INFIBEAM AVENUES™

November 06, 2023

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

Dear Sir / Madam,

Sub: Transcript of Earnings Conference Call for the quarter and half year ended on September 30, 2023

In compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Investor/ Analyst conference call on financial performance of the Company for the quarter and half year ended on September 30, 2023 conducted on Thursday, November 2, 2023, after the meeting of Board of Directors, for your information and records.

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

Kindly take the same on your records.

Thanking you,

Yours faithfully,

For Infibeam Avenues Limited

SHYAMAL TRIVEDI Digitally signed by SHYAMAL TRIVEDI Date: 2023.11.06 15:07:39 +05'30'

Shyamal Trivedi
Sr. Vice President & Company Secretary

Encl.: As above

“Infibeam Avenues Limited

Q2 and H1 FY '24 Earnings Conference Call”

November 02, 2023

Management:

Mr. Vishal Mehta – Chairman and Managing Director – Infibeam Avenues Limited

Mr. Vishwas Patel – Joint Managing Director – Infibeam Avenues Limited

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

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

Mr. B. Ravi – Independent Consultant – Infibeam Avenues Limited

Moderator:

Mr. Rajat Gupta – Go India Advisors

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY '24 Earnings Conference Call of Infibeam Avenue Limited, hosted by Go India Advisors.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajat Gupta from Go India Advisors. Thank you, and over to you.

Rajat Gupta: Yes. Thank you, Yashashri. Good afternoon, everyone, and welcome to Infibeam Avenues Limited earnings call to discuss the Q2 and H1 FY '24 results.

We have on the call with us today: Mr. Vishal Mehta, Chairman and Managing Director, Mr. Vishwas Patel, Joint Managing Director, Mr. Sunil Bhagat, Chief Financial Officer, and Mr. Purvesh Parekh, Head, Investor Relations. Also joining us on the call today is Mr. B. Ravi, who's advising Infibeam on Corporate and Financial Strategy as an Independent Consultant.

We must remind you that the discussion on today's call will include certain forward-looking statements and must be, therefore, viewed in conjunction with the risk that the company faces.

I now request Mr. Vishal Mehta to take us through the company's business outlook and financial highlights, subsequent to which we'll open the floor for Q&A. Thank you, and over to you, sir.

Vishal Mehta: Thank you. Good afternoon, everyone, and welcome to our second quarter FY '24 earnings call. By far, this quarter has been the strongest quarter for Infibeam Avenues. Transaction processing volume, gross revenue, operating and net profits are all at an all-time-high this quarter. Even the net take rate from payments, they've come in at 9.3 basis points as our India payments and international payments both showed a rise in the net take rate.

We are committed to increase our take rates to double digits by end of this financial year. At the same time, we're also focused on growing our international presence. In this context, it is worthwhile to mention that Vishwas Patel, who is our Joint Managing Director, and his family, through Vybe Ventures, has infused a capital of INR1.6 billion into the company as his commitment to take payments growth to the next level and the funds will be applied for overall payments business of Infibeam Avenues.

The company has also made a capital investment of INR1.2 billion in the first half of '24 towards international markets with a strategy of country-in-a-box. The investments were largely towards procurement of data localizations, scaling up of our businesses, intellectual property rights for networking as well as security licenses. And they're all subject to internal accruals.

We are committed to growing our international footprint, where we are seeing rising demand and growing opportunities. Our monthly payment transaction processing volume in UAE grossed AED1 billion a month, achieving a historical milestone. Currently, our transaction processing volume is consistently more than AED1 billion and growing month-over-month.

We also debuted the UAE market with our offering QR codes to allow customers to make card payments through their mobile phones. UAE is largely a credit card market. About 80% of all payments we process in UAE is done through credit cards. Later this year, we will also be launching TapPay, CCAvenue TapPay, and other features in the UAE market.

Additionally, the company aspires to emerge as a key player in the AI-based fraud detection and prevention market. To quicken in scale of other AI opportunities, the company has made an investment of INR1 billion by creating a new AI hub as an extension towards GIFT City Hub. And this is funded through our internal accruals. Overall, our payments and platform business is now firmly established. And they have become growth engines for the company.

I will now hand over the call to Vishwas to give you an update on the payment business and finally, our CFO, who will talk about our financial performances to all of you. Vishwas, over to you.

Vishwas Patel: Thank you, Vishal. Indeed, the Q2 was a great quarter for Infibeam Avenues. Payment has been at the center of all our execution strategies. I would like to highlight a few developments specifically in the payments part from the financial performance of payments that is already shared with you.

So during this calendar year, that is nine months ending September 2023, we have on-boarded close to 1 million merchants. That is over 3,500 fully KYC merchant every day on an average in the Indian payment business, taking the total count of merchants using the CCAvenue platform, our payment gateway, to 2.7 million merchants.

We are working towards a plan that can make payments lucrative for our merchants so that they will start accepting credit cards from consumers. This will lead to the higher sales from them as the consumer spends more when using a credit card versus a debit option that reduces consumers' cash balance instantly. This will benefit the company with higher card usage and hence, MDR-based TPV, and in return, will allow the company to earn more as well as profitably.

In the first half of this financial year, the credit card spend has seen a continued growth. Online credit card spend constitutes 65% to 67% of the total spend. With the increasing online spend, CCAvenue also has increased its market share to double digits compared to 9% in FY 2023. So the usage of the credit cards in India about three decades ago, the number of credit cards in India were about 58 million by January 2021, but it is almost 93 million, an addition of 35 million cards in less than three years. The usage per card and spend per transaction has also increased phenomenally in this period.

We think number of credit cards and the spends will keep increasing despite growth of the non-MDR payment option, UPI. This is because the credit card remains a very lucrative option with several benefits at purchase outlets, online and offline, and the inherent ability for the consumer to buy high-value products or services by deferring payments. And with the large contributions coming from credit cards and other debit options, like net banking and debit cards, it allows Infibeam Avenues to earn profitably.

In UAE, at least 80% of our TPV is through credit cards and the rest through wallets. With our debut in the offline payments in the UAE this week through the introduction of QR codes, and later in the financial year through the TapPay, we will see further rise in TPV in UAE and, hence, our earnings. Soon, we'll implement a similar strategy in Saudi Arabia. And by the way, our take rates and business margins are very high in the GCC market compared to India.

With a capital infusion of INR1.6 billion through my family's venture fund, we plan to grow the payments business in India as well as in the international market. Directionally, focus area of payments is to further improve the unit economics or net take rates and through various initiatives that we are undertaking at the merchant and at the bank level. And second is to grow the international payments business. TapPay will certainly be one of the catalysts in both our focus areas.

That's it from me. Over to you, Sunil.

Sunil Bhagat: Thank you, Vishwas Bhai. Good afternoon, everyone. Let me take you through key parameters of our strong performance in Q2. The rise in the total transaction processing volume can be attributed to both the rise in payments as well as the platform TPV.

While payments TPV rose 28% year-over-year to INR769 billion, the company's largest software platform implementation customer recorded a growth in TPV by 155% to INR1-plus trillion in a single quarter. Higher growth in gross revenue was led by 28% growth in TPV and an increase in gross take rate by 36% to 112 basis points. A high contribution, that is 51% from credit payment options, led to an increase in the gross take rate in the payments business.

A total of 0.6 million merchants were added in first half of FY '24, of which 0.27 million merchants were added in quarter 2 of FY '24. That is an average addition of 2,900 merchants daily in domestic payment aggregation business, also recognized by the brand name of CCAvenue.

The company's payment net take rates experienced a significant increase in quarter 2 of FY '24. That is up by 25% year-over-year to 9.3 basis points and primarily due to substantial influx of small merchants, who in turn made the most substantial contribution to the surge in the Infibeam Avenues' payment business and net take rates. Payment net take rates is now inching closer to the targeted double-digit take rate by the end of FY '24.

For the first time, the company recorded a net revenue of more than INR1 billion due to improvement in net margins, which in turn led to strong operating performance. Both EBITDA and PAT grew sharply, that is by 70% and 191%, respectively. Also, EBITDA and PAT margins improved sharply.

The cash and cash equivalents stood at a strong INR4.2 billion after INR1.2 billion capex in the first half. Further, the capital infusion through Vybe Ventures is going to keep the cash position very strong in the company, which will be used for further expansion initiatives.

The company's growth remains in line with the financial guidance issued for FY '23, FY '24 during the first half of this year. We are optimistic about achieving better business growth in the upcoming third quarter results on account of festival and travel season, typically a strong quarter for the company.

With this, I now hand over the call to the moderator for question-and-answers.

Moderator: Thank you very much. We have our first question from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Congratulations to the team for a strong performance. I have a couple of questions. Firstly, what you could attribute to significant improvement in the take rates, of course, you mentioned some of the things on the overseas market. But what is essentially driving this up and how we have to see it from a sustained basis, especially when you keep talking about double-digit basis points? So what is the road map there?

Vishal Mehta: So Rahul, this is Vishal Mehta here. Earlier in the year, we had actually given a guidance that the company wants to achieve a net take rate of 10 basis points and specifically in the domestic market. In domestic markets, we'll go with lower take rates compared to international. International take rates are much larger and higher. We'll go at about 18 basis points to 20 basis points in the international market. The domestic markets were competitive and continue to be competitive.

Given a lot of things that we're doing, including addition of small merchants, whereby we are able to enable the ecosystem and bring financial inclusions, we are also seeing that we are able to get slightly better take rates on smaller margins. That is another example where we believe that the take rates are much bigger because the card is present. And when the card is present, we had much better take rates compared to card not being present, given the risk profiles by the card network. So a combination of that, we have guided the investors that we are looking at achieving a double-digit take rate by end of '24.

We are happy with the take rates. We believe that we should be around the take rates of double digits of 10 basis points by end of this year. We do have many programs that we have established, where we can try and see how it creates more take rates and we can increase take rates, one of them being the instant settlement framework that we have come up with, with the fast-tracking of settlements. I think that increases the take rate for us. That is another example of where we believe we can actually improve our take rates so that between instant settlement and that, we believe that there's good room for us to continue building up from here onwards.

Rahul Jain: Sure. That's helpful. Secondly, on the platform revenue perspective, what we have seen that there is a significant, almost doubling of the transaction on a Q-o-Q basis while the revenue have compressed. I understand the bulk of the decrease would have happened on GeM Portal. So what is the traction in the non-GeM part of it? And also, why the significant jump in the GeM TPV not leading to any revenue acquisition? Is it that slab rate would mean that this run rate would imply a similar or lower revenue for us?

Vishal Mehta: Sure. So if you look at the earlier GeM contract that we have, in that, our take rates don't increase linearly with the TPV. So in other words, there are -- it's not a linear increase. And so there are parameters whereby if it's a government-to-government contract, then we don't get take rates.

And if it is government-to-business contracts, then some of the other activities that are also there as part of TPV, which don't reflect into our take rates. So that is one observation, which is we don't increase linearly with both.

And in specific, I think this quarter, the quarter in question, so Q2, we crossed INR1 lakh crores in TPV on the GeM Portal itself. So the portal has been able to manage and handle that kind of capacity. But given the non-linear increase based on -- if you look at the TPV-value, we can actually give you specifics. It's public information about how GeM computes the TPV. But the fact is that it's not a linear increase where our take rates continue to be building the same as the TPV increase also. So that's one.

And second is that there are a few exceptions, like government-to-government deals, which may be part of GeM but which does not translate into TPV. So that's one of the reasons why you don't see the full expansion of what you would expect if TPV had increased so much. As far as the traction of the framework on implementations outside of GeM, they continue to be strong. We continue building up some -- we have not added additional clients. We are reaping the benefits of what we have built out for the other clients. We are adding a lot of interesting modules within our framework through other new initiatives on artificial intelligence.

We believe that once we add those modules, and we expect that we'll have more to announce in the Q4 timeframe of this year, that we will be able to pick up implementations, which are potentially much larger than what we have done so far, adding multiple facets to our framework, which perhaps were not there before. So to answer your question, we have not added additional clients in the first half of this year. But we continue reaping the benefits of what we've already implemented and going deeper into the ecosystem of existing clients.

Rahul Jain: Right. And you said what could be the growth in the non-GeM part of it? And what's the plan out here? What is the real potential out here? Because eventually, at some point, we may have to possibly forego the GeM revenue.

Vishal Mehta: So we constantly think about it. We think that when we do have certain options to implement, we have not taken up those options yet. We've got a good amount of traction on what we have and a lot of derivative work that keeps on building up and going deeper into the ecosystems. So we've taken a conscious approach of going deeper into the ecosystem of what we have as opposed to keeping on adding new clients.

As far as the concentration of GeM and trying to go and figure out what are the other options that the company holds, should at some point the revenues from maybe a particular concentrated platform dries out, we have a couple of options as of today also to implement. And we are calibrating that approach. By end of this quarter, which is Q3, we will have more to share.

Rahul Jain: Sure. That's interesting. And if I see in this specific quarter, when we look at any other cost line item, be it cost of services for platform business or the other expenses, which is the non-employee expenses, those have taken a very sharp dip and is at a multi-quarter low. So is there any specific reason why this number is pretty low in this quarter or there is significant cost efficiencies or rationalization measures that we might have taken?

Vishal Mehta: I think there is one line item which can be shared, and I think it's there in our presentation, which is the mark-to-market -- notional mark-to-market loss and gains on securities held by the company. So last year, there was reportedly a larger expense due to the last quarter mark-to-market being lower. And this quarter, it's recovered. So that's why you see that dip.

Rahul Jain: Okay. So you're saying that this mark-to-market thing, which you're talking about, is part of the expenses and not in the part of the other income?

Vishal Mehta: That's right.

Rahul Jain: Okay. And lastly, if I may, despite a very strong Q1 and...

Moderator: I request you to join back the queue, please, as there are other participants waiting. We'll take our next question from the line of Anuj Narula from Makrana Capital. Please go ahead.

Anuj Narula: So I have multiple questions. So first of all, with the exceptional performance of the international payment sectors in the UAE this quarter results primarily from a shift in market share and expansion also of business operations? Or is it a broader trend of the robust growth in the payments industry within the UAE? And looking on into FY '24, what is our outlook for international business? And what is the anticipated overall revenue contribution to be? So this is my first question.

Secondly, what's the progress in TapPay? And how many more merchants have we onboarded this product? I think, sir, one of your competitor is also going big here. And what's your take on this? Lastly, I just wanted to take an update on the AI business. What kind of progress have we done on this? That's all for me.

Vishal Mehta: Sure. So Vishwas will tell you a little bit more specifics about the UAE business. But let me answer the -- maybe the second half of your first question, which is what is driving our UAE business? And what is also potentially the contribution of our international expected to become as we scale up the businesses? We gave the guidance maybe a year ago, 1.5 years ago. And we have said that international should be 30% of our business. Today, it's less than 10% of our business. And we believe that international expansion is -- we have much better take rates in international compared to domestic.

Our agreements with merchants as well as card networks enable us to go internationally. Our deep integrations into local and international ERP systems enable us to actually not just be a payment processor but actually become slightly more involved in the ecosystem build-up as well. So we think of ourselves as more of an infrastructure player, not just a payment gateway. I think we'll continue building up on those lines. So to answer your question, in the next few years, we expect that international should be 30% of our overall contribution. And that's the path that we'd like to take going forward.

As far as the UAE business is concerned, we've had a few 1,000 merchants on the platform. We need to scale that up. We need to build up more visibility and presence. Through the QR code-based implementation that we've initiated, we believe that at least the brand will potentially become slightly more visible compared to what it is at the moment. Today, people and customers, they only use us online, they don't use us offline. And we also believe that there is a potential for TapPay to build up in that region as well.

While we've not implemented TapPay in that region, when we do, we will let you know. But we think that the digital transformation is happening not just in India, it's also happening in other places. And Middle-East is very ripe for such opportunities. And given that we are a strong brand and we've got a head-start and we have spent quite a bit of time, effort and resources on building that out, we think that we can propel this much quicker and faster going forward. Vishwas can add a little bit more about UAE per se and then I've got code AI. Vishwas?

Vishwas Patel: Yes. So UAE per se, it's been a very good year. And I think there's been a couple of things that have added to the factor. One is our deep tech integrating with a lot of local platforms, right, like Emirates auctions went live so the entire platform, we integrated deeply into it. Similarly, a lot of hospitality businesses, we'll be able to do by directly integrating into their property management systems and other things.

And a lot of maintenance of all the top builders there in the UAE, Emaar, Nakheel, Damac, so maintenance of all the apartments, a deep integration, which is growing this transaction substantially to today now AED1 billion a month, right? So these things, now coupled with now further growth we are looking at, is going totally offline, which we had not focused until now in the UAE market. So with the partnerships with the local banks there, we're going to attract around 100,000 local outlets in various modes across the UAE, these QR codes, that is the TapPay implementation and channel and other kind of tech stuff.

So UAE is quite exciting. And we're replicating the same in Saudi now very soon. So Saudi, that is 8x to 10x bigger market than UAE. And it's like the world's largest with Saudi government targeting 30 million a year, religious tourism and 100 million for normal tourism. So I think that market is also very exciting. And we should go live in the next couple of weeks. So that's the target. So UAE will continue to grow as we go more -- focus more now on the offline world also. And that is it. So from an AI perspective, Vishal, do you want to give an update?

Vishal Mehta: We've announced the establishment of AI hub. And we said that we'll focus on the verticals of fraud authentication and risk framework. The thing about AI is one of the things that we are doing, we will share more as we build up, is, first, we are making software developers in our own company as customers to our AI models. We have to think of AI more like software development and not -- you still have model diagnostics, unit testings and you need to build out a framework and a process to be able to deliver. So unless we do that, it doesn't work. And we have to treat our developers as customers.

So to give you an example, while we think about fraud authentication and risk, we are thinking about, first, also work on the basis of productivity within our organizations. To give you an example, and this is not unknown to many, but this building out basic model that potentially allow you to code in one language and then translate into another language. If AI models are smart enough to transliterate from English to Hindi, they can also be very smart in terms of literally translating your coding into -- from one language like Python to a Java and vice versa. So you don't need to have specific software developers working on specific line items.

And you don't need to hire for a particular language, all the way from there to actually building out foundation models across billions of transactions that we hold. We have access to so many transactions. So we can build out our own foundation models, which is restricted to payments and transactions.

And based on that, if we are able to allow, whether it's a bank or a financial institution, to plug-in their own data and tune their models for their own requirements while preserving their IP, which is keep the data that you hold within your own firewall frameworks that work with our foundation model so that no data becomes compromised in any way, shape, or form.

Those are the directions that we are taking. Today, it's too early to tell you more about these initiatives. We need to -- because I don't think we should be talking about pilots, we should be talking about implementations of pilots at scale. So once we get to that point, maybe in the Q4 timeframe, in the Q1 of first year, we'll be able to share more information about the AI hub.

One thing I can tell you is that we're rolling out a whole ecosystem, we're not just building out pilots, which means that we want to work with companies who can actually work with the application layer while we provide the foundations of those transactions model.

Moderator: Thank you. We have our next question from the line of Gaurav Somani from Korman Capital. Please go ahead.

Gaurav Somani: I have two questions. So first one, the promoter stake has come down by 2% in the last two quarters. If you can comment on that and if there are any further shedding down the line?

Vishal Mehta: Sure. So in the last quarter, about three months ago, we had talked about the disassociation within the promoter family. And so the reduction that you see is as a result of that. I think there's not much more to add beyond that. As far as the promoter is concerned, we are continuously building out for the long term. But given the disassociation, which has been made public, the numbers, that drop in 2 percentage, is due to that event.

Vishwas Patel: Reclassification, that's all.

Gaurav Somani: Okay, got it.

Sunil Bhagat: So there is reclassification plus the number of shares have also increased because Mr. Vishwas Patel through Vybe Ventures, he also converted all these warrants into equity. So the number of outstanding shares has increased, which has resulted into overall reduction in percentage. So that's a very natural arithmetic kind of stuff.

Gaurav Somani: Got it. Sir, next question was any sense on the capex for TapPay, etcetera, for FY '25 and the growth which you're expecting for FY '25?

Vishal Mehta: We will be sharing guidance for FY '25 as we go through the holidays. So traditionally, we've been sharing guidance in the Q1 of the year, for the remainder of the year. And we'll continue the practice of sharing the same going forward. This year's guidance will be also provided in the first quarter of this year, so we're expecting '25, you can do the same. I think what you can do is you could assume that international is going to be our focus. We talked about international being a percentage of our revenue to go from sub-10% to 30% of our revenues.

We think that just the fact that we're getting into express settlement, that is going to be our focus and that will help us in terms of maintaining our take rate as we are expanding our take rates. And we'll go into verticals, where payments -- and today, we are into certain verticals where we are not active in those verticals.

Like hospitality, travel and many others, we are active. But there are a few verticals we have identified where we are not active. And we believe that with the initiative of AI as well as being able to go and figure out how we can partner/build those verticals out, we believe payments can be significant in that space.

Offline, just being one component because I told you we are not into offline today. Every single transaction short of TapPay, we were only online. But TapPay is also going out. So that's a vertical we've identified which is offline payments without actually -- and that is a greenfield opportunity for us we can build up. So those kinds of opportunities, we'll continue investing into. We've doubled -- in some ways, we disclosed that we're growing at 60%, 70% year-over-year in terms of revenue. So we need to identify those opportunities and prioritize them based on a similar growth rate that we should focus on going forward as well.

Moderator: Thank you. We'll take the next question from the line of Mayur Liman from Profitmart Securities. Please go ahead.

Mayur Liman: Congratulations on a good set of numbers. My first question is capex of INR1.2 billion we did during the first half internationally. Can you elaborate more in terms of what all verticals have we invested and how we aim to reap benefit or probably contribution expected in top link from this going forward?

Vishal Mehta: Sure. So be aware that we're into naturally Middle East as a geography. We are into Australia and US, we've opened up. One of the things that have happened in the past few quarters is that data localization as well as licensing has become a requirement for all the geographies. For instance, if we are in Saudi, if we are in UAE, there is now a license requirement. And that license has stringent requirements on what you can and cannot do outside of that geography.

And in order to satisfy such requirements, which we broadly classify as data localizations, we need to build out our own set of intellectual property, IT infra, software-driven switches, being able to go and figure out how we can scale it up and cross the scale hurdle as well. So for example, in UAE, we are at AED1 billion. We need to be able to invest into those areas which allow us to scale up international significantly. So in our setup of countries above, it's reasonable to assume that as we scale up, we will have a INR3 million to INR5 million capex per geography. And we'll calibrate that approach and build up as we go through.

What it will do is it will allow us to do two things. One is we will continue to expand the international participation from sub-10% to 30% of our revenues. That is one. Second is that the take rates in international are much bigger compared to what we have in India. We are almost doubled in what we see in India and even more. And there are many things that we need to work on in international that enable us to scale up further. So I think that while we'll continue investing in those opportunities, we don't want to create a situation where we have variable cost for everything. It's much better in certain cases to build up a fixed cost and then reap the benefits as we scale up.

And so I think that we've taken a conscious call on the areas. Vishwas has mentioned about Saudi. We have not completed the whole data localization in every requirement for Saudi. And we'll keep on building up further, going from almost no transaction to perhaps what you see in UAE. So Saudi is 10x the market of what UAE is. We continue building up Oman. So I think those are the areas that we'll keep investing in, US and Australia being next. So this whole process of being able to enable and to get activated in those geographies, so we'll continue following that approach. But you can expect the returns to show up in the next couple of years.

Mayur Liman: My second question is the INR1 lakh GMV in a single quarter on GeM. Where do you see this going? I mean, what would be the sustainable growth numbers here once all the departments are onboarded? And how do you see the FY '24 and FY '25 in terms of GeMs and GMV?

Vishal Mehta: See, I can't talk on behalf of the client, obviously. But one thing I can tell you is that there has been a lot of news around in terms of what to expect. In fact, as of today also, there is some news about potentially what GeM can and cannot achieve. So I think if we're doing about INR1 lakh crore a quarter and Q4 still being a large quarter, potentially it's significant. But it would be a disservice to talk about specifics for clients, short of that being public information.

You're also aware that GeM has been awarded the contract for GeM as an MSP has been awarded to TCS. And TCS has about 18-odd months to be able to build out a new GeM platform. So while we don't have much information today to share with you in terms of specifics, we do believe that we'll continue providing services since e-Marketplace is something that we specialize in, and that is the core and the heart of the tech framework that we provide to GeM. But we'll have more information to share with you in the next four weeks to six weeks.

Moderator: Thank you. We have our next question from the line of Rohan Parikh from OHM Stock Brokers. Please go ahead.

Rohan Parikh: So congrats on a good set of numbers. And my question stands that the current EBITDA, which you guys do, which is INR70 crores, can I have a breakup of how much of this coming from GeM and how much of this is from your core business, CCAvenue space?

Vishal Mehta: We do provide segmental. But beyond that, we don't specifically dissect it up to the client level, so rightfully so, only because I think that, that becomes pretty specific in certain cases. But if you look at the segmental results between platform and payments, you will get some idea.

Rohan Parikh: Okay. And one more question is that the INR70 crores EBITDA, which you guys have currently done, so with the GeM contract going to TCS and after that, do you expect this INR70 crores of EBITDA to become the next -- the new base for the growth? And will you continue to grow from here on?

Vishal Mehta: Like I said, we do have certain opportunities in front of us that we can pick-up and we can build up upon. So what we look at doing internally is, while there is some concentration on a client in the platform business, how do we get into more opportunities that potentially enable us to switch and grow, given the situation? I think for most companies, they would think of a familiar way, which is how do I reduce the concentration? That is one.

And through that strategy, what we know is that we have got opportunities to sign up and to provide such frameworks to certain companies, institutions. We have not taken them up so far. Our strategy so far has been to go deeper into our existing client base. But like I said, in the next four weeks to eight weeks, we'll know a lot more about how the engagement will work up. We will share that information with you. But one thing I can tell you is that we'll take up other assignments. And we'll be able to share that with you in the first quarter of next year.

Moderator: Thank you. We'll take our next question from the line of Hemal, an individual investor. Please go ahead.

Hemal: Congratulations on a good set of numbers. I actually want to go a little bit deeper on the AI-based fraud detection. I was just trying to understand, like who are your competitors right now in the marketplace, whether AI or non-AI? And what kind of moat will you be able to deliver through AI? Like what would be your differentiator, what they don't have?

Because I'm assuming most of the financial institutions, payment systems, network players, fraud and detection is actually not mentioned as a huge market, and there will be a lot of servicing players. So how will you differentiate on that? And why your current competitors, and what do you see as your differentiation factors? If you can share some line of sight, it would really be helpful.

Vishal Mehta: Sure. So you're right, I think AI is a very large field. And the pace at which it's evolving is much quicker than you think. What we realized is that an engineer can pick-up a problem and come back in two days with a solution. And it works with 80% accuracy. And so the evolution of how solutioning also evolves and the way AI is evolving is pretty rapid. And the clock speed is much different in terms of what we have seen. What would have taken traditionally really months, we can perhaps get it in days.

So productivity is one place where know AI works very well. And every company can potentially see what they can do. And if you try it on your own employees, to be able to aid, and it's like a co-pilot, on whatever they're doing, that becomes a fundamental starting point for anyone to be able to adapt. So it's not a forcing function, but it's more of an adaptation. That's one. The more important part is it starts with data in our mental model. And once you have billions of transactions and data across that, then I think we can try to figure out what are the models that we need to build up, so in other words, being able to create.

There's a whole system and a process that you need to build out your own data lakes and figure out what you can do with it. But more importantly, what are models to build up so that it is able to identify things which computers can do much better than humans in frequencies and scale.

So I think that, that's the place that one needs to work on. And once you have those, then how do you append data of third-party companies and provide them that framework as a service. So what we are not doing, I'll tell you, is we're not doing LLMs, which is what ChatGPT and others do.

What we are doing though is anything which is going to be relating to commerce and payments, both online and offline. And that's the vertical that we choose to build-up. So I wouldn't be too surprised if we go and say that, listen, these are normal features. But are you guys working on visual AI?

If it is going to be important to commerce, we will work on visual AI as far as commerce is concerned. Because with fraud, that happens even in the offline world in retail, not just online world. So I think anything which is online/offline in commerce and payments, that's where we'll work on fraud authentication and risk.

With this concentrated effort, which is actually quite narrow compared to the whole realm of what perhaps AI and AI companies can do, and given the scale at which we operate, we think that we may have an advantage compared to everyone else. So we will have a product as well as we'll build out AI as a service. And both of them become interesting because I think, and this question came from yourself, I'm assuming you know a little bit more compared to traditionally what people would know. But we will have differentiators. The differentiators will be eventually people and scale and data. So once you have that three aspects together, I think it becomes interesting.

In terms of competitors, I mean, I think in fraud, you have seen international companies like Ravelin and others also provide such frameworks. I can name not one, but 50 competitors in the space. So a lot of companies provide such fraud framework at point of sale in many other areas. I think it's evolved. And unfortunately or fortunately, companies that started a long time ago, they have a lot of legacy to deal with. And with what we have learned, and we are also very candid and we are reading a lot of research papers.

Because it's not something that we know offhand, Generative AI, we've never known. So we are reading and the teams also learning as much as we would tell you that we know exactly what we're doing. We are also learning about all the different opportunities that are coming up and gaining our own knowledge. And we do have a thesis on how we differentiate. But in the natural, I think it's with access to data and being able to deliver something at scale.

Hemal: Okay, sir. And one last question. Do you believe second half is always better than your first half, right? You should do better, as you have mentioned, with better revenues, better net payment take rates than first half, is that a good understanding?

Vishal Mehta: I mean, second half usually has festivals. And in terms of payments and many other activities, they kind of scale up in the second half compared to the first half. So we're usually, we don't have a typical Christmas holiday effect that you would see in the US. But we typically see much better business opportunity in the second half compared to the first one, so you're right.

Moderator: Thank you. We'll take our next question from the line of Ayushi Shah, an individual investor. Please go ahead.

Ayushi Shah: So basically, I have questions on two different aspects. First is the GeM. Sir, in your investor presentation, it is mentioned that transaction-based revenue model with GeM and license, annuity and subscription-based with the other enterprise customers is on a -- is basically on the revenue model. And basically, other customers, we are working on a licensing fee model. So does this stand through for post renewal of all contract with GeM as well?

And sir, in your last conference call, you also have said that you'll give information about whether or not we go with GeM and other core solutioning framework in the next two weeks to four weeks. Two weeks to four weeks is the guideline you had given last time. And that's the timeline that you're giving this time again. Sir, I want to understand where we're going with this GeM or like what is the status of this? First.

Vishal Mehta: Sure. So a fair comment. I think unfortunately, I don't have too much to share beyond what I've already told you on GeM, which is that we have the contract. We are providing the core pieces of the framework. We expect to know more as we go through the build-up. There are some moving parts. But we believe that the core of what GeM currently holds, the new framework has a time delay before it gets built up, designed, implemented, so on and so forth. But until that point, we believe that our solution will always be in place.

GeM, whatever solution that we have deployed, it is their intellectual property, but that solution belongs to us. So post the renewal, two possibilities will exist. One is that, yes, it's continuously being utilized in the way it is or it gets utilized in a slightly different commercial model. That particular specifics, I'll only be able to share with you once I have that information. I don't have that information as of now.

But the usage of that is definitely a given. So that much, we can tell you. The other implementations, you are right, its licensing, is other -- opportunity to license and to grow GeM may not look very different than what we have right now. So I don't see, sitting where I'm sitting today, we don't see a step change. But like I said, I don't have more specifics to share with you beyond what I have just said so far.

Ayushi Shah: All right, sir. So the second like area of question was about the listing of the UAE subsidiary. Sir, you mentioned that right now, what you're doing is in one month, we're processing around AED1 billion today. And if you convert it, you'll get to around $350 million per annual. After the valuation of the UAE business, should we -- like if you are taking into account the valuations of Laserpay as well as comparable fintech, we should be around $300 million, $400 million, $500 million. So this is what -- like back of the paper calculations that I can do right now. So what is your plan about the listing? Would you be able to see a similar valuation? Because otherwise, we don't want to go for that undervaluation, right?

Vishal Mehta: So I wish to be very candid, we don't think too much about -- I mean, we track and we monitor. But we are more focused on building value and not just valuation. Now with that said, yes, you're right, valuation is very important. And one thing I can tell you is, our commitment so far is we want to scale up that business by a factor. That's what we can tell you. If you are going to go from a sub-10% to 30% for our international business, that will mean that a substantial growth.

Because it's just not a 30% shift in revenue from domestic to international, it's really domestic growing at a certain pace, international growing and then being able to see some step changes there. So yes, we will be looking at scaling that business up. And we will have some more information to share on it as and when it becomes available to us. But one can expect that you should hear more from us in the second half of this year.

Ayushi Shah: So that is very helpful. And I had some follow-up questions regarding, three follow-up questions regarding what we discussed in the previous earnings call. So one, what is the update regarding the patent that we had filed for TapPay. I haven't received a reply about since Q4 FY '23? That is the first part.

The second part is that in the investor presentation, you just mentioned that the company is yet to receive UPI dues from banks. Like I want to understand what is the quantum of this amount? Will it be a one-off payment? Or will it be a continuous receipt going forward?

Vishwas Patel: So regarding TapPay, the necessary application for the intellectual property rights registration has already been made. We have yet to hear. It usually takes a year or two for the final brand or a license, if approved, to come through, so -- but we have made the application along the intellectual property side for the TapPay application omni-channel and certain functionalities around that.

On the second part, on the UPI, yes, the government had provisioned two years back, INR1,350 crores and then last year, INR1,500 crores, which subsequently around -- was increased to INR2,400 crores for UPI and RuPay debit card benefits to be passed on to the ecosystem. But we are -- right now, we have not received anything from the banks, though we are talking with our banks to whom we process our UPI transactions. But the clarity still remains on the way and the methodology, how MeitY is distinguishing it.

As and when we receive it, it will be a one-off payment for the transactions processed for the last 24 months or so. We have not booked it in our books nor have we claimed it until now. But if and when if it do happens, then we assume that it might happen if the banks with whom are -- passes on some of the benefits to us, then definitely we'll book it in the coming quarters. And until now, we have not made any provisions or booked any of those profit in our books.

Ayushi Shah: Okay, sir. Sir, and what you said about...

Moderator: Ms. Shah, I request you to join back the queue because we have other participants waiting. We have our next question from the line of Biju, an individual investor. Please go ahead.

Biju: I have one question. Actually, previous to that, during 2020, our operating margin was around 20% with lesser revenue. Now our revenue increased, but operating margin is hovering around 2-odd percent. So what we are doing to achieve 20% operating margin? Thank you.

Vishal Mehta: So the mix between the payments business has scaled up, digital payments business. To give you an example, year-over-year, also it's scaling up to almost 70%, 80%. And as we scale up our business, you will see changes to operating margins. We have been talking about net take rates there as a barometer, which will help us improve our operating margins. If you look at our net take rates last quarter, it was 8.25%, 25 bps, basis points, which means that on a like-to-like comparison this quarter, we went from 8.2 bps or 8.25 bps to almost 9.3 bps.

And we've given guidance that we'll increase it to double digits through a series of activities that we believe can potentially help us scale it up in this competitive environment. International, of course, has much bigger take rates. And so part of the argument is how do we scale up international as well. So you will see that with scale, you will have some compression in operating margins. The mix of business as it builds up, that will have an impact to the operating margin. We are actually focused more on absolute cash and not just percentages alone. So if you ask us internally, I think we look at what is the absolute cash generation in the business.

And percentages are important, and we want to perhaps get some operating leverage. But see, in a competitive world like this, for all practical purposes, we don't work like a monopoly. We have a lot of competitors in the space. And in terms of size and scale, if there are number one, number two, number three in India, we will be one of them. So we think that as far as our business is concerned, let's focus on the absolute cash generation and not just percentages while we keep on working on the operating metrics that will help us improve our margins. I hope that answers your question.

Biju: Could we achieve that level around one year, within one year or soon, 15%?

Vishal Mehta: We will give you guidance. We'll give guidance for this year. We'll give you guidance for next year.

Biju: Just a second small question is when will demerger will happen, sir?

Vishal Mehta: We filed for the demerger. So we expect to hear back from the regulators. But as soon as we hear back, we will update you on the same.

Biju: Okay. We are waiting that our EPS will be increased because it's now below INR1. So we are hoping that it will increase above INR1.

Vishal Mehta: Sure. No, we'll work hard for that. Thank you.

Moderator: Thank you. We have a follow-up question from the line of Ayushi Shah, an individual investor. Please go ahead.

Ayushi Shah: Yes. So basically, what you said about GeM, about deciding whether we want to like continue focusing on our existing base or take up new opportunities. Is there like a contrast of interest? Can we not use our IP for other commercial customers? If you're using it for the Government e-Marketplace? Or is it -- I want to understand a bit more about that?

Vishal Mehta: Ayushi, its very clear that whatever marketplace framework that we have provided is intellectual property, it belongs to Infi. So if that clarifies your question, I think I stand clear.

Ayushi Shah: All right. Well, basically, I wanted to understand whether it impacts the new customers that we onboard?

Vishal Mehta: No, I think the intellectual property belongs to base intellectual property of what we have. And the one that we are providing to many clients, that continues to stay with us. Whatever we build for the client, which is we spoke of derivative work in some ways will belong to the client. So as far as the direction is concerned, it's clear. I don't see any reason why it would have an impact on what we do with other clients.

Ayushi Shah: All right. And sir, what is the reasoning behind the reduction in current investments from INR37.5 crores to INR2 crores?

Vishal Mehta: That's a liquid investment.

Sunil Bhagat: Could you elaborate on that, Ayushi, what exactly you're trying to understand?

Ayushi Shah: So basically, where has these funds being redirected? Like is it reducing those investments? And it's substantial between INR37.5 crores to INR2 crores. So I wanted to understand the nature of those investments. And so...

Sunil Bhagat: Ayushi, Sunil this side. The investment that you are talking about, the INR37.5 crores versus INR2 crores, that is a current investment that we have invested in the liquid investment. And the actual amount of investment is non-current investment, which is INR423 crores last year and INR442 crores this year.

Ayushi Shah: All right. And sir, so basically, the proceeds from Vybe that we've got recently, where does that exactly will be used? Will it be used for the new AI or basically the Sintex plan that we acquired? Is it over there?

Vishal Mehta: Yes, some portions will be used for building out of the AI ecosystem. Fortunately, we do have good cash flows. So we build out international and building up of the AI ecosystem. We'll also be deploying some capital in terms of express settlements. So we believe that there is also an opportunity to explore further. And we will continue making those allocations based on what the returns potentially end up looking like.

Ayushi Shah: So the acquisition, the INR1 billion that you spent on this particular acquisition of property, will that be as under the IT/ITES policy that capex support that we are getting? Will it be arranged that way?

Vishal Mehta: Yes, that's the perspective I provided in the call earlier, which is now we will look at the potential of the IT/ITES. Gujarat government has built up quite a bit of opportunities for IT companies to be able to locate and build up business here. So we'll certainly look at that.

Moderator: Thank you. I would now like to hand over the call to the management for closing comments. Over to you, sir.

Vishal Mehta: Thank you all for joining our second quarter, half year earnings call. And we look forward to keeping in touch with you and keeping you updated on the progress. And Happy Diwali to everyone in advance.

Moderator: Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.