"Infibeam Avenues Limited
Q1 FY2021 Earnings Conference Call"

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Management: **Mr. Vishal Mehta – Managing Director**
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Mr R Srikanth – President
Mr Hiren Padhya – CFO

Moderator:

Ladies and gentlemen, good day and welcome to the Infibeam Avenues Limited Earnings Conference Call for Q1 FY2021 hosted by KR Choksey Research. This conference call may contain forward-looking statements about the company which are based on belief, opinions and expectations of the company as on date of this call. These statements are no guarantee of future performance and involved 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 Mr. Parvati Rai from KR Choksey. Thank you and over to you Madam!

Parvati Rai:

Thank you Ayesha. Good evening everyone. On behalf of KRChoksey Research, we welcome you all for the Q1 FY2021 Earnings Conference Call of Infibeam Avenues Limited. I take this opportunity to welcome the management of Infibeam Avenues represented by Mr. Vishal Mehta, Managing Director; Mr. Vishwas Patel, Executive Director, Founder and CEO of Payments Business; Mr. R. Srikanth, President and Mr. Hiren Padhya, Chief Financial Officer. We begin the call with a brief overview of the company by the management followed by the Q&A. I now hand over the call to Mr. Vishal Mehta for his opening remarks. Thank you and over to you Sir!

Vishal Mehta:

Thank you Parvati. Good evening and a very warm welcome to all of you on the call. On behalf of the management present on the call, I welcome everyone to our Q1 FY2021 earnings call. I hope every one of you and your family members are safe and I wish you all the best of health during this COVID times.

It is my pleasure to present the standalone and consolidated accounts of the company during the call. Our financial results, earnings press release as well as investor presentations have been uploaded on the company website, which is www.ia.ooo.

In today's agenda, we will discuss three broad topics. 1) How we are building a scalable and profitable global Fintech company, 2) Our operational and financial performance, which is centered around the business model and finally 3) how we are enhancing value for our stakeholders and growth drivers.

I request everyone to kindly turn to slide #5 of the presentation which we have uploaded. Infibeam Avenues is steadily building a very formidable position in the global Fintech industry. After building out our leadership position in India and normal in digital payments over the last one-and-a-half decade, we have launched payment business in UAE a little over two years ago. We have established ourselves amongst the leaders in online digital payment solutions companies ranking number two in the UAE among non-bank private companies in less than 18 months and we are also making profits.

In the last few quarters, we have expanded in Saudi Arabia which is GCCs largest country in terms of penetration and opportunities, and have started offering services also in Oman, which together with UAE constitutes nearly three-fourths of the GCC economies which also happens to be some of the fastest growing e-commerce markets in the world only behind Asia. We have also entered into the US in March 2020 and we have setup our offices in Manhattan just before the outbreak of the COVID and the lockdowns.

We have hired few resources including the CEO of a business development in the US. We have also tied up with local banks for acquiring payments and we aim to leverage our existing relationships and begin by carving out a niche which is already in progress. As the COVID situation improves we plan to ramp up our international expansion and launch our Fintech operations in multiple additional geographies which include South East Asia select African and Arab countries as well as a few developed markets like the United States. We are the only listed Fintech company in India with a consistently profitable track record and we are soon after the close of trading on September 18, 2020 would be part of FTSE small cap index.

I would now request everyone to refer to slide #6 and #7. Over the last nearly two decades since our inception, we have built a very strong customer portfolio with a very lean, but very productive and motivated team. We serve over a million customers mainly, small merchants, businesses, SMEs, corporates, financial institutions and government and government undertakings, both in India and international markets across a wide range of industries. Our one million plus merchants through our various Fintech offerings have served more than 10 crore consumers. Our leadership position and comprehensive Fintech offering has led to consistently strong customer registrations on the platform, on an average more than 150 daily registrations happen across education verticals, groceries, utilities, technology companies and retail. The current pandemic has actually triggered a rise in the average daily registrations. This is also evident from the rising payment volume being processed through our payment gateway post COVID that is post June. We now have nearly 1 crore or 10 million customer cards on files using our checkout at the click of a button.

Infibeam Avenues has consistently looked at an asset light model due to the fundamental nature of the business that being technology platforms which can be scaled. We have a lean team of 700 plus employees spread across payments and our platform business with 400 Fintech experts, in fact, we had around 320 employees in our payment business over three years ago when we processed Rs.12,000 crores of payment, which today is 350 employees processing at an annual run rate of Rs. 90,000 Crores. You can imagine that as our volumes keeps on scaling our employee base does not scale in the same fashion. The additional employees were on an account of launch of new business in India and international. Similarly, excluding the resources belonging to corporate functions, a lean team manages the companies end-to-end international enterprise platform business including the largest platform implementation, the highly advanced e-commerce platform for products and services build by the indian government procurement which is called GeM or Government e-Marketplace.

We have a very small team largely comprising of business development managers based at our international locations as majority of the technology integrations implementation is done from India. This allows us to scale the international markets at a comparatively lower cost. We have a lean team of 25 sales and business development managers. Our leadership positions strong brand recognition, reliable solutions in top-notch customer support and services help us to get this thick pipeline of merchants through online registrations and hence we do not need feet-on-street model for customer acquisition. It significantly reduces our customer acquisition cost.

Now let me discuss with you how we are building a strong sustainable and scalable business and I would request everyone to turn to slide #9 of the presentation. Before I get into the details of the business let me share the key highlights for the quarter. Our revenue and profitability were down 24% and 39% respectively mainly due to COVID lockdown, a global pandemic that has displaced the world order. This has put a stark break on the already slowing growth in India and has rather put the economy into a slightly reverse gear. As you all know India's GDP fell by 23.9% in Q1 FY2021, it was the largest drop in the last 40 years. This has led to a significant drop in processing volumes contracting the revenue and impacting profits in the first quarter; however, cost optimization measures helped us in terms of improving our EBITDA margins by 190-basis points to 38%. Our philosophy to earn profitable revenue allowed us to be profitable despite the pandemic challenge affecting many industries where companies have reported job losses. We have built a strong business model to withstand shocks and we are on our way to further strengthen and future-proof our business to withstand any contingencies, which we will discuss in a moment.

Although Q1 has been the challenging quarter, we have seen a V-shape to recovery in our business processing volumes especially in the payments business. In India, the average daily payments volume recovered by June end timeframe compared to the daily average in March, so by end of June we were at the same level as what we were processing in the month of March pre-COVID lockdown despite aviation, airlines, travel and tourism, hotel industry volumes that continued to stay very, very low.

In the UAE, we have experienced a speeding momentum with month-to-month growth in volume and value; we observed an increase of nearly 2x in avg daily volume in Jun'20 vs. Jan'20. In fact, we processed highest ever payments volume in terms of value of worth Rs.7,800 crore in August alone, more than double of what the value was in the month of April leading to an annual run rate of Rs. 94,000 crore. This is the highest ever monthly value that we have processed in any given month since the inception of the company.

One of the reasons for this growth can be attributed to an increasing number of merchants registering for using our payment gateway platform. We are experiencing increasing registrations post COVID June quarter from about 100 plus daily in Q1 to 150 plus daily post June. Some of the top industry categories include retail, groceries, education, technology companies, they are all wanting to utilize the services. This is also a testament to our safe and comprehensive payment gateway that offers more than 200 plus payment options in a single integration as well as a strong brand that we have built over the years attracting customers. Consistent merchant addition will build a strong pipeline for revenue growth for the company over a long period of time.

One of the most notable and positive events in the quarter for us has been the sharp rise in bill payments volume through our BillAvenue platform. Due to lockdown, the average daily bills processed through BillAvenue platform increased nearly 2x versus the first quarter of FY2019 and 5x versus the first quarter of FY2018. COVID has led to a sharp rise in digital adoption of utility payments with month-to-month rise in volumes. Based on the run rate in Q1, we could process 11 to 12 billion bills in FY2021.

Just to remind you we are among the very few private companies licensed by RBI to operate biller operating unit as well as customer operating unit under the Bharat BillPay and Interoperable Single Windows system to pay all bills under one roof, we have on boarded 35 plus billers across various categories like electricity companies, telecom, direct-to-home, municipalities for paying utilities, financial institutions and many more. We are exclusive partners of India's three largest gas cylinder companies which is IOCL, BPCL and HPCL and Bharat BillPay. Our 200 plus agent institution partners with a network of nearly 600,000 agents on the ground spread across 2600 cities and towns of India serve as customer touch points, to collect bill payments from the end consumers. These agents collect money from the consumers and process the payment through BillAvenue platform using the digital cash balance maintained by them with us. Offline physical touch points in cash will dominates BillPayments as this is where our large and growing agent network we target as far as the market opportunities are concerned.

Please turn to slide #10. As part of the strategic initiative to expand our revenue stream we have built a full stack payment platform offering merchants plug in, switch payment network connectivity and more, to process card payments for financial institutions. Thus, we are now adding financial institutions as our customers who require to process a large number of their card transactions connected to various payment networks like Visa, Mastercard and American Express. Vishwas will give you more details on the same later. We have successfully launched the service in Q1 in one of our international markets by tieing with country's second largest bank and have replaced one of the world's top card processer in that bank. This will drive around 20% to 25% of country's online card payment traffic through our Fintech platform, CCAvenue Payment Gateway Service (CPGS). We are also in discussion with the country's largest bank which together will then drive more than 80% of countries online payment volume through CGPS. We have planned to make further inroads in the segment as card processing is payment agnostic and platform agnostic whether online or offline. We do not have a PG business in that country, but we will process card transactions for the bank.

With the launch of CPGS we have become a comprehensive digital payment solution provider with a top-notch front-end payment gateway and seamless backend payment processor, charging merchants for PG and charging financial institutions for card processing. Moreover, unlike in the PG business, there is no revenue sharing or pass thru in CPGS while there are multiple revenue streams including the per transaction fee. These will expand our revenue significantly as we tie up with more card issuing financial institutions, and will enhance margins.

Another revenue and margin expansion initiative is the launch of CCAvenue Finance, to offer lending and card issuance services. India has over 1 million private companies to whom we can offer lending and card issuance services, both credit and pre-paid/debit cards.

We have successfully launched express settlement service to settle merchant funds instantly instead of T+2 or T+3 days for a small additional charge on the existing transaction. We have signed with few large companies that are settling multi-crore worth of transactions instantly which give us few extra bps, improving our take rates and thereby expanding revenue. It also improves our margins as it does not involve any pass thru, because we are currently utilizing our own funds for early settlement, as we generate positive cash flows quarter after quarter from our operations. Once we scale, we will utilize the line of credit already in place with the bank which has a low funding cost of just around 2 bps per day against a charge of 10-50 bps to our merchant per day of early settlement.

We also acquired Cardpay Technologies in June that offers spend management solution to businesses through a SaaS based platform under the brand name GRIT. We are targeting to offer credit cards to corporates including the large pool of marquee clients in our portfolio. The credit cards come with many features and benefits, better than the traditional corporate cards offered by financial institutions. The platform offers a centralized view of spends to the CFO with the ability for invoice processing, offer virtual credit cards with proper limits and track expense, and can be easily integrated with some of the top ERP systems to make accounting easy. Credit card industry is gradually developing in India and corporate spends through credit is a very large segment with consistent usage and increasing limits. As a credit card issuer in tie-up with a bank, we will be able to earn higher take rates. Moreover, the value of spend will also be higher as corporates are our customers and not retail individuals. We perceive relatively less-risk in this business as we will target our existing merchants which have consistent revenue stream flowing through our platforms serving as a collateral for our collection on card spends.

From Q1 onwards, Go Payments has become our 52.38% subsidiary from 48% earlier. Go Payments offers various financial services like domestic money transfer, recharges, AEPS services, they are Bharat BillPay agent institution, undertake travel bookings, etc. We are partnering with Go Payments targeting corporate employees to offer Rupay pre-paid cards, general purpose and meal cards. Employees can spend on these cards at any merchant outlets which accept Rupay cards. Through various card programs we can earn a net take rate in the range of 50-100 bps. This will expand our revenue and boost margins.

Our demerger scheme to unlock shareholder value is on track. We have received consent from stock exchange to file with NCLT in the month of July and subsequently we have also filed the application with NCLT.

Finally, we have two large strategic deals which are work-in-progress which we have deferred slightly due to the recent COVID pandemic. It will enhance revenue and margins and establish us a strong brand both domestically as well as internationally.

I will now hand over the call to Vishwas will brief you on the Fintech business and how we are building out. Vishwas! over to you.

Vishwas Patel:

Thank you Vishal and good evening to all of you.

If you can all please turn to slide #11, Our fintech addressable market is expanding continuously with multiple growth trajectories. The growing demand from the ecosystem- consumers, businesses and corporates, financial institutions, governments- are driving expansion of the market. Visa states that new flows due to this market expansion globally is worth US$ 185 trillion, of which, B2B is worth US$ 125 trillion. We believe it is exciting times for the fintech companies to witness a strong growth.

If you all can turn to slide #12 of the presentation that has been uploaded. In order to tap early into this market we are building ourselves into a comprehensive one-stop payment solution provider, which I will discuss in the next slide. We have a focused strategy over the short and medium term to expand our revenue streams from this market expansion through, deep penetration in existing markets, launching new fintech solution as a comprehensive offering and expanding in international markets. We are also focused to become a powerful international brand, offer leading technology to simplify business and payments, nurture talent and be ESG (Environmental, Social and Governance) compliant.

If you can all turn to slide #13, We are building ourselves into a comprehensive fintech solutions provider. We are simultaneously expanding our revenue streams which will further enhance operating and profitability margins.

We have built seven strong and robust fintech platforms addressing most of the digital requirements of the merchants to simplify business and payments. Our existing business until FY20 focused on offering a payment gateway to merchant and a white label to banks in-case the merchant goes to the bank for payment gateway services. We launched ResAvenue platform few years ago to specifically target the hospitality industry facing issues in selling its hotel room inventory which we integrated with our payments platform to simplify business and payments for the hotel industry. In November 2017, we launched BillAvenue, an interoperable bill payments platform built under the Bharat BillPay infrastructure, to increase our market share in the utility industry, as well as be an early mover in processing bill payments across various industry categories which Vishal mentioned earlier. We have a strong SaaS enterprise platform that can handle end-to-end eCommerce implementation for large enterprises where we have nil to negligible competition. We have clients like Government eMarketplace for whom we are the key eCommerce technology partners to whom we have customized and offered our enterprise eCommerce platform.

Beginning Q1 we have launched several fintech platforms that allow us to be a one-stop go to online digital payment solution provider be it merchants, corporates, governments or financial institutions.

Since Vishal has covered it in some detail in the introductory part, I will spend less time on this here. We launched B2Biz solution, to automate payments and collections for businesses. We launched CPGS, a backward integration into our PG business where financial institutions become our customers. We also launched CCAvenue Finance through which we offer secured lending and issue corporate pre-paid and corporate credit cards.

These fintech platforms, will expand and funnel significant digital payments and transaction processing traffic to our platforms, augmenting our revenue and further enhancing our operating and profitability margins.

Let me quickly brief you about these businesses. We are happy to engage with you offline if you need a deeper understanding of these businesses, the opportunity and the scale we are pursuing. You may get in touch with Purvesh, our investor relations officer, his details are mentioned on the last page of this earnings presentation.

Now quickly turning to slide #15, Payment Gateway is our legacy business which we launched in 2000/2001. We were India's first online payment gateway service providers. We today rank number two in India and the UAE. We are among the very few consistently profitable digital payments company in India since our inception. In a single integration we provide over 200+ payment options with multi-currency facility to the merchant lowering the chances of cart abandonment by the consumers. We are integrated with most of the marquee businesses across industry verticals. We have also offered our PG solution as a white-label to some of the top banks in India namely HDFC Bank, Kotak Bank and JP Morgan India, who trust us and our safe and robust technology, for them to offer PG services to merchants.

We have expanded this business outside India in select GCC economies and the USA. Further global expansion is in the anvil through country-in-a-box strategy.

Our payments processing volume has grown 10x in the last five years. After a sharp drop in volumes in India in April, we have seen recovery from May and surpassed the average daily processing volume and value by end of June. We are experiencing month on month growth since dip in April. In August we processed the highest ever monthly payments value of Rs. 7,800 crore, crossing US$ 1 billion mark. This is despite aviation, hotel and travel & tourism sectors yet at their historical lows. We estimate that despite low volume from these sectors and without adding the launches in new markets we will be able to process around Rs. 75,000-80,000 crore worth of payments in FY21 from India and UAE alone, higher than Rs. 62,000 crore worth of payments processed in FY20.

Strong tailwinds in India and GCC and a large market in USA with our international expansion plans is expected to increase the volumes processed through our gateway significantly.

If you turn to slide #16, we will give you a snapshot of a strong position in UAE. Our average daily volume in June increased by approximately 75% compared to the daily average in March. We are on a run rate of processing around AED 2.2 billion to 2.5 billion in the UAE in FY2021.

If we move to slide #17, We are experiencing a sharp increase in bill payment volumes through BillAvenue platform. BillAvenue has seen a sharp growth year over year since its launch about 2.5 years ago. Q1 has experienced a sharp rise as more number of billers and higher number of consumers are paying their utility bills through the BBPS channels. As per RBI estimates in 2017, more than 20 crore bills are being generated every day in only 20 cities in India. Only about 750 billers are currently online generating a volume of 2 crore per month. The scope is vast and we are among the early movers with a network of nearly 600,000 agents spread across India. Cash is still dominant for bill payments in India and thus RBI allowed to build a system to accept money in cash from consumers to be digitally converted at the point of sale by agents by maintaining a digital cash balance with the BBPS service provider and paying digitally on behalf of consumers against the cash received.

If we move to slide #18 A few years back when we started targeting the hotel industry to offer our payment gateway we faced an unusual challenge from the hotel owners. They wanted a solution to sell their perishable room inventory first before attaching a payment gateway to their website. So we built a centralized reservation system and a channel manager, ResAvenue platform, to allow them to sell their inventory across various sales channels and integrated it with our PG for collecting online payments. This allowed us to be among the leaders in the hospitality segment serving the almost all the major brands in some form or the other through our ResAvenue platform. Hotel group like, Taj, ITC, Oberoi, Hilton, to name a few are among are coveted clientele under ResAvenue. We have over 2,000+ hotels in our portfolio in India and UAE and nearly one million rooms were serviced through the ResAvenue platform.

If you move to the slide #19, it gives you an overview of the new businesses under the digital payments and our revenue and profit drivers

Moving on to slide #20, we launched B2Biz, to automate business payment and collection. We are directly onboarding merchants as well as we have provided a white label solution to HDFC Bank. Based on our estimates we believe we will be able to process over Rs. 75,000 crore worth of transaction in the next 2-3 years through this solution. Corporate volumes are consistent and higher. Moreover, we are in discussion to onboard a very large client which will significantly boost volumes and value of transactions under B2Biz.

I will move on to slide#21. We launched CPGS service in June and went live with the second largest bank in one of our international market. CPGS is a backward integration in our PG business allowing us to charge financial institutions for processing Visa, Master and AmEx cards for them. This business is theoretically payment gateway and platform agnostic. Any transactions of Visa, Master and AmEx to be processed by the partnered bank will route through CPGS platform. The current tie up with the international bank will allow us to process country's 20-25% of all online card transactions. We are in discussion with the largest bank in the country which along with the second largest bank will allow us to process over 80% of all online card transactions in the country. There are multiple revenue streams attached to this business including a per transaction fee with no pass through as the pass through is already absorbed in the regular PG pricing. We have big plans to expand this business globally and are currently working aggressively to expand this business.

We move on to slide #22, We are partnering with Go Payments to launch pre-paid cards. I already mentioned in detail about this business in our Q4 call. However, Go Payments is from May 2020 onwards is our 52.38% subsidiary from a 48% investee company earlier. This is a low-risk secured business with the ability to earn higher margins in the range of 50-100 bps net compared to less than 20 bps net in PG business.

If you move to slide #23, We acquired Cardpay Technology in June operating under the brand GRIT to make inroads in credit card issuance. Over the last two decades we have onboarded over 1 million merchants across our fintech platforms. In order to monetise on our PG and other fintech offerings we are offering credit cards, GRIT cards, to merchants with whom we have a consistent business, which will also serve as a collateral towards collection on card spends by the corporates. We will have the ability to earn 2% as gross take rates and 1.5% or higher as the net take rate as we will be the issuers. The business is currently live on a small scale due to COVID, which we will steadily scale from October onwards.

Moving on to slide #24, Express settlement is already live with some big merchants transacting daily. We are charging a small additional fee on the existing TDR to the merchant. This additional fee is a service directly offered by us which does not include any pass-through charges. Currently the scale is small as we have just initiated this business. We are utilizing our own funds to settle instantly vs the receipt to us the next day from our modal account. Hence the funding cost is zero and the entire additional fee adds to our topline and margins. Once we scale, we have an arrangement with the bank to offer us a line of credit for as low as 2 bps per day for a per day charge to customer ranging from 10-50 bps. This will enhance our net take rate and margins.

Moving on to slide #25, So far we discussed about our six digital payment platforms.

The seventh fintech platform is the Enterprise Software Platform for eCommerce industry. This is one of our legacy business just like our PG business. We offer eCommerce platform to large enterprise with end-to-end capabilities to launch an online business of large scale. We work with enterprises in India and the UAE. Some of our marquee clients include Government eMarketplace or GeM, STC, Jumbo, Sony, Axiom, etc.

We have both a transaction fee as well as a license fee based revenue model. GeM is one of our significant client in this segment with whom we have a transaction fee based model on the value of procurements. We have processed more than Rs. 55,000 crore worth of transaction over the last two and half years. More importantly, we do not have a pass thru in this business unlike the PG business and hence most of what we earn flows through EBITDA.

GeM, under the new initiative, plans to make itself a unified procurement portal for all government body procurements. It is integrating Indian railways which does a yearly procurement of Rs. 70,000 crore. This will be followed by Indian Defense, CPPP and other portals being integrated. This will significantly increase the GMV processed thru the platform and hence our topline and margins.

If you go through the next three slides, slide #26, #27 and #28. We have strong out-of-the-box capabilities in our payments and platforms business. We can deliver a 10x value proposition to all our customers. We are far ahead of our competition in terms of our portfolio offering and our technical capabilities.

If we refer to slide #28, We have built a comprehensive fintech portfolio, a one-stop shop for merchants and financial institutions. None of our top competitors have a portfolio like we have built. This is also because of the talent that we nurture within the organization that has helped us to build such platforms and offer round the clock customer service support to our merchants.

In the process we have built strong brands in our portfolio that easily identify us in the industry, please refer to slide #29.

I will now hand over the call to our CFO, Hiren Padhya to discuss the financial performance. Thanks.

Hiren Padhya:

Thank you Vishwas Bhai. Good evening to all of you. Now please turn to the slide #31 that is financial performance.

The company is well positioned to capture growth from the ongoing digital transformation led by both consumers and enterprises, which has been further accelerated by prevailing pandemic situation. Our Fintech platforms are capable of generating significant processing traffic. We are broadening and diversifying merchant base across the business verticals globally by addressing changing presences in the post COVID-19 environment.

The revenue impact of pandemic played out broadly along the lines we had indicated earlier in Q4, it affected all verticals with varying levels of impact with the exception of BillAvenue platform. Due to ensuing restrictions on travel, entertainment, hospitality, there has been a drop in volume and value of transactions impacting operational and financial performance during the first quarter of FY2021. However, by the end of June, the average daily payment volume and value surpassed the daily average which recorded in the month of March despite ensuing restrictions and the volume being low in India while UAE registered month-on-month growth in volume and value including in the Ramadan month of May. We believe merchants across segment have started stabilizing their operations and are now embarking on new beginning to adopt and price in a post pandemic world. Thus indicating strong indication of recovery and tracing part to the overall growth in the corresponding periods. Further the companies have registered improved operation margins on account of cost optimization, measures and efficiency parameters, the EBITDA margin improved by 190-basis point to 38% in Q1 2021 versus 36.1% in Q4 2020.

That said let me quickly discuss the consolidated financial and operational performance in Q1 2021. Revenue was Rs.103 Crores down 24% quarter-on-quarter, temporarily impacted due to COVID. We have undertaken several strategic initiatives to expand revenue streams like new businesses in payments, international expansion, lending and card issuance, targeting enterprise clients etc. We are also experiencing strong growth post COVID June quarter in the existing

Payment Gateway business in India and UAE. A robust growth in bill payment through BillAvenue platform and offering white label situation to talk domestic and international banks adding more banks and thus more payment options on our payment gateway to increase traffics on our payment gateway platforms. This will augment revenue and margin expansion.

Second prudent cost optimization and efficiency measures led to EBITDA margin improvement to 38% at Rs.39 Crores up 190-basis point quarter-on-quarter. Third, profit after tax was Rs.12 Crores down 39% quarter-on-quarter. Fourth, payments processed value was Rs.14200 Crores down 16% quarter-on-quarter and number of payments transaction processed were 36 million down 10% quarter-on-quarter.

The decrease was due to significant drop in non-essential goods and services volume in April and May which have recovered only in second half of the month of June. However, bills processed through BillAvenue platform increased 12% quarter-on-quarter to 2.6 million, 66% year-on-year jump an amount of this closes increased 9% quarter-on-quarter to Rs.169 Crores. If not for COVID, the financial and operational performance quarter-on-quarter would have been positive with payments value surpassing to over Rs.20000 Crores with value of 45 billion based on March 2020 run rate. This would have led to revenue of Rs.160 Crores up 16% quarter-on-quarter EBITDA would have been increased by 8% to Rs.56 Crores and profit after tax would have increased by 28% to Rs.24 Crores that is excluding exceptional gains.

Our new business and international expansion have exponentially increased volume and thus earning improvement in take rate profitability margins and cash flows. Infibeam is almost debt free with optimum utilization of internal accruals and having negative working capital requirement. The company has the ability to generate cash despite severe pricing pressure from the competition. We have strong relationship with merchant and banking partners helping counter predatory pricing and lower churn.

Prudent and optimum use of capex helps generate surplus cash which can be used for organic and inorganic growth. We are consistently converting EBITDA to cash. We are already experiencing a

V-shaped recovery in the payment business despite much of volumes from aviation, hotel and travel and tourism yet to recover. Platforms business could see significant jump once Indian railways, defence and other platforms are integrated into GeM under government plan to have a unified procurement portal for all government requirements.

Large strategic bills have been deferred to next quarter due to COVID which will add to our topline and improve margins. All this initiative will significantly expand the revenue and margins for the company over the short to medium term and enhance business value. With this I now hand over the call to our MD, Mr. Vishal Mehta to discuss the growth drivers and then open the floor for Q&A.

Vishal Mehta:

Thank you Hiren.

As we embark on our future journey, we are very confident of evolving into more responsible, sustainable, profitable and a growth-oriented organization. I would specifically like to thank our entire team, the employees of Infibeam Avenues. Our employees are our greatest asset and customer centricity at the centre of our business discussions and decisions. They are doing an excellent performance during this challenging quarter and ensured business continuity.

Needless to say the growth that we are experiencing in the business that we are building would have been almost not possible without our exceptional employees putting in the time and effort. We recognized our responsibility to support both in professional and personal lives and we are confident of delivering robust and multiyear our profitable growth across our businesses. I would now like to open the floor for question and answers.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Anuj Rai, a shareholder. Please go ahead.

Anuj Rai:

I have a question, is there any update on this e-market place that we had participant with this government to create this marketplace for local markets, so is there any update on that like how we are going ahead and what is our development plan on this and another one is data housing part, we are building our cloud based system like a data warehouse, so what is update on that part?

Vishal Mehta:

Basically, we have given our platform to government in that we have given it to government e-market place which we talked about which is the procurement of the country and that particular marketplace has processed Rs.55000 Crores of transactions. Recently there has been announcement that Indian Railways is on boarding the platform with an annual procurement value of Rs.70000 Crores as well as defence is on boarding it and that has actually worked out very well in terms of the overall opportunity and space. We have also given the same platform to the government or a similar platform for Vishwagram project so it is eGram Vishwagram where our platform has been utilized where we provide infrastructure or as well as on boarding to certain institutions and government clients that is orthogonal dimension to the implementation with the platform compared to what we have given to the government e-market place which is most centered and catered towards the procurement of the country. I think if you look at the number of margins were on boarded government e-market place which is the largest initiative and the reason we talked about it because it is one of the largest implementations we have made for the government. There are more than 4.5 lakh unit sellers we have on boarded all the way from weavers, artisans you name it and so if you go to the page which we will talk about the statistics of government e-market place you will notice that more than 50% of the transactions by value is going to MSMEs. So, the number of MSMEs and SMEs who are on-boarding the framework to be able to sell to government, government institutions and so on and so forth, has significantly increased and one can track real time updates and reports in terms of how the progress of the platform is working out. To your second question about the data warehouse we have set up a tier

III data centre with a very robust framework that allows us to move all of our workloads, we have moved quite a significant number of our own workloads to be able to get support, the build out of what we are doing right now and the second thing is that we have also on-boarded third party clients. So, there is a value to what we are building out. We think of this as supporting our growth at least in the short-term because of the build out of what we are doing right now versus what we would be offering to the third party, it is more internally focused. We have also started on-boarding a few clients. We have got clients all the way from universities, colleges and many others who are providing online classes, educational classes so on and so forth who want certain services, so we have on-boarded them as well and we will continue to invest to look at opportunities given that a lot of services are now going online high bandwidth consuming, high compute consuming applications are the ones that we will focus on to be able to built up our own presence there.

Moderator:

Thank you. The next question is from the line of Pankaj Chopra from Siddharth Asset Management. Please go ahead.

Pankaj Chopra:

Thank you for the opportunity. I just got disconnected from the call, so I do not know whether you addressed this. There was one small question on the financials. It is little bit intriguing. If I see if there was no COVID, your revenues would still be lower on a YOY basis and so also EBITDA and PAT. Could you comment on what is kind of pressuring revenues and EBITDA even if COVID was not there? I am only referring to the slide 31.

Vishal Mehta:

If Hiren is with me on this, but I am just looking at slide 31 for a second.

Pankaj Chopra:

If there is no COVID, you say revenue will be 160 Crores, I do not know whether it is apple-to-apple comparison, was there something else in FY2020?

Vishal Mehta:

Q1 of this year if COVID was not there, I think the April and May months were very low months for us because a lot of volumes what ended up happening is the retail volumes dried up, but our utility base volume which is where we offer Bharat BillPay as a payment option. So, utility-based payments started picking up. Now in utility-based payments what ends up happening is that we do not get a percentage on the transactions. We get a flat fee. As a result, what ends up happening is that technically your revenue is your EBITDA in that.

R. Srikanth:

Also in addition to whatever Vishal was saying in the Q1 of last year actually on the e-market place and also on the marketplace side of our business, the closures have taken place actually cascading to from Q4 of FY2019 to Q1 of FY2020. So to that extent actually the closures of accounts happened, it has not happened actually in Q1 of FY2021 and on a broader picture actually that if that closure also would have happened probably it would have surpassed actually Q1 FY2020 also, but nevertheless the good news is that we have crossed the threshold of 94000 Crores actually on a rolling annualized basis and that is the good news and that is what we are working towards that actually.

Pankaj Chopra:

Thank you very much. The other major question is essentially in terms of your Fintech offering. I mean it is very intriguing to see so many offerings and one needs to find what is the common thread of which binds these things together, what is the competitive advantage which Infibeam is trying to leverage upon in doing all these activities and I may not be wrong, but I would assume that there would be specific companies in specific segments and extremely focused how would you be if this thing spreads so thinly across so many activities and still expect to do well?

Vishwas Patel:

The payment is a common theme here. The way today India digital market is only 12% of the overall economy, 88% headwinds is still there and where does the payments come in, the payment comes in is that a normal commerce that anybody buys any products or services and the payment is made. So, wherever the payment is made, we have to be there. Now there are two ways, either you do it yourself or you do it through others who are doing it that is mostly the finance institutions and that is where you make the money. So, the payment is the common theme. So now over the last 18 years, we are very focused on 2001s and 2018 18 years we are very focused on all types of merchants including SME, MSME and other things. So, if you have read one of the statements and almost a million merchants on different platforms that are there. Now then what happens is that then there has to be two things. One is outer expansion and one is the backward integration. So, the backward integration means that the one where we were using their software, why not build our own software, our own switch, our own things, so when you have done that that is where the CPGS products comes in. So, what happens is that you traditionally every business does backward integration be it, you see any successful business, be it Reliance or any XYZ even international if you take, plenty of examples the best way to cost efficiency is to backward integration that is where the CPGS product comes in. The outer things comes in is that if we have the same solution which works in multiple countries, so that is where the international expansions comes in, whether we are in UAE, if we are there in UAE why not in Saudi, why not in Oman, why not in USA, because the same product works everywhere. Payments is a common theme and our products are multilingual, multicurrency so it makes sense. That is the whole theme of payments. Nothing outside the scope of payments we are doing. So common thread across all our platforms and giving this.

Pankaj Chopra:

The fact is that there are issues or doubts which we have had about competition in the form of RuPay which has no charges and then there is this UPI which is kind of competing so aggressively making sure that the earnings in cards and payments systems do not earn as much, I mean they offer zero cost competition to them. How are you placed vis-à-vis? How do you see this in five year's time from now? Would you have some competitive edge against a zero priced competitor like a RuPay or a UPI?

Vishwas Patel:

RuPay and UPI are not competitors to our solutions. They are a payment options on a platform. As said earlier, multiple times in the past, that 200 different options. So basically if you look at a very macro picture, there is credit, there is debit to a bank account and there is cash. Credit plays a very significant role, American Express, MasterCard, Visa, RuPay Credit Card, Diners so there is no zero MDR there. Now debiting a bank account and still one that comes in that is where RuPay and UPI are zero MDR but a MasterCard debit card there is still percentage, there is Visa debit card, there is netbanking where we are connected with almost 60 plus netbanking interfaces, into their core banking solutions where you make every other transactions. So, the way today is that we are well spread out and when we do that is the CCAvenue part. That when you are adding value added services say a hospitality solution and ResAvenue or BillAvenue there is a separate charge away from the pricing that the RuPay and UPI will do. We do offer RuPay and UPI as a payment option, but we offer another 198 options also where we make money. RuPay debit card is there, but MasterCard debit card, and there is no zero MDR in UAE, in Oman, in Saudi, in US, so overall our spread across different things so out of 200 two options have become zero MDR but there is a good money to be made on other things and when we do the CPGS product for banks and financial institutions we make money on every transaction that we process irrespective what the MDR for a RuPay or UPI. When we process the transaction, there is a charge to the bank.

Moderator:

Thank you. The next question is from the line of Shubhendu Kumar from Miebach Consulting. Please go ahead.

Shubhendu Kumar:

My question actually got answered. It was the last to last question. Thank you very much.

Moderator:

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

Vishal Mehta:

Thank you all for participating in our call and we look forward to keeping in touch. If there are any further questions, please feel free to reach out to our Investor Relations. The address, the email as well as the contact information is part of the presentation deck. Thanks again and keep safe.

Moderator:

Thank you. On behalf of KR Choksey Research that concludes today's conference call. Thank you for joining us. You may now disconnect your lines.