



“Infibeam Avenues Limited
Q2 FY2021 Earnings Conference Call”

November 12, 2020



Analyst: Ms. Parvati Rai – KR Choksey Research

Management: Mr. Vishal Mehta – Managing Director
Mr. Vishwas Patel – Executive Director & Head, Payments Business
Mr R Srikanth – President
Mr Hiren Padhya – CFO



*Infibeam Avenues Limited
November 12, 2020*

Moderator:

Ladies and gentlemen, good day, and welcome to the Infibeam Avenues Limited Earnings Conference Call for Q2 FY2021 hosted by K.R. Choksey Research. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not guaranteeing 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 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 from K.R. Choksey Research. Thank you, and over to you, Madam.

Parvati Rai:

Thank you, Malika. Good evening, everyone. On behalf of K.R. Choksey Research, we welcome you all for the Q2 FY2021 Earnings Conference Call of Infibeam Avenues Limited. I take this opportunity to welcome the management of Infibeam Avenue represented by Mr. Vishal Mehta, Managing Director; Mr. Vishwas Patel, Director as well as Founder and CEO of Payments Business; Mr. R. Srikanth, President; and 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 session. I now hand over the call to Mr. Vishal Mehta for his opening remarks. Thank you, and over to you, sir.

Vishal Mehta:

Thank you Parvati.

Good evening and a warm welcome to all of you. On behalf of the management present on the call, I welcome everyone to our Q2 fiscal 2021 earnings call. It is my pleasure to present the standalone and consolidated accounts of the company during the call. Our financial results,



Infibeam Avenues Limited
November 12, 2020

earnings press release as well as investor presentations have been uploaded on the stock exchange and company website, ia.ooo.

I will spend a few minutes to give you brief updates about the quarter before I hand over the call to Vishwas to give you more details.

We had seen a V-shaped recovery by the end of June by when we had surpassed pre-COVID19 payment processing levels. This quarter we have seen accelerated growth in Payments. We adopted certain tactical measures to capture the growth in Payments aided by COVID.

Please turn to slide 7: Infibeam Avenues continued to maintain and accelerate its Digital Payment and Platform businesses growth both in domestic and international market. During the quarter, the Company has registered all round performance across its digital offerings.

We achieved the highest ever Payments GTV in Q2 of Rs. 22,780 crore, up 61% sequentially and 56% yoy. We have now achieved a stable average monthly run-rate of Rs. 7500+ crore, which means that in today's exchange rate, we will process about \$1 billion every month in payments. Payment transactions were also the highest ever at 44 mn in Q2, up 23% QoQ. Q3 being festival quarter, gradual opening up of the economy and sectors like aviation, travel, hospitality, entertainment, etc. gradually opening up, will further add to the ongoing growth.

Bill Payments has seen a stellar growth in Q1 as well as Q2. Bill Payments volume has gone thru the roof during COVID as people resorted to paying for utilities digitally rather than paying in cash, a historical trend in India. Bill Payments volume exponentially increased in Q2 to 4.9 mn, up 89% qoq and 168% yoy. We continue to see great traction in bill payments business thru BBPS infrastructure.

Merchant registration continues to increase as new sectors and individuals all queue up to offer online services. Merchant registration was up 26% qoq. We have built a strong pipeline of merchants which will help us to organically scale as these business grow. Word of mouth and our brand having two decades history remains our most preferred customer acquisition route along



*Infibeam Avenues Limited
November 12, 2020*

with bank alliances. This helps us to significantly save on marketing cost compared to most other competitors.

One of the biggest achievements for us during the quarter after a long screening and due diligence exercise was, signing the definitive agreement with Reliance Industries' Jio Platforms Limited and its affiliates (JPL) to license, customise, maintain and access IAL's Enterprise E-commerce Software and Payments Platform for their business use. It is a great pride for us to become a part of JPL ecosystem, alongside some of the world's largest and most revered companies and investors.

We continued our journey to expand overseas by entering into Oman, our third GCC country, after entering UAE in 2018 and Saudi Arabia in 2019. We have partnered with Oman's second largest bank by market value, BankDhofar, to offer our newly launched payment solution, CPGS. We will process card payments of various payment networks like Visa, Mastercard, Amex, in Oman where BankDhofar is the acquiring bank. Oman is a developing ecommerce market in the GCC region and our early entry gives us a strong headway there.

Another important business development for us during the quarter was signing up with JP Morgan Chase bank to offer IAL's flagship payment platform, CCAvenue, for processing transactions of JPMC enterprise clients.

We think, these developments are a testimony to our strong tech stack, which Vishwas will touch upon in a minute, two decade of management experience that we have gathered along with our team members, core leadership team that continues to work with us since inception, a never heard of phenomenon in the fintech sector, and our strong corporate governance that gives ample comfort to all our customers to work with us across the regions we operate.

I now hand over to Vishwas to give you a quick brief on the tech stack we have built comprising a unique combination of Payments and Platform, which offers a 360-degree solution to our customers, followed by developments during the quarter. Over to you Vishwas.



Infibeam Avenues Limited
November 12, 2020

Vishwas Patel:

Thank you Vishal, and good afternoon to everybody on the call. I will go straight to Slide #5 of our presentation.

We have built a very powerful tech stack comprising a robust combination of Digital Payment and Enterprise Platform solution to offer almost everything to a customer under a single roof, be it is a SME, large enterprise, governments as well financial institutions across the world. We have built this stack over a period of 20 years since our inception in 2000-01. We have invented and added features 15 years ago which the competitors are offering only since last few years like SMS payment links, social media payments, etc. We have been building industry leading bank-grade solutions when this industry was not even known to many or who did not believe in the power of the internet.

So let me quickly explain the 7 platform and payments that we have within our ecosystems.

So the first 4 are our digital payment platforms and the other 3 are our enterprise software platforms. So most of you have been aware of our CCAvenue platform, the payment gateway, which we launched in the year 2001. Today, it has 200-plus payment options, connects to almost 75-plus banks in India, in their core banking solutions directly. It also is a white label solution, which is used by the likes of HDFC Bank, Kotak Bank, JPMorgan Chase. So the world's best are using our CCAvenue payment white labeled for them to go out to their clients. Some of the biggest marquee clients that we have direct relationship, we have in the hospitality, Taj Group of Hotels, Oberoi, ITC in OTAs Yatra, Makemytrip, Cleartrip. So the whole spectrum of various verticals, we have all the top clients. It is already now launched in UAE where we are the #2 player there doing an excess of AED 2.5 billion they are processing. We launched in Saudi Arabia and now in Oman, as well as USA also we are starting very soon. We are compliant to all local regulations in these geographies and whatever the necessary licenses in these regions. Our other product is doing backward integrations to compete with the likes of FSS and Hitachi Payments. So we are building our own switch, our own MPI plug-in. We have already now test-launched it in Oman. BankDhofar

is going to use it, which is already announced, and one of the biggest banks in the region we will announce in the coming week and signed up with it. The same platform is also being used white label by the Jio Platforms for their entire processing. It is PG agnostic and can work either in a SaaS model or on-prem deployment within the banks or the telco's data center. We plan to take this globally in the coming months. The third solution that we have is a B2B plus white label for big corporate to handle not only receivables but even payouts to thousands of their vendors. It is also white labeled to HDFC Bank. Some of the major merchants that we have on boarded on this platform, includes Hindustan Unilever, Bisleri, etc. Now this is the entire acquiring piece from back to back what we have done. The last piece, what we have going is on the insurance side and the lending side. So that is how we have acquired this company called Cardpay Technologies. They are building out a GRIT platform, GRIT mean courage and we will be taking this to a lot of big enterprise clients as well as MSME and others to give them a complete service, this is like an aggregator of banks where with a single log-in, you will be able to see the balances across bank accounts and you can do multiple transfers, do vendor settlements as well as entire lending and credit card issuance where you can generate virtual cards or physical cards at will. It is a very interesting platform which we have just launched, and we expect great things coming in the coming days. This completes the entire payment stack be it acquiring and issuing.

On the other side, we have this enterprise software platforms. The first is the BillAvenue. Vishal briefly told you that the exponential growth we have had during this COVID-19 pandemic. It is already built out very well. We have the RBI license to do both the biller operating unit as well as the customer operating unit. Already, we have signed up 600000-plus agents in 2600-plus towns across India. So all the small stalls that you see across these are in village square they pull their feeds to our bill avenue solutions. We have on boarded a lot of billers including the Gurgaon municipal corporation, Ahmadabad municipal corporation, the top 3 LPG companies like Bharat Gas, HP Gas, IOCL. We have on boarded last month also around 1600 schools for their fees collection onto the platform. It is growing exponentially. In India, there are 23 million bills generated every day for the 1.3 billion Indians that reside in this country. So I think the bill payments, which is a non-touch model, BillAvenue should have a very good growth and should

continue the momentum that we have got in the last few quarters. Hospitality solution also, once this COVID ends, it will really grow. We have 2500-plus hotels using our enterprise level, booking engine plus a channel manager where a hotel can distribute inventory to any OTAs, be it Hotels.com, Booking.com, Makemytrip or Yatra, Ctrip through a single interface. It has a payment gateway attached to it. The enterprise platform that is the GeM platform as well as now the recent signed up Jio platforms as well as in the Middle East used by Jumbo Electronics and Saudi Telecom. Srikanth will be giving out more details on the SaaS platforms.

Overall, we have an asset-lite, non-linear, scalable business model, not linked to people centric model unlike IT companies. We have extremely low marketing costs. We operate Rs. 1L crore of payments business with only about 325 people, and generate profits unlike most other payment peers. Our Platforms business is a very high EBITDA margin business.

Please turn to slide 8: Our Payments business registered a strong growth in the quarter. We saw accelerated growth in the business post gradual lockdown relaxations since June. We had already surpassed the pre-COVID daily average by the end of June. During the quarter, we structured the pricing in payment business for capturing market opportunities in line with the industry, to sustain profitable growth.

Our daily GTV in Sept 2020 was 2.5x vs. Apr'20, averaging about Rs. 275 crore daily in Sept. month. GTV by the end of the Q2, in the month of September crossed Rs. 8000 cr (India + UAE), more than \$1 billion a month. As you are very well aware, airline business where we power more than 22 airlines, or even the hospitality sector, where we power more than 2500 hotels, including Taj, Oberoi and ITC, so despite this the company has scaled very well, and once these come up, I think potentially, we should be able to do Rs. 10000 crore per month in the coming months.

If you notice, the chart to the bottom left of the slide, credit card spend has also increased by over 3x since April 2020. It indicates that jobs are moving back and consumers are now spending on the card. We are witnessing a growing credit card spend every month which is an encouraging

sign of growing business. This also means that overall spending in the economy is improving leading to positive growth in the economy versus the dull experienced in Q1.

We are also experiencing strong merchant registration which continues to build our growth pipeline, refer top right bar chart. We were getting nearly 150+ registrations per day, on an average, in Q2, Retail & Education continue to take the large pie like Q1, Grocery is a new addition and continues to build up, doctors, advisors, consultants and legal and individual professionals are increasingly availing PG service, which are part of Others in the chart. You will notice, that Aviation, travel, hospitality and entertainment are not part of this chart as these businesses are still experiencing low footfalls at the moment. This was not the case in FY20 or earlier when we used to get healthy registration and transactions from these sectors. Hence, there is still headroom to grow the existing business itself, apart from growing business from other sectors like education, grocery, healthcare, and tech companies.

To add to this, we are taking our solutions international. UAE and Saudi Arabia comprises almost 85% of GCC. We are already there. In U.S.A., we are just going live. It will add to our growth. In Saudi, we are just awaiting one MADA certification to connect to the local debit cards, which is requirement there, and post that, we will go very aggressive in the Saudi market. Saudi is also the number one travel destination in the world in religious tourism, and we also expect that USA will also come back in a strong way post the elections. We already have a team of 5 people in USA since February of this calendar year.

To sum up on this business, there are only about 160 million unique digital payment users in India, constituting about 12% of the user base in the country. The smartphone users in the country is expected to reach 829 million users by 2022 as per CISCO's VNI report. There is relatively low digital transactions per capita per annum at 22 in India in FY19 compared to that of Singapore (782), USA (474), Brazil (149), China (97), South Africa (79) & Indonesia (34) as of 2017. Moody's Analytics analysed 56 countries that accounted for 93% of the world's GDP between 2008 and 2012. The study showed that use of electronic payments added \$983 bn to the GDP of various countries and raised consumption by an average of 0.7% across these 56 nations. Govt (Ministry

of Electronics and Information Technology or Meity) is working to increase digital economy's contribution to 20% by 2025 from 7-8% currently. There is enough headroom as well as strong tailwinds in the country which is a natural growth driver for digital payments growth in India. And our early entry in GCC as well as expansion plans in the international markets will take us to the next level of growth.

Please turn to slide 9; Bill payments platform, BillAvenue

BillAvenue, as you are aware, is a unified, interoperable, online payments platform for Indian citizens to pay all their bills, through a single window, under the Bharat BillPay or BBPS infrastructure. BillAvenue had a stellar quarter in Q2, nearly 2x better than Q1. We recorded highest growth in bill payments volume of 4.9 million in the quarter, averaging 1.6 million each month. Considering the month of October we are a Q3 run-rate to process over 6 million bills, averaging 2 million monthly, a 25% growth, over Q2.

We are working with very marquee clients as mentioned earlier, various companies, with various municipalities and education institutions.

In the month of October, we have integrated hundreds of schools. We are currently also in discussion with other education institutions to onboard them on the platform. We have 100% repeat business from our billers in BillAvenue. This is a sticky business and as consumers adopt BBPS mode of payment, the volumes will increase.

Bill payment in India is still largely done in cash. To capture this opportunity, we have chosen an offline, yet asset-lite, business model in BillAvenue, tying up with agent institutions to service the consumers across India. We have over 600,000 agents registered with BillAvenue platform to service millions of consumers across India. Some of the major agent institutions include UAE Exchange, Muthoot Group, Vakrangee, etc.

As per a study by RBI of 20 cities in India, 20+ mn bills get generated everyday; there are 1+ mn billers across the country. Telecom sector generates over 1 billion bills every month. As a greater

number of billers across various industry sectors including municipalities and government bodies register on BBPS the volume of bill payment transactions thru BPPS will rise significantly.

You can see from the chart, our bill payments volume has grown over 5x in September compared to April. Also, the number of billers on BBPS and hence the volume has also risen sharply between April and September, which can be seen in the table at the bottom left.

Please turn to slide 10; CPGS, our newly launched solution for financial institutions

CPGS is an on-premises and a SaaS-based global payment solution to process cards of various payment networks (like Visa/Mastercard/Amex and more) for financial institutions (FIs) anywhere in the world. This business will serve as a revenue and profitability driver for the company.

CPGS was launched first in the international market, in Oman, by tying up BankDhofar, which is Oman's second largest bank by market value, and as we said, we also tied up with Jio to do the Jio's processing as Jio's enterprise payment platform.

Just to give a perspective of how lucrative and scalable the model is; Oman has a population of approx. 5 million people. There is 170% mobile penetration in the country generating nearly 8 million bills every month. Apart from that; ecommerce transactions, car fuel transactions, travel and hospitality, other retail or corporate transactions potentially generates another few million transactions a month, totalling to 12-15 million transactions or more every month. BankDhofar is among the leading card acquirer in the country. Oman government, just like it's peer countries, UAE and Saudi Arabia, is supporting and pro-actively working to boost digital transactions in the country, as well as supporting growth of digital payments in the country. Hence, all online card transactions acquired by BankDhofar will entail CPGS to process and validate these transactions for the Bank, and as digital transactions scale in the country from a low single digit to a higher number thru various initiatives in the country, we will benefit.

We have also offered this solution to Jio Platforms under our recent contract, which becomes another big opportunity for us.

We are in discussion with multiple financial institutions and we have received interest from various banks, one more big bank in the Middle East, we will update in the coming weeks.

Please turn to slide 11: updates on express settlement and Grit

We are seeing a good traction in express settlement. The business went commercially live from September. Of our daily GTV in PG, a high single percentage, is being availed by our merchants as express settlement. Typically, we can charge anywhere from 5bps to 50bps per day for providing this service which does not have any pass thru. This enhances our net take rates as well as makes a customer sticky. We are utilising our own internal accruals to lend to customers on instant basis. Hence, our cost of funds is nil. We are targeting 20% of daily India GTV as ES in the next 12-18 months.

Issuance was a missing piece in our portfolio. Hence, we acquired Cardpay Technologies, Grit, in June this year, to enter issuance services. Grit will transition to offering Neo Banking or digital banking services to SMEs and corporates. It will offer a spend management platform for the CFOs to track all the expense, issue cards to employees for expenses to its company staff, allow opening of bank accounts, do bulk payments, bill payments and much more.

We have a rich database of over 1.5 million merchants which is our target segment. Digital banking is slowly and gradually picking up globally as well as in India with banks also opening up their APIs for fintech for better technology and deeper penetration and more use cases. There are already some successful models in Neo Banking in some of the developed countries as well as certain emerging countries as well.

The platform is partially ready and is in test phase. By the end of this year we plan to make it commercially live and roll it out to our merchants in India.

Now with this, I will now hand it over to Srikanth to explain more of our other enterprise software platforms. Over to you, Srikanth.

R Srikanth

Thanks, Vishwas. I am going to talk about in the next 5 minutes on our enterprise software platform business. This is our second business, cards being a payment offering and second being our hosted e-commerce marketplace platform business. This is basically on the cloud-based software business, as you all know, and this is enterprise to enterprise, and this is being offered actually on a SaaS model platform, which would mean that this will allow the corporates to transact all online transactions and manage all the back-end orders be it orders or be it inventory or be it any logistics support and make actually digital payments and of course, undertake actually other online ancillary services and other value-added services and so on. So this is basically a very super scalable platform, which we developed, and of course, it is customized actually and customizable and customized to the enterprise customers actual requirements, and this platform will meet the very large-scale implementation. When I say large scale, it is really, very very large scale, and of course, from our business point of view, it is basically having a very high EBITDA margin, and this is our growth driver in terms of our profits, and this business will also facilitate our payment processing business in a significant manner. So I am going to talk about two named accounts, our large customers in the next 2 to 3 minutes. First being that, as you are all aware that we signed our contract in consortium with our master service providers with Government of India's SPV, Government eMarketplace (GeM). It basically hosts one of our largest online market for government procurement, be it actually data centers, including the government buying units and so on, and that is basically called government e-marketplace which shortly called as GeM actually. This portal is basically developed, maintained and run by Infibeam with the consortium partners. This would mean that all the government units with data centers procure goods and services through this platform, and that is basically converting the conventional DGS&D contracts into the digital economics to boost the country's GDP in the context of optimized procurements. There are a lot of advantage for government buying units from different business services, and the sellers are across pan India, be it small scale or SMEs or MSMEs, any large-scale vendors right from stationary to the large-scale machineries and so on. This would mean that recently, as you all have been aware that Indian Railways have been planning to integrate actually their

procurements into this system, and eventually, over a period of time, the defense and other army department may also actually get integrated with this unified portal. Just to have the data points, it is pretty confidential between the government, and the company has not disclosed the numbers per se, but we believe that the Railways volume is going to be actually hitting \$10 billion actually per annum in a very short span of time, the moment the integration phase is over. This particular thing is basically, the vendors and merchants who are in this platform are working, and GeM is also working with various banks, and also trade receivables, discounting system called TreDS to offer bill discounting, other financing of working capital and so on, and possibly, once our issuance platform and credit platforms are going to be online, that could be a huge opportunity for Infibeam's CCAvenue Finance, which will try to offer our credit facilities and issuance facilities to our sellers who are actually on boarded in GeM platforms. So this way we have direct and indirect benefits to our organization. In terms of data points we all know that in FY2019, we have processed about 17000 Crores, and order booking is about 17000 Crores. In FY2020, it was about 27000 Crores, and of course, this business, in terms of order closure, got affected due to COVID because the entire units for central and state government got actually shut, and as of now, we are at about Rs. 15000 crore in the first half of this year, and the overall estimate is actually in 3-digit billions of dollars, but I think it is going to be a very long-term strategic contract from our perspective, and this is going to be one of India's largest online marketplace actually going forward. That is what we are strongly believe. We are a party to that, and we are partners with that, and beyond business and beyond money, we take a pride as an organization that we are contributing for the national importance project. So this is on the GeM side, and of course, you are all being aware, end of September, as Vishal was mentioning in the beginning of this conversation, we signed a very prestigious contract with Jio Platforms Limited along with this affiliates to license our marketplace enterprise software and also to customize actually to their requirements and of course, to maintain and access and run the platforms to the satisfaction of the customers, and the business model is actually a licensing free business model and transaction-based business models, and the system is capable of taking actually the huge volume of transactions, as in the case of GeM, and more importantly, this particular system, which are emerging system which has the largest ever catalog management system and also actually we got

third-party 3p systems. So this is a prestigious contract. This would mean that with this contract, we are entering JPL and its affiliates across the businesses of JPL, initially, actually from the enterprise software point of view actually to strengthen the Jio Mart applications, and by the way, actually, this will facilitate our payment processing business in a very huge manner, and of course, JPL contracts also, we have our payment processing right to use. They have the right to use our enterprise payment platform at our environment, and also hosting that, eventually at their environment, but fundamentally, this will enable the payment processing for both JPL business entities for their internal business going forward.

The next one is this announcement, I think we had the PR release a few minutes ago, and this is a very important announcement and very important strategic investment from our perspective, and as you all know, that Reserve Bank of India governs the rules and regulations and issued the guideline for the new plan India, new umbrella entity, which called the NUE license to govern the retail payment systems in the country. So this guideline is already in place by RBI, and based on these guidelines, they are giving the opportunity to companies to really apply and obtain the NUE licenses to govern retail payment system in the country. This thing is exactly like our NPCI licenses. It is a very prestigious license from our perspective, and we being the first company in the payment space way back in 2000, and forefathers for any innovation and creativity actually on the payment side of business, we understand this payment business and end-to-end payment business in all manners, and we believe that we should be a true partner actually for this new umbrella entity, and that is the reason why we are going to really participate in this NUE entity by taking actually investments up to Rs 18 crores for 1/3 stake in a company, which is actually started and set up by the PCI Chairman Emeritus, Mr. Navin Surya and basically to pursue this operation, and this company is called the So Hum Bharat Digital Payments Private Limited, shortly, it is called So Hum. It is a very spiritual word, and as much the meaning of So Hum is that as much actually, it is a huge opportunity to make digital payments very natural, very effortless, very invisible actually in our economy just like actually we are breathing air in our body like natural, effortless and invisible, and that is what is called So Hum, and that means that we will be doing every bit of payments actually under this particular entity. Hopefully, we should get that license, and we

believe that this So Hum is entitled with all this eligible criteria, and if the company has to be authorized by the Reserve Bank of India based on their guidelines, and this company is actually governed by the guidelines of RBI under Section 4 of PSS act of 2007. With the scope, we can develop and operate new apart from Rupay cross-border retail payment network, and of course, setting up new payment systems, retail payments comprising of new generation ATMs, while label PoS and other based payments and remittance of services and develop new payment methodology and standards and techniques and more. So this is the overall scope, but of course, opportunity is well drafted by Vishwas earlier. There are rich consulting reports, and there are about Moody's Analytics report with respect to the opportunity on the digital payment system, especially on the retail payment system. Government Meity is working to increase digital economic contribution to 20% by 2025 from the percent level of 7-8% as it is today. So there is an opportunity, there is a scope is well drafted and there is a company, which we are going to really partner and which are going to really invest, and we will be really applying along with the consortium partners, we will be applying it actually for these new licenses with RBI within the guidelines as governed by RBI.

I would like to really hand over the floor to Hiren Padhya, our CFO, to take on from Slide #15.

Hiren Padhya:

Thank you, Srikanth. I will directly move to Slide #15. First thing it was an excellent recovery during the quarter in terms of payment gross transaction value, which is more than Rs. 22000 Crores, which is up by 60% quarter-on-quarter. Generally, the monthly run rate is Rs 7500 Crores, which is equivalent to almost \$1 billion on one side, and on second side, it is an increase in volume also by 23%. In case of Q1, quarter-on-quarter, bill payment also, again, the gross transaction value increased to Rs 406 Crores, which is up by 141%. Same way the bill payment volume, it is up 4.9 million, which is again up by 90% quarter-on-quarter. We can say that above figures have been reflected in terms of revenue, which grew by 50% quarter-on-quarter to Rs 154 Crores despite very low contribution from aviation, travel and tourism, hotel and entertainment industry. Similarly, EBITDA has grown 12% quarter-on-quarter to rs 35 Crores, and lastly, the PAT, profit

after tax, which is excluding share of associate, has also improved by 26% quarter-on-quarter. Although COVID still persisted in the month of July, the company has seen a V-shaped recovery from August onwards. This is a quarter and it is evident from other financial metrics that we have achieved positive EBITDA and positive operational cash flow with clear path for sustained profitability for corresponding quarters. Further, we will continue to monitor cost optimization on one side and efficiency measures and we also eagerly review business opportunities, including new geography for market share expansion, which will lead to next growth trajectory.

During the quarter, we structured pricing in payment business for capturing market opportunities in line with the industry, mainly to sustain profitable growth. Over and above, new businesses, namely express settlement, Neo banking, including card issuance and lending and CPGS, that is card processing for financial institutions, this all will also strengthen our domestic and internal foothold going forward apart from our expansion in Saudi Arabia, Oman and U.S.A.

Now I will hand over the call to moderator for question and answers.

Moderator:

Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Manan Shah from ICICI. Please go ahead.

Manan Shah:

First, many congratulations for the stellar performance in this quarter. I think COVID has helped us in a way, has helped to penetrate digital payments in the country. My question for Vishal is, what is the vision of the company over the next 5 to 10 years? How can we use that the market share that you gained in payments to help us increase the offerings for our merchants and consumers? How can we leverage that data to increase the revenue?

Vishal Mehta:

Sure, Manan. So as you see Slide 5 of the presentation, we have built out about close to 7 platforms today that enable payments. So the core of what we do right now is to enable payments and make it stickier. As a payment gateway, what we realized is that there are many companies who can offer payment gateway solutions, and maybe over a period of time, we have got an edge with 20 years of ensuring that we have got the best-in-class fraud practices, risk practices, compliances and make sure that the success rates are the highest in the industry. So we have built that out, but beyond that, like you mentioned, what we want to do is we want to offer solutions that potentially allow merchants as well as customers to be able to utilize more and more of us. So the one strategy that we have is to vertically integrate in that, what we mean by that is we are more on the application side right now. We have provided software solution as well as payment, as combined solution to merchants and customers that actually increases the succession, it tells you a lot more data about what is the product which is being sold, what is the promotion that was applied, what is the success criteria? what is the value? And then providing all these analytics and dashboards to customers. In fact, if you look at our product, we have got some of the best-in-class analytics that we provide to merchants in the back-end as well to be able to enable them to understand how to increase the success rate of transactions, how to offer additional payment related upselling to customers. We realized and merchants also realized that it is the payment that is driving consumption. There is an affordability with EMIs and many others. So the productization of that is what we are working on. Now we have gone to the switch layer. We are vertically integrated because in payments, the tighter the integration that we do, and you would appreciate that we also provide solution to more banks that if we offer that solution with very tight application layers as well as with the switch layer, be able to go and provide such solutions to banks as well as to merchants then it becomes more of a very concentrated effort to give a complete solution to merchants and customers. So that is one way that we are going at, which is how do we vertically integrate and offer more and more solutions from a payment from a software perspective. To your question about analytics and the data that we generate, you see, what we have realized is that if we are able to provide inherent analytical information to merchants to be able to increase the fall-through, then it becomes extremely sticky. We are a neutral player in the market. We have been working across industries for so many years. We have

got industry-specific analytics and solutions that we have identified. We have more than 50000 different integrations that we have done into the software systems of third parties, and for that, as an example, if it is a property management solution, then we have integrated very deeply into such property management solutions so that when we give it to one merchant and every merchant who is on the solution will potentially come up, and you know that over a period of 20 years, doing more than 50000 integrations takes a lot of time and keeping them updated and current. So with that, we have built out this ecosystem, which enables us to grow internationally. In the next 5, 10 years, we think that we can work things which Srikanth pointed out. Is there a possibility that we can actually enable a whole network level operation and not necessarily be a processor and application layer and a switch layer, but in fact, be part of an network level operations, and that becomes a very interesting possibility for the company as we scale up that one, and second is that as we have access to millions of merchants, you see historically in companies that are overseas who work in a similar space, there are 3 large revenue streams for the company. First is the payment processing volume or payment-related revenue stream and software revenue stream, which we are doing right now. The second is the lending part, where to all these merchants and customers that whether it means that partnering up or being able to be present in terms of giving such opportunities, one thing that we have started is secured lending, which we wish to scale up, which what I mean by that is that there is a T+2 settlement as per RBI norms, and we have started something called express settlement where we can settle for the merchant engines, the remittance is the same day. So those kind of opportunities, as you know, we process about Rs 1 lakh Crore of transaction volume every year that, can we do it faster because cash flow for 2 days will improve, and merchants are willing to pay more for getting cash flows better. So we think that you have those lending-related opportunities are the ones that we will also look at. GRIT being one of them, which we have just invested into that we will operationalize and commercialize it by the end of the year. So those are the opportunities which become very large because it just sits on top of all the data analytics and payments that we already process, and we think that, that becomes an interesting revenue stream and an opportunity for us, and the third thing is the advertising-related opportunities that come along with that, and so those are the 3 revenue streams historically that most companies are focused on, and you can

imagine that right now, we have got one pillar of revenue that we are focused on, where we just opened up lending-related opportunities, which have deep analytics by partnering with banks as well as financial institutions to be able to give to merchants and others, and then we will offer additional analytical opportunities in terms of advertising and others as well in the future.

Moderator:

Thank you. The next question is from the line of Nilesh Soni from K.R. Choksey. Please go ahead.

Nilesh Soni:

I have a couple of questions. Sir, in the Neo Banking segment, which you currently entered, Sir, can you please name out the corporate clients, which you are currently catering to or the sector which you are focusing in to tap this market? And my second question is, you are the only one clearing the domestic market in this segment. So what could be the entry barriers for other players to enter such industry?

Vishal Mehta:

Vishwas, do you want to take that?

Vishwas Patel:

Okay. So basically, what we are trying to attempt with this Neo Banking thing is it is for the corporate CFO and meet all their requirements spanning from right from the CFO doing the entire credit for all his sales staff or marketing staff, say if you are going for a trip to Delhi, you can just generate a credit card of Rs 30000 limit, and that card can use it to buy your ticket on the airline portal, your hotel on the OTA platform or even your spend, and automatically, the entire expense management goes into it, right, into the main company's accounting software like Tally or SAP. So that is just one-use case. Apart from that, and through that, the entire credit mechanism comes in. So GRIT is a platform that we are talking about, will help us start our lending feature. As Vishal already told you, we have 1 million plus merchant in CCAvenue, where we have to full data of the

merchants, the transaction history and more. There are also a lot of sellers who sell to the government and the many other data points that we have, which will give us informed good decisions on extending credit. So GRIT as a platform will have a lot of functionality feature that is rich for the client as well as give them credit. From our perspective, it is an arm for the next-generation digital banking that the GRIT would evolve into which will not only give them credit, but also give them a lot of functionalities to do a lot of things, make it easier with them, be able to do single interface do all bill payments for multiple offices across the country, map the electric consumer numbers and through one-click payments can go. So all those facilities will come. So it is a complete end-to-end new-age digital banking platform where they can see balances of the multiple bank accounts into one platform. So that is what we are aiming at right now, it has just been launched, does not have any clients right now. The company just took in last quarter, some of the solutions, in Neo banking integrations with different banks and tie up in the back end with banks and NBFC is in process right now.

Does that answer your question?

Nilesh Soni:

Regarding this entry barrier, so don't you think you, even banks, the other leading banks could come out with such offerings immediately after we are rolling out these features. So do you see that threat for Neo Banking?

Vishwas Patel:

So I think they can also come out, but what happens is that this solution is an aggregator of banks. Just like an aggregator of PGs, we have 200-plus payment options. We are through our interface, a potential company can see is balance in HDFC account, SBI account and Kotak Mahindra account for a single interface and transfer money to them. A bank potentially like an ICICI bank may not be able to take the API of SBI, HDFC and display on its own portal because one, they are competing in the market, second, they do not want to show or promote any of their competitor banks. So here, it is a very neutral aggregator model of banks, which makes it convenient for the end

merchant that we are looking to map their multiple bank accounts, transfer money and there are many features which most of it we have evolved like bill payments through BillAvenue even all the other types of bulk payouts and other things that we have built, especially APIs to multiple banks. So that is inherent moat to protect as far as this bank competition is concerned.

Nilesh Soni:

Okay, and my second question pertains to the bill revenue. So can you give us some sense that which new categories are government or RBI planning to add into this bill revenue segment like they are currently into utility, health care? So any rough idea of what they are planning to add new?

Vishwas Patel:

Okay. So earlier, it was restricted to 5 categories, mainly electricity, municipal bills, gas and the other two. Now what they have given for RBI through a notification around 2 months back, said that any kind of a billing which can have a recurring payment, in a monthly cycle can be brought up on the Bharat Digital Payment System. Now this has created massive opportunities. So not only are these typical utility bill and other things but even your credit card bill is coming online, even your bill towards the loans that you have taken. So if you have seen in the last 2-3 months, we have on boarded L&T Finance, we have Murugan Finance, many, many finance companies, we are putting them up through our systems onto the BBPS platform. So any kind of recurring payment you can think of can be there, be it your school fees, college fees or the insurance premiums and everything has been on boarded right now. So the scope is, as I said, 20+ million such kind of bill payments are generated in the country every day.

Nilesh Soni:

Sir, is this the reason for this volume growth which you are seeing in bill payment since March?

Vishwas Patel:

Yes, as more and more utilities come, so let us say, if we have an agent in Guwahati and Assam, right? So if Guwahati guy offer him Adani Power here in Mumbai, he would not get customers there locally because we need the Guwahati power to be there, right? So local and generic coming because on the other side, agency has already signed up, we need to put up more and more billers, and more and more billers come in, the more and more transaction increase. On one side, you have to onboard hundreds of billers, other side, thousands of agents and then the whole ecosystem starts groing.

Moderator:

Thank you. Next question is from the line of Monal Kataria, an individual investor. Please go ahead.

Monal Kataria:

So if I look at the financials on Slide 15, compared to last year, our EBITDA margins have fallen despite a higher payment volume processed. What is the reason for this?

R Srikanth:

Basically, the main reason is that in this quarter, there is a business mix change. There are certain new verticals within our payment processing, which was not existing earlier. That has come during the current quarter. Some of the new business in terms of education sector and utilities and so on, which we have not seen that kind of a volume earlier. So this is a great opportunity for us because the business model for these sectors are completely different. These are fixed pay model. So therefore, going forward, that with the quarter which is there actually Diwali and another festival quarter in October onwards read with opening up of full economy in terms of aviation, entertainment, hotel sectors and so on, and readwith the continued volume of education sector and utility and also read with our new strategic contract, which we signed with some of the large players on the enterprise software side of the business, we see a significant brighter quarter actually going forward.

Monal Kataria:

Okay. I had a few questions related to the GeM platform. I wanted to know if it is a fixed fee plus transaction fee or just transaction fee kind of a model? so can you please share how much do we earn from the specific segment? And is there any cap or a limit to it?

Vishal Mehta:

Well, first, it is not a fixed fee model, and that is the beauty of this contract. It is basically linked to the order closure transaction. There are certain bps actually, which we will get as a share of revenue from GeM through our consortium partners, and for confidentiality reasons, publicly, I am prohibited from actually sharing that kind of how much is the bps revenue and so on, but actually, if you can go to gem.gov.in the entire thing is open and transparent, and you can get a lot more data actually from the public side.

Monal Kataria:

Okay. Is there any expiry to this contract? And what happens once it expires?

Vishal Mehta:

See, the point is that this is an enterprise contract actually, and this is a huge software platform, with a huge marketplace platform, and with this platform, the number of transactions which are going through are all actually millions and millions of transactions, and in terms of actually order value capable of processing, the system is capable of processing billions and billions of order value, and for all practical purpose, the system is scaled up actually for the next 10 years of actually scalable platforms and so on, and this is being developed, run and maintained actually by us. So contractually, as you know, any customer will enter into for certain specified term of the period, and after that term of the period, there will be a renewal process actually as per the government process and we being the intellectual property owners and the stickiness actually on this contract is significantly higher.

Monal Kataria:

Okay. Are we in talks with any other countries or government for such kind of contracts? Because I believe the core technology would still be the same, if I am not mistaken.

Vishal Mehta:

I think you are bang on, and there are about, say, already 3 overseas countries, already been talking with us, and we see a tremendous opportunity actually over there that is purely preliminary at this point of time, but over a period of time, as and when it matures, we will definitely come back to you.

Monal Kataria:

Also, one last question is for Mr. Vishwas. I wanted to understand what the future would look like for fintech space because it is a very fast-changing sector and there are government regulations which keep changing. So how are we positioned to stay relevant? And what are our avenues of growth, both in India as well as internationally? Also, we have any recently ventured into card issuance or lending. So what would be the response in these segments?

Vishal Mehta:

I think Vishwas must be experiencing some technical difficulties, but in terms of the future of the fintech sectors, I think there are a lot of reports out there that potentially provide some indications in terms of how fintech is evolving, specifically in India. As you know, with NPCI taking a front seat and being able to offer UPI and many other opportunities, India is more highly evolved in terms of the payment and fintech infra, while other countries are still following up. We know this because we already have operations that we have set up in UAE where we are #2 in terms of payment processing as well as in Saudi as well as in USA. So I think from that perspective, it is somewhat known. It is not uncommon to know that India is somewhat highly evolved in this area compared to other countries. In fact, everyone is now catching up to it. So in terms of the

opportunities, I think processing is very large. There a digital shift from analog processing to digital, at the point of sale, somewhat the physical machines and so on and so forth, they are also going through some transitions with QR codes and anything else is coming up. The use of cash is somewhat reducing by the day, once digital picks up because of all the different kind of UPI payment types, including the Paytm and WhatsApp and others. Credit and lending, given the size and the enormity of the data that you have available, India never had prior to the introduction of Aadhar single unique identifier, but with all the significant amount of data that credit will perhaps become slightly more and more available, which leads to the second question of yours, which is the lending piece and how we see that evolve. So GRIT is a very cool ecosystem that has been built up because if you look at corporate spend today, and Vishwas talked about this and others, unfortunately, none of the corporate spends happen through card which are more than 50%. I think everyone, if you look at the corporate market, and even if you look at your own businesses that you may be privy to, you will find that a single-digit percentage of the spends are carded, whether it is utility bills, electric bills, whether it is some other payments that you make in terms of operating expenses. They are not carded, they are done by cheques and are done by cash on hand and many other stuff, but if you are able to card such expenses, I think it becomes a significant opportunity, and then being able to offer virtual cards, you do not need to have physical cards. That is where the system is evolving, and with Neo banking, with access to all your bank accounts on a single console for you, so that you do not have to take bank statements from 5 different bank account of yours and consolidate and try to figure out what is happening on a daily basis, the Neo banking layer that you can set up on top of existing banks where you can virtually open an account of a customer in a back-end bank becomes a huge opportunity to bring inclusivity into the market. So we see that as a huge potential and with millions of merchants, we have got more than 60 million customers with credit card on file. We believe that, that becomes an opportunity for us to investigate it and monetize.

Monal Kataria:

Lastly, what is your outlook in terms of revenue and profit margin from Jio? And by when do we expect the revenue to start flowing from the segment?

Vishal Mehta:

Srikanth, do you want to take this?

Srikanth:

Yes. As far as Jio contract is concerned, as you know, we signed the contract by end of September, and the revenue will start actually coming from this quarter onwards, Q3 onwards, and that would be a combination of licensing fee revenue and the typical customization, services fees and more. Parallely there are multiple revenue streams, which we are working with the JPL. As you know, it is a very strategic contract and it has kick started in a very good way, and therefore, we believe that we will be able to really grow as JPL grows.

Moderator:

Thank you. The next question is from the line of Utkarsh Somaiya, an individual investor. Please go ahead.

Utkarsh Somaiya:

I just wanted to ask you the payment volumes you witnessed in the month of September, has that sustained in the month of October?

Srikanth:

Being forward-looking because we are talking about this particular investor call till September only with respect to the data points, and therefore, October data points, under law, we are prohibited actually to share the data points, but one comfort factor is that we see more, in fact, our Q2 performance is exemplary as we call it. It is an outstanding performance, and we believe in all sector across all disciplines, and I think going forward, we see more exemplary even than compared to Q2 going forward. That kind of a comfort factor is what we can share.



*Infibeam Avenues Limited
November 12, 2020*

Vishal Mehta:

One more thing to add to this also is that festival season is in Q3, and typically, in Q3, festival season we see a spurt in volumes across sectors. So, and to add to Srikanth's point, we expect with the economy also opening up, given that October and November are festival quarters where you will always see a spurt in payments.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. On behalf of K.R Choksey Research and Infibeam Avenues Limited, that concludes today's conference call. Thank you for joining us, and you may now disconnect your lines.