure. Otherwise, the cash from operations is still higher in FY 2021 at Rs. 168 crores, before tax. We don't take merchant money actually as part of our operational cash flows. Free cash flow has been consistently positive. Free cash flow in FY 2021 was Rs. 66 crores vis-a-vis Rs. 104 crores in FY 2020.

On Slide #21, we present the outlook of Infibeam. We expect with our success, with our experience, with our run rate of our business, with our run rate actually on our transactional processing, both on payments and platform, we expect to increase our transaction processing to US$100 billion in three to five years' timeframe, from FY 2022 run rate of US$22 billion as we speak. EBITDA as a percentage of net revenue to improve from the present level of 61% in FY 2021 to the level of 65% in FY 2022. Increase secured lending under the neo banking from the present level of US$100 million to a US$200 million in FY 2022.

With this, I hand out the floor back to the moderator to open it up for question-and-answer session. And thank you all for your time. And thank you all for being patient. Moderator!

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mayank Babla from Dalal & Broacha Stock Broking Pvt Ltd. Please go ahead.

Mayank Babla:

Sir, my two questions, basically one was on EBITDA, so what was the reason for the softness quarter-on-quarter? And second, in the free cash flow, why was it lower at Rs. 66 crores versus Rs. 104 crores last year? That's all from my side.

R. Srikanth:

Our EBITDA margin, if you would ever really seen actually on the net revenue, in the Q1 of FY 2021 it was 61%, Q2 was 62%, Q3 was 65% and Q4 was actually 56%, primarily we have to rationalize our pricing in order to capture more market opportunities. And second important reason is that, in terms of some of the sectors which carries actually fixed fee model, like education sectors and utility sectors and so on, so that is also another reason. And third one is that there are the flagship sectors which we are having, like entertainment, travel, hospitality, aviation and these are all the sectors where conventionally we are very, very strong; and in terms of both gross take rates and net take rates and margins, and because of the COVID situation these sectors have not been fully open. And as and when we open that, we will be able to really improve our margin. That is the reason why we are saying actually that EBITDA margin for the next entire year on net revenue basis will be at the level of 65%.

Mayank Babla:

And free cash flow?

Hiren Padhya:

Free cash flow, I think, from last year Rs. 104 crores to Rs. 66 crores is the actual figures. We are saving in terms of CAPEX in last year, and in terms of operations also we have achieved very good performance in terms of cash flow.

R. Srikanth:

One important reason is that which I can possibly highlight is that changes in the working capital is one of the important things, because in Government e-Marketplace business, the DSOs are relatively higher, because the process of making the government payments actually is a little different as per our contractual terms, it is linked to the order process and so on, and that has also been booked actually in the changes in the working capital. So, that is primary one of the reasons. Because in our payment business DSO is negative, but in our Government e-Marketplace business, DSO is actually on an average around 7-8 months' timeframe.

Moderator:

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

Ravi Mehta:

Sir, my first question is pertaining to the take rate. So, when I look at Slide #19, probably the lockdown effects were not that felt in Q4 actually, so any specific reason why the take rates have been low, whereas the volumes have been high, which means probably there are volumes happening, but maybe it's all low margin happening. So, maybe if you can share some color.

R. Srikanth:

So, the fundamental strategy of the company, Ravi, is that we don't want to lose the market share. And if I am not going to do the business, somebody else is going to do the business. Because at the end of the day, as I was mentioning earlier in one of the calls actually previously, that the pricing pressure actually is not the art, it is a science, it is there every day. So, however our good are our platforms, processing, operational efficiency, settlement process, merchant satisfaction and so on so forth, the net effect is that what is actually for the merchants in terms of pricing. So, therefore, the pricing pressure will always be there actually for the industry, and so be it for the company as well. So, therefore, while on one side we are a public company, we cannot really bring down the price actually below certain threshold levels. But nevertheless, this pressure is always there. So, therefore, this quarter, actually we have to really adopt the rationalized economic pricing in order to capture the market opportunities, that is one thing.

Second is that, conventionally, we were not very strong in education sector. Thanks to COVID, I think education sector, we are becoming very, very strong. And education sector, as the volume goes up, it's actually based on the fixed fee model, same is the case with utility bill payments. So, therefore, that is also a second reason. And basically, these two basic reasons actually pull down the net take rates. Third important reason is that, as I was telling you, entertainment, travel sector, aviation sectors and hospitality sectors, including hotels have not been opened, thanks to COVID. So, this is our strong foothold actually, in terms of our gross take rates and net take rates actually. So, from that perspective, once it opens, you will have a different net take rates altogether. And that is exactly one of the reasons why we are guiding the market actually 65% as a percentage of net revenue in terms of EBITDA actually.

Ravi Mehta:

So, as things open up, you expect the effects to go back to FY 2020 levels as the mix of the merchants improve is what you are trying to indicate?

R. Srikanth:

We are saying, we are going to work on a consistent only one number, which is EBITDA of 65% on net revenue. So, therefore, I think it will be probably even better than that.

Purvesh:

If I could add to what Srikanth just added, there are two points to this. One is, when these sectors grow, the retail sector, there will be some change in the pricing mix definitely. But on the other side, what Srikanth mentioned a couple of minutes back, that we are getting into new businesses, these newer businesses have very little pass through. The lending business, which is also at US$100 million currently, which we expect to take it to US$200 million, all these are net take rate accretive which will, overall, as our business grows will improve the overall take rate. So, apart from the natural growth within the payment gateway, these new businesses will also add to the net take rate. So, these are our margin drivers.

Vishwas Patel:

Let me explain from some layman's perspective. If you have seen, the overall transaction processing has increased by 27% from last quarter, so from say Rs. 39,000 crores it has gone up to Rs. 50,000 crores plus, so it's a healthy 27% jump in just three months. And if you look from a layman's perspective, the utilities and others in this COVID period where it is work from home and other things have increased. Now, typically utility payments including education have a fixed fee, even if it's a Rs. 3 lakh transaction, we are carrying Rs. 25 or Rs. 30 a transaction, it does not go on a percentage base value. Typically, in all our other businesses where we are very, very strong, like the airline business where we power almost 27 airlines, right from Emirates Airlines to IndiGo to Vistara to Gulf Air to Oman Air. Similarly in hospitality, where we power the entire Taj Group of hotels, Oberoi, ITC, Lemon Tree. So, all those business are severely affected, these are percentage-based business. So, if you are charging for Rs. 1 lakh, we charge them a healthy 2% or something on those lines, it will be Rs. 2,000 rupees every transaction, that's the charge, where we make percentage bps (basis points – 100bps is 1%). So, on percentage basis, so our flat fee business has increased due to COVID and the percentages business where we are very strong is still down. But overall if you see, the volumes have gone up. So, that means a significant intake that we have done on the utility business, including education and so many other businesses where it is a flat fee kind of a take rate.

So, is that understood how the business works?

Ravi Mehta:

That's what I wanted to ask, because the volumes are actually shorter, but the take rates are low. So, that's why the question, whether we are focusing on low margin volume, probably the market was such that we had to do that.

R. Srikanth:

And just to let you know the data points, actually in FY 2020 our EBITDA to net revenue was 59.9%. In FY 2021 as a whole, 60.8%, and we are guiding the market for 65%. So, for all practical purpose, we are in the right pathway.

Ravi Mehta:

And as a strategy, is it fair to understand that you are guiding 65% EBITDA, means if we shoot over and above, we would be happy to give it back to the market and capture more volumes?

R. Srikanth:

Can you say it again, I couldn't understand.

Ravi Mehta:

Will you say that, the 59.9% margins, you are targeting 65%. Which means if the business is good and our mix is much better, and you overshoot your targets, you would be happy to give back some benefits back to the market, merchants and all and garner more volumes. Is that is how we should understand?

R. Srikanth:

Yes, I would say that it's a mix of both. Basically, while we are actually improving the margins is on a three-fold account. One is profit driver, actually measurement which we do through our Express settlement. Second is the new business offerings of CPGS and Neo banking and so on so forth. Third is our penetration actually in the overseas market. And fourth is our platform business also we believe there will be a good traction actually on the platform business in terms of margin improvements and so on so forth. And of course, constantly we monitor the markets, opportunities and we don't want to lose opportunities in any manner. So, that's a balance we always do in such a way that we don't reduce our numbers below certain threshold. But at the same time, we would like to capitalize the market opportunity and we would like to grow both on TPV, but at the same time actually we balance the margins as well. So, I think this kind of exercise which we do on a day in and day out basis through our record process and so on. And unlike some of the private companies actually, where this kind of margin pressures are not there, but being a public company, we are actually coming under the margin pressure actually, therefore, we are cognizant about this fact and we are adopting this kind of a strategy.

Ravi Mehta:

Sure, that's helpful. And is it possible to share platform business EBITDA margins?

R. Srikanth:

We will share, right now we are not sharing it actually, platforms and payments separately. At revenue level we are sharing, but not at the margin level because of the competition reasons. But we will definitely share at the right point of time.

Ravi Mehta:

Sure, sir. And one more question I had, if I can squeeze in. So, just going by the FinTech side, a lot of unlisted players are valued at steep valuations compared to what we are traded at. So, is it that they have become much larger, or the technology platform is more disruptive? Or any competitive scenario if you can draw where we stand vis-à-vis the evolving FinTechs?

R. Srikanth:

I think you nailed it right, and that is the pressure point which I as a professional am going through in the company on a day in and day out basis, that there are private players in the market, they are not making money and their net take rates are all actually below the cost. But still, they are getting valued, actually, maybe several x factors beyond our capabilities and so on so forth, our valuations on so on. So, the point is that public company valuations and private company valuation modalities are, as you know, a little different. But I think for all practical purpose, as a management team, as a professional team, as a leadership team, what we are really focusing on is our business growth, EBITDA, cash conversion, free cash, cash and cash equivalents actually increased, cost optimization, process improvement, technology investments, overseas growth story, new business offerings, all success story, these are all the factors which we are focusing, both on platform business and payment business. So, therefore, obviously, the valuation will be, I am sure at one point of time you guys will realize the real intrinsic value of the company, which we believe that it is valued very low. But I am sure the time factor will prove it that we are valued actually very low. And the intrinsic value of the company is significantly far, far, far superior than compared to the rest of the players.

Vishwas Patel:

Let me put it the other way, the private players are focused just on one solution. And everything on the tech part is something they have, more or less, adopted from what we have done over the years. And we continuously invest in building that scalability, the tech-stack and others, not only for India but for around the region. And also, if you see, some of the biggest clients that we have onboarded in the country are onboarded on our platform. And there's a continuous evolution of innovation and newer technologies that have pushed in the biggest banks in the country adopting us. So, it's a matter of faith. They undercut in certain prices and so they have volume and growth, that's what's happening in the private space. Second thing is, less people taking money there, because the top three or four payment players, including us, are not looking at money, only one or two new private guys get that play, because be it in the peer groups, in say Naspers' PayU is not picking money, BillDesk has already picked up and there are one or two other guys. So, the newer guys, one or two, and investors also does not have any inroads will fund these new guys, irrespective of how they grow the volumes. So, the question of business and the question of take rates and other things, if you do below cost, then it's very easy to scale up.

Ravi Mehta:

Sir, my question was that company on the competitive landscape, we score better over them what I understand.

Vishwas Patel:

Yes, we are, from technology standpoint. If you see the fintech platforms on what we do, just not the PG where we have the maximum number of options even today in the country, integrated with so many core banking solutions, and 1001 features. But also, if you see the associated things that we do around it, the entire B2B platform, the entire extension into the same platforms in to different countries. And then if you look at other solutions, like BBPS, Bharat Bill Pay, not many of our competitors are doing it where we have grown almost 200% in this quarter, on the number of bills processed. And if you see so many of our other solutions, what we do in the hospitality solutions and our platform business, it is also unique to us. And you compare that kind of our company valuation vis-à-vis the newer guys claiming a couple of billion-dollar valuation. So, even we are in enigma, that why our investors don't value it. So, it's a question, you all have to answer more than us.

R. Srikanth:

If you would have really seen, actually, we have shared a lot more data points actually on the business. And by design, we want to be very open and transparent, actually, on the numbers and performance and our strategies to the best interest actually of the company and to the benefit of our investors and shareholders. And as Vishwas was mentioning that the platform piece, it's a very, very huge piece and I can talk for about 10 hours actually on platform piece, what is our success on that. In fact, through our platform piece, we are scaling up actually on our payment business with respect to some of the named accounts and so on. Even neo banking and lending business can really accelerate through that kind of a data, data is a huge wealth actually for us. And platform business, companies like Jio Platforms, Reliance owned Jio Platforms will not actually risk the entire Jio Mart business actually with certain unproven systems. So, our system is well proven in the market, and the Government e-

Marketplace is actually working so well in the last four years. I think even Jio Mart has done all sorts of due diligence and today we signed the contract on 29th of September, and by March actually, within six months, the entire target platform actually went live, that's not a joke. This entire product platform, competing with the big boys actually in India like, Amazon and Flipkart so on, that kind of a platform which we have gone live with the 3Ps and enabling actually Jio Mart in terms of our payment business, and scaling up actually along with that, build a relationship and doing all sorts of other strategic actions actually along with Reliance is not a joke. And all these things are possible only with our platform business.

And fundamentally, business model is also very lucrative to us. On one side, the GeM business model is all the more lucrative, and Jio's side actually the business model is lucrative on a direct basis and also an indirect basis. So, therefore, with that, we consider these two-business vertical, payments and platforms as our two hard core engines, and invariably working on a transaction revenue model. And I think with a light asset model, we are not capital-intensive, and our cost is not linear to revenue. And the cost is basically headcount, whatever the headcount we were having about five years ago, same headcount only we are having it actually right now. So, for all practical purposes, we are profitable, we are making a sustainable growth.

Vishwas Patel:

And to add to this, with less than 500 people in the payments business and 700 or 800 including the platform business, we are able to generate, Rs. 1 lakh crore in GeM, more than Rs. 1 lakh crores in CCAvenue plus grow internationally and others. So, if you see, the growth is not dependent on the number of people. Second thing, if you see the payments stack, right from the platform to the payments stack, we are powering the banks, we are doing directly to the merchant acquisitions, we are doing bill payments. And now, with our NUE with RBI, we are going to make a NUE similar to a MasterCard, Visa. And not only go against NPCI held on in the India market, but also go globally. So, if you see the whole landscape, we are going to have a card company on the likes of Visa, Master, if you look at the whole payments stack, if you look at the whole platform biz, and if you look at 1+ million merchants on GeM, 1 million merchants on our payments stack, everything, and it's going wonderfully in multiple markets. So, we are already the number two players in UAE in three, four years' short time. So, everybody, right from At The Top-Burj Khalifa, if you want to book your tickets to go to the top at the world's tallest building, you are going through CCAvenue, to all the top builders out there from Nakheel to DAMAC, to Emmar, maintenance of all those properties so many utilities. Similarly in Saudi also we just started out there, and we will give you good news on many other markets that we are getting in. And in the U.S. also we are almost there. So, going forward, entire strategy is in place.

Moderator:

Thank you. The next question is from the line of Deven from KRChoksey. Please go ahead.

Deven:

I was interestingly listening to the response given by Vishwas bhai and Srikanth also, on the subject of this particular volume of business and the amount of revenue, plus the issues which are related to the private players who are taking away the larger share by way of competing with established companies. Now, on one side, I think this particular situation cannot easily be changed, because I think they also have to record their business because their investors are funding them. And because they are funding them, so they are funding to burn cash, till the time I think we can survive I think they will. In the interim period, I think we will add into our portfolio additional revenue coming in from some of the value-added products, which you have started talking about. Probably I think that will be the pressure that we will continue to face.

So, the two-fold question here. On one side, suppose if we end up getting or attracting the free money, as I would like to term it as, who are increasing their volume for their valuation, etc., what stops us from approaching such kind of players to attract that free money and take away market share from others and record a higher amount of processing volume? That is one point. And suppose if that is to happen, then which are the areas or which are the payment areas from where you can take out extended volume? If you can throw light on this topic. So, this is the first question. Maybe I come to the second question of this question.

Vishwas Patel:

I will take on the first question here. Now, there are two ways to look at it, take easy money, free money as you put it, and go after existing market share and try to get in the valuation that is there and burn money. So, that's one part of looking at it. The other way we look at it is that, today, the Indian digital market is only 15%, 85% is still cash, Rs. 29 lakh crores of cash is still there. There are so many verticals that are still not digitized, in a sense that if we see the entire medical payments, the medical hospital payments are not digitized. If you see, we have almost 12 million schools in the country, how many of them are accepting online. So, there is a huge market and there is a huge penetration. So, either you focus, take money and try to take part of that existing 15%, or you look at the 85%. So, our company has very, very clearly focused on it, that's why you see the number of intakes on the new merchants going online with us. If you see our quarter-on-quarter numbers, the number of new uptakes that is there, and that is giving us business. If you see the number of sellers that are coming on the GeM platform, now almost crossed more than 1 million. That's a huge onboarding exercise that we are doing.

So, there are two way instead of taking money, and we firmly believe that the investor money, this kind of a flow should end shortly with PayTm also now going into an IPO mode, and a lot of other guys also getting in the IPO mode. Then some sense will prevail for that other burn also. So, we need not burn, there is a huge market that needs. If look at the broader picture, the tailwind is behind with us, we are with the government's Digital India initiative and there is no significant any headwinds blocking us. So, I think we should go all focus on the bigger picture. And anyway, if you are seeing, we are still doubling our business quarter-on-quarter, every year-on-year. So, with that perspective, I don't think we need to look at that kind of grow, burn and flip kind of a model, we are looking at a more sustainable revenue, more sustainable profit.

Deven:

Thank you Vishwas bhai for putting this point across. And I think I am happy that we are working on quality of the business. The other point, I think, which probably comes along, now unlocking situation would start happening, as I think we see relatively better progress and the health of the people. And probably I think with the prevention and the cure both occurring simultaneously in the COVID case, maybe we will see opening up of the economy. Some of the impacted sectors which we just mentioned, I think those impacted sectors I think would probably start expecting better business, better volume and so would be I think the numbers will get reflected for you.

Given a situation like this, considering that I think the first quarter was a washout quarter, based on those factors. But assuming that I think somewhere it gets little steady or normal in the second and fourth quarter, what is the kind of volume that we are talking about processing? We have already achieved Rs. 50,000 crores worth of processing of transaction in this particular quarter, the run rate is already achieved for Rs. 2 lakh crores. What is the run rate that we are talking about for 2021-2022 financial year?

Vishal Mehta:

If you look, we have grown in higher double-digit percentages in terms of processing volume. So, rather than focusing on a year or a quarter, we have set our own vision and targets to process $100 billion in the next three to four years. So, if you look into outlook, the run rate, I think we are looking at in terms of FY 2021 we can process about close to $30 billion in FY 2021, and we are already in that run rate. We think that a combination of flat fee, if you recollect, we just introduced the flat fee model about six to eight quarters ago. And in COVID it has grown, and the pandemic that hit us again, which is the second wave of the pandemic, the number of transactions in the fixed price model, that increased by 2x to 3x just in last quarter alone. So, it made up for some amount of processing volume, given the other sectors also. So, we think when the other sectors build up, it gives us a good momentum.

The other thing, which is also, we have got a very large pipeline. We have got some very large strategic accounts. Today, we have distributed in processing volume across, as Vishwas said, there are more than 1 million merchants on the platform. We also have some strategic accounts, very, very large, that potentially can add to the volume. Today, such strategic accounts account for less than 1% of our processing volume. So, when you add such strategic accounts, we believe that it becomes a very interesting opportunity for us. And that is the one that we will focus on for this year. But as you can tell, the strategic accounts take their own time to actually build up and scale up.

So, as a result, short of that, we think that about close to $30 billion run rate will be achievable, which is what we have right now.

Vishwas Patel:

And also on the strategic account, if you see the strategy that we are pursuing on every vertical, so we already have set on, say, the travel vertical from the airlines to the hospitality, 2,000 plus hotels to almost all the buses, everything. So, even if you look at even the marketplace business, we anticipate that in the coming decade there will be four marketplaces that might be dominant in the country. One will be Amazon, the other will be Walmart's Flipkart, the third then will be of course Government e-Market, GeM, what we mentioned, GeM is like the monopoly, entire procurement of the central government is moving to that, plus some 25 plus states, all procurement is moving there. And last, of course, Jio will come in with their online to offline strategy. So, if you see, out of the four, we are strategically imbibed into two of these marketplaces, be it the GeM and the Jio marketplace platform which will compete, which includes the platform and payments play in both. So, we are working strategically, and I think these strategic accounts will drive a significant volume in the coming quarters.

Deven:

Thanks so much. This gives a lot of clarity. One last question from my side. What is the status of NUE and when exactly it is likely to come up, what kind of change it can bring as far as our strategy is concerned going forward?

Vishwas Patel:

Right now, we can only state that we have made application for NUE along with our partners through our subsidiary company Sohum, that is that right now. Because it's awaited right now, RBI will take a decision on the license. Post that if there is any news, then as duty-bound, we will inform the board and it will be put up in the public notice.

Moderator:

Thank you. The next question is from the line of Shubh Joshi from Pile of Wealth. Please go ahead.

Shubh Joshi:

My question is that what is the company's CAPEX plan in the South America continent where there is too much opportunity for the businesses? Because what I read, there is no competitor of the company, I think that there is much more growth opportunity. Second is the query of investors being worried about the company, that we have some insider trading. So, please give some clarity on this one.

R. Srikanth:

On the capital expenditure, we are actually always a light-asset model company, platform business, our capital expenditure is hardly anything. And on the payment business, it is possibly less than $1 million, so it will not be that significant. And your second question is actually in the context of I think insider trading or something. None of our companies are involved, and none of our promoter companies and promoter group and any of our promoter shareholders are involved in any of this kind of stuff. And there are no case actually pending at this point of time. We are not party to this or not coming into the purview of this alleged transactions. And we are not party to that and we are a public company and company is not involved in any manner.

Shubh Joshi:

Actually, third question is, what is the plan of the free cash flow? Because free cash flow is very important in India, because any company needs CAPEX in India, because cost of capital is very high. So, we are much focusing on the free cash flows. But everything that comes we will be much focused on the free cash flows.

R. Srikanth:

Right, cash is always king. At the end of the day, we need money actually for our overseas expansions. We need money for our technology investments in terms of the long-term technology investments. So, primarily overseas growth drivers and so on. And of course, we need to have a strategic investment actually in some of the strategic initiatives of the company within the group. And therefore, we will preserve the cash actually for that, besides some of the corporate actions.

Shubh Joshi:

Actually, can you explain the Suvidhaa, you listed this company. I read about the business, but I did not understand, what is this, your company that you listed before, can you please tell me something about it?

R. Srikanth:

So, Suvidhaa is a separate listed company. And as Infibeam management, this is a Infibeam call, we cannot really talk anything about the Suvidhaa or DRC.

Shubh Joshi:

Actually, before it was a part of your business.

R. Srikanth:

This is being under law; under regulations this is being a separate listed entity. It is not correct on our part to really talk about, neither Suvidhaa nor DRC. So, should you have any questions, definitely we can put up that question, actually, to the Suvidhaa management and DRC management, and they will be happy to respond to you.

Moderator:

Thank you. The next question is from the line of Sreesankar from Incred. Please go ahead.

Sreesankar:

The key question that I have is, only a couple of questions. The first and foremost, if I look at it, till 2012 you definitely had a monopoly in the payments business to that extent. When I look at your competitors, Razorpay, PayU, and some of these guys have come in to the market, and I think PayPal has already left this market also, if I am not mistaken. So, severe amount of pricing pressure, competition that you have seen. Is that pricing pressure still there, is that the reason why the pressure that is seen in on your entire revenue?

Vishwas Patel:

I have already talked about it. We are looking at the 85% growth of the market, the market that is not digitized in the country. And when the pricing pressure on some of the existing accounts and others will continue and we will let them fight and burn, our whole aim is to get strategic good accounts and win with our platform plus payments strategy, plus our wider offerings at BBPS, Bharat Bill Payment Systems, the BillAvenue solution, our ResAvenue, our platform play and others. And then on the payments place, there's a lot of growth, we are onboarding thousands of merchants every month and the business and the volume continues. So, payment is a very generic business. What is commerce? Commerce is any goods or services sold and payments made. So, we want to be there every time when those payments is being made. So, we have to keep growing that, create new tools, new systems and new things and the growth will continue. So, even if you have seen despite the pricing pressure, and it's not something new, it's been there for the last four years. And it will continue growing.

As far as PayPal leaving the country. PayPal could not adapt to the country's rules, most probably. Because the way they do their P2P business in the U.S., vis-à-vis following our Central Bank's pre-paid instrument and PPI guidelines, it's quite different and not the way they want to go. And maybe perhaps that they must have taken call and maybe focused only on cross border transactions from abroad. So, that’s the things. As I said, look at the broader picture, look at that 85% market that is there, and we have been consistently growing despite whatever the pricing pressure, and we continue to remain profitable.

Sreesankar:

I am at no point of time questioning the opportunity that exists, I completely agree with you that we are hardly 15% in the digital mode, and then 85% still remains. I was only trying to figure it out now, with some of the players who have come in, who have been pretty aggressive, they must have been burning, as to what extent do you think that they will burn? It is a question that affects you too, and invariably gets into a market pressure, even some investors are like, why is the pressure of the margin. So, I was trying to understand that particular point.

Now, the other part that I want to ask is, how many staff that we have? Because we are more of a product company effectively, it not a time and material. So, when it's not a time and material part of it, you are moving now yourself into various sort of markets, you have gone into Middle East and you are growing up in all these kinds of places. How much is going to be your addition of number of people that will be required? Except, I would presume more from the marketing part of it.

R. Srikanth:

Let me take this question. On both the verticals, payment verticals and platform verticals. In the platform verticals, we are a hardcore product company. It is a SaaS, and we offer on a cloud model, it is basically a hardcore product company. In fact, some of the contracts actually permit us to do the overall system integration work, overall application management services work, our overall application development services work, and we actually refuse. So, we are a product company, and we license actually our products and services, and we support, maintain and manage our services. But somehow these typical services business we actually stay away. So, that is a reason why our revenues are not linear to the cost and it's not linear to the headcount. So, in that sense, our margins percentage actually on the platform is definitely one of our growth driver actually for our bottom-line.

Having said that, in our payment business, roughly 95% of our payments business is transaction driven at the end of the day. So, the fixed fee business is there and that is also growing, but by and large it is actually transaction driven. So, therefore, for all practical purposes, it has nothing to do with the headcounts in any manner, even though we are calling it as a payment services or payment gateway services and so on so forth. So, therefore, the margin pressure which we talked about earlier, margin pressures and pricing pressure definitely the pressure is always there. And that is what we are managing it actually a day in and day out actually with our different rate cuts and so on so forth. So, I think, our numbers speaks for itself. I think we have grown, the previous question asked by Deven, also that we have grown actually quarter-on-quarter in terms of TPV value. In first quarter, the same pressure was also there, Rs. 18,000 crores actually we processed. Q2 we processed Rs. 30,000 crores, Q3 we processed Rs. 39,000 crores, Q4 we processed Rs. 50,000 crores. Totally is about Rs. 139,000 crores at the end of the day vis-à-vis Rs. 878,000 crores actually in FY 2020, resulting in 60% growth actually on Y-o-Y basis.

At the end of the day, that run rate which Vishal bhai was talking about, the run rate of $28 billion is based on our payments on platform business run rate, and we believe that we will be able to grow. That is a unified model which we are having, because platform is linked to the GeM transactions and Jio transactions actually, even the Jio business model is license fee, but it's largely driven by GeM transaction. On the payment side, we have a conventional PG, front end PG for the merchants, and we have CPGS as new offering. We have neo banking actually as a profit driver, and we have a white label business and a B2B business actually as well, besides our bill revenue and ResAvenue platform. Now, we strongly believe that the COVID situation is very temporary. The moment COVID situation improves, obviously, the four flagship sectors will get actually open, and we will have different margins altogether. Considering all these things only we have guided the market actually in terms of EBITDA margin.

Sreesankar:

Srikanth, somewhere I think you mentioned that probably you are targeting $19 billion that you have done in FY 2021, probably going towards $28 billion, correct?

R. Srikanth:

No, no, the present rent rate actually on the payment business is about $18 billion. And on our platform business is about $12 billion, $13 billion, total run rate is about $28 billion. So, that $28 billion run rate will possibly grow actually. So, that is why that gives a confidence to us that we will do $100 billion in three to five years' time.

Sreesankar:

Perfect. Okay, no point of time specifically, because I look at your competitors like Razorpay, etc., the kind of people who are backed down to the kind of number of times that they have raised money, obviously, they have got ready to burn to that extent. Thank you.

Moderator:

Thank you. Next question is from the line of Unnati Bhavekar from KRChoksey. Please go ahead.

Unnati Bhavekar:

Sir, my quest ion is that you have been carving out payments transaction process overall. And then bill payments process volumes which is the subset of that overall, which is a part of that Bharat Bill Payments System. And you have also been talking about GeM transaction process. So, will it be apt to believe that the overall payments GTV is going to be driven by the growth in the Bharat Bill Payment System for the short term now, given that rest of the ecommerce transactions could have been affected due to lockdown with discretionary spending being held back?

Vishal Mehta:

That was definitely the case in Q4 of last year. This quarter also we have continuously seen okay and good growth, we don't see a dip in transaction volume. We expect that maybe by the end of this quarter or early next quarter that when COVID settles down, that will open up quite a bit. So, short term is a relative term, but we think that potentially it does not go beyond this quarter.

Unnati Bhavekar:

Okay. And you have been mentioning about the fact that the Express lending services that you have been offering to the merchants, that has been quite a margin accretive proposition for you. So, without the neo banking license, how is this lending happening? It could be a layman kind of a question from my side. Or is it a part of the operating credit that we extend to the merchants?

R. Srikanth:

Let me explain on this. Actually, it does not require operating banking license. So, Express Settlement means that as per our normal conventional payment processing businesses, front-end PG actually for the merchants, so under the regulations under RBI norms, depending upon the merchants we have T+3, T+5, T+7 settlements, as the case may be. So, that is an allowed one. Now, today the merchants all want actually money on the same day. So, therefore, we have an ability to really settle the transactions actually on the same day. And therefore, since we are truncating it actually a few days in advance, so we are charging something extra actually to them, and that is what we call it as Express settlement. So, in the process that this is after the success of that transaction, therefore, the NPA is practically zero. And for all practical purposes we charge something higher, that is why we are saying this is like a profit driver actually for the company.

Moderator:

Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.

Vishal Mehta:

Thank you all for joining our Q4 and full year earnings call. Hope you are all safe and your family is safe. And we look forward to speaking to you again shortly whenever we update. Thanks again.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Infibeam Avenues Limited and KRChoksey Research, that concludes this conference. We thank you all for joining us. And you may now disconnect your lines.