"Infibeam Incorporation Limited Q3 FY 2017 Earnings Conference Call"

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Moderator: Good day ladies and gentlemen and a very warm welcome to the Infibeam Incorporation Limited Q3 FY17 earnings conference call hosted by KR Choksey Shares and Securities Limited. 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. Mayank Babla from KR Choksey. Thank you and over to you Sir!

Mayank Babla: Thank you Ali. Good afternoon ladies and gentlemen. On behalf of KR Choksey Shares and Securities Private Limited, I take immense pleasure today in having with us here Mr. Vishal Mehta – Managing Director and Mr. Hiren Padhya, Chief Financial Officer who are here today to discuss with us the company's performance in Q3 FY17. Let me hand over the floor to the honoured guests from the company. Over to you Sirs!

Vishal Mehta: Thank you Mayank. Good afternoon everyone and I welcome you all to Infibeam's earnings call for the third quarter FY17. This is the third quarterly result reported by the company post listing, which was on April 4, 2016. We have shared our result documents and they are also available on the website and I hope that all of you have had an opportunity to go through them. I will walk you through some slides and then Hiren will walk you through the financials of the company's performance in the last quarter and on page three slide three, which is Infibeam Powering Digital Enterprise. While we have gone through this chart in the previous calls, I would like to spend a few minutes in talking about the particular business model that we adapt, how we see this model evolving, and then walk you through the numbers at summary level before Hiren will walk you through the high-level financials of the company. We have got three important aspects that we think the e-commerce ecosystem technology can solve. On the right, you see the demand. On the left, you see the supply and at the bottom of the chart, you will see the capacity of the delivery as it is mentioned. So when you look our ecosystem, we think that technology can solve these three important problems in the e-commerce ecosystem in India. As far as the right hand part, which is the demand is concerned, we feel that Infibeam is positioned in terms of enabling demand. So unlike positioning e-commerce company as a single destination where all consumers have to go to a single destination to shop for products and services, we have built out a very scalable model using our Buildabazaar platform, so as to allow any merchant to sell the products and services online. We think of merchants in a way where they would want to sell directly to customers and in that we believe that enablement of demand is where we believe the largest opportunity for the company lies. So we have given the platform in the past to some of the very well known brands and not just in Indian markets, but also in the international markets. To name a few, we have got Hidesign and we have got Crossword who sells products and services. We have also given our infrastructure to many of the services related companies, which is GVK Airports when you would potentially go and lock in Pranaam as a service. We have given it to many of the theme parks in India. We have also expanded this demand side of the platform to many of the brands internationally as well. To name a few, we have given it to Eros, which is a very large retailer in the Middle East. We have given it to Axiom Telecom. We have given it to Jumbo Electronics in United Arab Emirates market. Recently last quarter, we had also announced that we have given our infrastructure to one of the largest retailers in the United States by the name of Sears. Sears operates 100s of stores across the country and they have reported revenues of 25 billion dollars, so as we scale our infrastructure not just in India, but internationally, we see a very large opportunity to offer the demand side platform to such merchants. In that the merchant just invests into the URL. The rest of the infrastructure, the software as well as the movement of material, money, and process happen directly from our infrastructure. So this is the demand side of our business, which we enable using the Buildabazaar infrastructure for merchants to build out their own brand, their own presence as well as to reach out to consumers not just on their own website and mobile applications, but also across multiple other market places including Infibeam.com as a market place. We call it the distributed market place. Most of you know the demand side platform as a Buildabazaar platform that is available for merchants to build their own online presence. They start selling online. You see on the left-hand side, we think that brands, retailers, and suppliers and we talk supplier specifically in brands because they typically do not have an appetite to directly sell to the consumer. They usually go through a distribution channel. To name a few, we will have someone like Panasonic, which is a brand or Apple, which is a brand and they would typically use a distribution channel to sell the products and services directly to consumers. So we have given this infrastructure out, the same Buildabazaar infrastructure that we give on the demand side, we also give it on the supply side to many of the largest brands as well as distributors that can potentially bring their entire channel online and also offer opportunities for them to sell on a B2B format. You see on the supplier side, majority of the brands they would see a lot of behavior where a small section of their products this cue range will account for the majority of the revenues and what we realize is an opportunity wherein we can offer our platform to such suppliers and connect the product deal, which is very important for a brand to many of the B2C and B2B channels, so that potentially means that we are not just offering the platform, but a very deeply integrated ERP framework that comes along with the platform, which again is a Buildabazaar infrastructure, but mainly cater more towards distributors and brands. So we have kept on expanding this opportunity to be able to bring many of the brands online. Very recently, we had announced that we have given our infrastructure out to Amul, which is one of the largest dairies and they are able to bring their distribution channel as well as the services and products to online consumers, which has been launched and it is already live and running in more than one city and the opportunity there is that as each of these brands and as each of these retailers the keep on growing their consumer base and that each of them can potentially do many of these transactions that we are the largest enabler of transactions in the country. So this we call the Buildabazaar platform, this is where we record our services revenue by providing infrastructure to enable merchants to create their online presence as well as give value-added services to such merchants. You see at the bottom of this chart, we show something called delivery, which we call capacity. In other words, the company is in the investment mode as far as capacity is concerned and we define capacity in two broad terms internally. We think capacity means that we are essentially opening up logistic centres, which provide last mile delivery mechanism to allow products to reach out to consumers across the country. So we have an appetite to grow into 75 additional logistic centres and be able to create a last mile logistics delivery mechanism. Of course, we are tracking GST very closely and that becomes an opportunity for movement of goods and products across the state without much hindrance. So as that keeps on growing out that we believe that investment in that capacity will be very important while today we do not generate revenues from such capacity in logistics, but we offer it to suppliers to be able to move the products or the product deal to users wherever there is no merchant that we would find on Infibeam.com, so in other words we would use the capacity to keep on growing it out for suppliers who want to use it and not merchants. We do believe that as we expand and once we have the footprint across the country that the same opportunity can be provided to merchants as well so that we would monetize on that in terms of services. The second capacity that we believe is very important is the data centre framework or the computing framework that we are investing into. You see that becomes very important specifically at the scale and volumes that we talk about wherein all primary databases would stay with us and that we would terminate the transactions directly on our centres while we would use third party for all backup disaster recovery as well as other mechanisms, so those are the places where we think capacity will be important. I will walk you through some slides in terms of how capacity is utilized to generate product revenue and how potentially we will be able to utilize the capacity in the long term to generate more value for our shareholders. Going onto the next slide, which is operational snapshot Q3 FY17 was a very encouraging quarter once again for us in terms of both profitability as well as growth. It was a very challenging quarter to remind you given that demonetization happened during the third quarter of FY17 and that as part of that impact we would have seen an erosion in terms of the demand specifically for that quarter. We had last time communicated that any of such macroeconomic impact would not just be a one-day effect, but we would have to track it and that it is not an elimination of the demand, but just a pause in terms of demand, but again we would see the demand coming back while our estimates in terms of when the demand comes back is much faster than the thought. Of course, it had an impact in terms of the product revenue for last quarter, which is Q3, but our services revenue kept on expanding as more and more merchants adopt online frameworks and as we actually scaleup our framework not just in India, but globally. So while most companies in the e-commerce segment and you would have noticed many of these numbers coming out in the news that the burn cash and report losses, Infibeam has continued to adopt a very proven way of staying cash flow positive while we record growth and so as a result for this particular turnaround we have a rare distinction and continue to have a distinction of providing a very integrated and synergistic business model for both our B2B customers as well as B2C segment of our customer base on the cloud-based infrastructure that enables them to sell their products and services locally as well as globally. We recorded 66,000 odd merchants in the quarter ended FY17.

Our services revenue for the first time touched upwards of 40 Crores in the quarter. To remind you, services revenue we operate with very high EBITDA margin that translates into a much larger profitability in the bottom. We also spend and forward invested as we kept on growing in international markets and we believe that is also significant opportunity to leverage as we build out the platform and framework for our global clients. In terms of the product revenue, the product revenue was at 62.5 Crores. There is about 1% drop year-over-year compared to the same quarter in product revenue, but we continue to operate with positive gross margins in the product segment. It is important to note that while when you look at the segmental results that Hiren will walk you through that the net impact may have been negative in the product, but that is a very important investment that the company is making today in terms of generating additional profitability through such users and the capacity built out that we are doing. We are investing in capacity as far as being able to move logistics for products is concerned so as to actually forward invest, that same capacity can be opened out to merchants both locally as well as for any global merchant who wants to perhaps come to our country and that such opportunities can result into additional service revenue. So while today we are in the investment mode, but we believe it is a very important aspect to be able to go and invest into whereas such capacity can be translated into very large volumes of service revenue in the future. So our total revenues were at 103 Crores and we reported an EBITDA of 21%, so when you actually look at the profitability this quarter was the highest profitable quarter in the history of the company. That is it from me. I would like to now hand it over to Hiren for the finanicals.

Hiren Padhya: Good afternoon everybody. I will just start with the slide five and six combined. It is consolidated revenue and its composition. The company has maintained the track record of consistent growth even in the current quarter by 14% compared to Q3 FY16 and 23% in nine months compared to Q3 FY16. It is important to mention that in spite of overall negative impact of demonetization in the market, the company has managed the overall profitability. As per the strategic plan, the company has focused into services during the last couple of years to substantially improve on profitability. It is reflected in the figures of current quarter composition of product and services that is 61% against 39% services. It is compared to 70% and 30% in Q3 FY16. Same way in nine months, the ratio has improved by 4% compared to same period in FY16. In view of very high scalability of our business model, which helps the company to acquire merchant without losing money and thereby growing the revenue from services yet remain profitable and cash positive. Now we will move to slide seven. It is consolidated revenue service segment. The company has achieved a rare distinction by providing an intergraded and synergistic business model for B2B and B2C segment of customer on cloud-based infrastructure enabling online sale of product from merchants locally as well as globally. This is being reflected in current quarter service revenue, which has increased by 49% compared to the same quarter in FY16. In nine months if we compare, the same growth is 40% that is from 755 million to 1060 million, which made the company to cross service revenue of Rs. 1000 million figure within just nine months. As a part of long-term strategy, company continues to focus on services in view of very high

EBITDA margin on one side and stepping the international opportunities on the other side for still better margin. The company has already made say 100% subsidy operational in Dubai for the last couple of months. The company earns revenue by offering a combination of setup fee followed by monthly fees and a per transaction commission. The share of international business is in the range of higher double-digit percentage and we believe that there is a strong potential in the future for growth in terms of volume as well as margin. The next slide is eight numbers that is consolidated revenue product segment. During the quarter, the company had sustained the product revenues compared to same quarter in FY16 and it has also gained 15% growth in nine months period compared to FY16 and that too in the midst of major impact of demonetization. Like many other factors, ongoing cash crunch has impacted online shopping. As per the estimate about 70% of overall e-commerce orders are paid for in cash. Demonetization had a significant impact on cash on delivery model of e-commerce. We believe this is to be a temporary phenomenon and normal service would return as cash crunch eases. We as a company see this as a great opportunity for e-commerce industry to enable customers toward adopting digital and cashless payment systems and instruments. This new system will lead more people to use traditional banking services like credit cards, which is the key factor in allowing consumers to buy online. We are very optimistic that various reform initiatives will unlock domestic supply bottleneck and raise productivity, which will result in high volume of transactions and increase in revenue for e-commerce platform in long term, but more important aspect here noteworthy is that in the past couple of quarters we have ensured the improvement in product segment in terms of margins unlike other players in the industry. The company strategically follows an asset light inventory model and has more than 5000 registered merchants who sell directly on Infibeam.com and 8.11 million active users as on December 31, 2016, which are contributing higher revenues. Now we will move to slide number nine, EBITDA. The basic philosophy of our company is that it believes in not only returning shareholder’s capital suitably, but also increasing the wealth of shareholders. Similarly I would like to emphasize here that the DNA of our company is to earn ROC under prudent norms of allocation of cash or profits for the growth in business. As a part of this philosophy the customer acquisition strategy adopted by the company as a pull factor, which is in sharp contrast to the push, which most e-tailers are operating with. Under the pull factor, the company does not incur high cost for acquiring customers, which results in preserving cash in books. This slide reflects our philosophy perfectly. The growth of quarter-on-quarter EBITDA is like 348% and year-over-year is more than 200%, which sufficiently proves this. This has set a track record of high profitability unlike most Indian players in e-commerce segment, which are burning cash and report losses. It also reflects an improved operational efficiency along with margin. Now, we will move to slide number 10, which is service segment result. The company’s long-term strategy for focus on services and expansion of services internationally with higher margin has resulted into exponential growth in service segment profitability in terms of absolute value and percentage in the same quarter. If you compare quarter, then it is 78% increase that is 135 million to 241 million and in terms of nine months, the growth is 48% from 459 million to 679 million. In view of unique features of the segment that is affordability of cloud-based platform, very high scalability of a business model to acquire merchants and that too without losing money and thereby growing the revenue from service domestically as well as globally. This will lead to yet remain our company profitable and cash positive. Very specifically in case of services, our focus is into B2B as against B2C mainly because of following advantages. First is faster growth in services compared to product, second is higher EBITDA in case of B2B. All new developments in terms of JVs, MOUS arrangement nationally as well as internationally are with B2B where revenues are higher and they are profit lucrative. The last is any additional business tie-up if it is B2B, we will have a very positive impact on market cap also. Slide number 11 is product segment results. On one side maintaining the revenue in adverse conditions of demonetization, the company has also managed to improve its segment result by 37 million in the current quarter compared to the same pattern last year and by 62 million compared to nine months. It is a conscious and strategic effort of the management to be positive with contribution in this e-crowded commerce space where many online retailers are losing money. The combined efforts of operational and logistic efficiency and optimizing on the cost front through centralization of few operations have also assisted the company in improving the margins. The next slide is PBT. The PBT being an important aspect of any organization gives an indication of health of the company. PBT has a multiple growth compared to previous year. If you compare corresponding quarter then it is like from 3 million to 153 million. In terms of nine months it is from 64 million to 406 million. It is more like more than six times. The company focuses on high EBITDA and always ensures capitalization from the growth plan. This will also be reflected in our capex in the next at least 18 months, which would definitely lead to higher cash generation and allow the company to stay zero debt company. The next slide is PAT that is profit after tax. The company has again maintained the profitability even after tax, which is evident from the fact that PAT has surged more than 300% both in quarter three and nine months also. It is also an indication of efficient way of managing tax planning and prudent commercial negotiations. This directly not only improves the earning for share, but also shareholder's value. Thank you all. Now I will just pass on to Vishal.

Vishal Mehta: Thank you Hiren. Now what I would like you to perhaps go over is slide 14, which is around new developments and on this slide, I would like to spend at least a few minutes in talking about a very important announcement that we made yesterday regarding an investment and subsequently a merger of one of the largest payments companies into Infibeam. To give you an introduction, CCAvenue is a company that we had made investment into through our fully owned subsidiary, NSI Infinium Global Private Limited in June of 2016. The investment into the company was strategic in nature. We had invested 60 Crores in the company. CCAvenue is one of the largest payment aggregators in the county and they provide payments platform to more than 100,000 merchants helping them to collect online payments in the e-tailing space in India. On an average, if you look at the annual basis CCAvenue processes 15,000 Crores of transitions for these 100,000 merchants. That is the scale of the company that they operate. Our company had made investments through its subsidiary last year and post that we have kept on tracking in terms of how more integrations we can do to be able to enable merchants to complete the transitions online. So in order to actually be a one-stop unique shop wherein a merchant could potentially come to us and that we can offer not just payments software platform, but also payments platform to more than a few 100,000 merchants, we saw this as a unique opportunity to combine hands. So today Infibeam caters to B2B segments, B2C segments and very recently, we had announced an MOU with IL&FS to go after the government business, integrating the payments platform along with our software framework called Buildabazaar and also providing logistics in warehousing as well as value-added services, we believe that it is a full circle that provides all the services to a merchant under one roof. It also provides humongous amounts of stickiness. CCAvenue has got more than 15 years of experience in the digital payments platform. They offer multichannel payment platform with tie-ups with more than 48 banks for net banking with UPI. Debit and credit card payments covering Master and Visa as well as RuPay and CCAvenue will also soon have Bharat Bill Payment System, which will facilitate all bill payments of utilities and services amongst others. The potential merger of CCAvenue into Infibeam will be very highly cash on profit creator for our business, which will result into not only very high growth opportunities under combined strength because they have more than 1 lakh merchants, which will complement to the existing base of merchants that we have. Further details of course will be worked out for creating operating synergies for both domestic as well as international business as we scale the international business also. This results in quantum growth of our business of Infibeam. To explain maybe a couple of minutes on how the payments work given that the pace is well known, but perhaps not as well explained. There are payment aggregators, which are called payment processors. CCAvenue is one of them. They provide integrated payment processing across multiple banks both for net banking as well as credit cards. So the role of the processor becomes very critical for any merchant to be able to close a transaction. All the risks, the fraud frameworks as well as being able to collect card and process card transactions lie with the processor. On top of a processor, you will perhaps see certain wallets, which are peer-to-peer wallets. Some of them are well known in the industry, but the underlying theory is that each of these wallets as well as any peer-to-peer service would require either integration with the bank or with the payment processor directly. So the role of payment processor in the past has been very critical. Also in terms of closing a transaction online that the integration and a deep integration with payments becomes very critical in nature, so in this we allow our framework and our platform to not only just have the ERPs as well as web frameworks and the mobile application frameworks, but also an integrated payment mechanism that can be provided to each of these merchants to be able to transect online. Infibeam has entered into an MOU wherein we will invest another 150 Crores for acquiring 7.5% equity shares of CCAvenue over and above the 3.85% of equity shares, which is held by our fully owned subsidiary. Subsequently, amalgamate CCAvenue into Infibeam by issuance of new fresh shares subject to regulatory approvals and due diligence. The second thing that we had announced was an issuance of warrant fully convertible into equity shares for an aggregate amount of 60 Crores. This is to Bennett Coleman Company Limited and issued on preferential basis at a conversion price of 13.75 per equity share. Now I will go into project updates. In terms of project updates with Saudi Telecom, we have launched the Jarvis Service. It was launched in the first half of FY17 and we continue providing more service in growing with the partner. With Amul, which is the largest dairy, Amul has started operationalizing and providing services to 1000s of customers daily on Amul online, which was already launched in both Ahmedabad and Gandhi Nagar and as we keep on growing out the base more and more products and services are offered to the consumers on an on-demand bases. We have setup an MOU with IL&FS wherein we will provide our infrastructure to many of the government, state government, and central government partners. We have identified such projects. We have already talking to many of the agencies to be able to provide our framework and we believe that in the next few years, the quantum and the number of opportunities that we have identified will look very solid in terms of being able to implement on them. Finally, I will cover the slide that gives you an update on the IPO proceeds. First, the setting up of cloud-based data centre as well as purchase of property for setting up our corporate office of our company, I am very happy to inform you that we have taken possession of the building and we expect that by the end of this fiscal we would have moved our office to GIFT City. So in the past few months, there is a lot of work that has gone in terms of being able to setup both data centre and corporate offices while the data centre work will continue beyond this quarter, but the movement of the offices would happen before the end of this fiscal. Setting up of logistics centre, we are closely tracking GST in terms of the opportunities that lie. We believe that GST will be a huge shot in the arm for e-commerce retailing and provide a lot of opportunities for companies like ours to be able to move products and services as well as provide last mile logistics facility to many of our clients. We have already started work on a couple of facilities for logistics. We have identified and we have started work. This is the one that we will pickup in the coming three to four quarters wherein while GST is expected to launch sometime in June this year, we will track it, we will monitor, and we will see what the implications are before we finalize all our destinations. As far as the software is concerned for ad-based framework, we are very happy to announce that the company has made significant progress in terms of acquiring such software and the first version will be put to use by the end of this fiscal. Finally, for GCP, the company continues to invest into advertising opportunities and we will continue spending that capital in this place where we can grow more and more of operational value and shareholder value. That is it from me. Now we will open it up to questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Mitul Shah, individual investor. Please go ahead.

Mitul Shah: Sir, congratulation for the great results. There are two questions I wanted to ask. First what is the update of the international business that you are expanding? The second question is with the IL&FS subsidiary from when we will the revenue start coming.

Vishal Mehta: Sure, to answer your first question about international growth and prospects. International is a very important opportunity for us. We believe that is the one that potentially allows us to scale our platform globally. We have noticed that global merchants they have very sophisticated requirements in terms of being able to utilize our framework and platform. To name a few, they would require something, which is more about machine learning, deep analytics, and data learning for every set of services that we offer. We are very happy that each of our platform services are scaling up to that format that allow merchants to utilize us and that allows us to give our frameworks out to very, very well known brands at the level and the scale of Sears.com. So today international is still a small portion of our revenue. If you recollect year international was some 15% of our revenue. This year we believe that international will go as high as 20% of our revenues, but again like I said, we see a lot more opportunity in the international business because the platform that we offer to merchants over here can also start scaling up for us globally. So we believe it is a very important aspect for us. One we should continue focusing on. To remind you we have started working through channels as well, so in other words not just going directly to clients, but in certain geographies we have started working through channels. We have given our framework to someone like Saudi Telecom wherein they can provide it out to utilize it for themselves as well as giving it out to others. So we believe that as we scale up that we will forge the right relationships and those are the ones that potentially help us scale our business you know across. As far as to answer your second question, which is when, do we expect implementation of our business with IL&FS start kicking in. You see IL&FS of course, they have been working on many of the government projects. There are many other projects that we have identified and we are working towards implementing many of those. We have recently announced that we have given a framework to the Sikkim Government for **(inaudible) 36:51** frameworks. We believe that the revenues of what that we do with IL&FS should start hitting our books in the first quarter of next year, so in other words this financial year you will not see a huge impact. You will see some marginal impact, but the real impact will start showing up next year.

Mitul Shah: And the main question is like what we can expect actually what groundwork you have done for the international market right now at this point, so that can generate the revenue for sustainable like three to four years, five years, so what is your roadmap for that.

Vishal Mehta: Sure. Internationally like I had mentioned that in the past we had opened up Middle East as geography and started giving it out to merchants as well as channels. You see in certain geographies we find channels to be very attractive. We call channels like for example banks, who have got KYC customers. TELCO that have KYC merchants when I say customers because we give services, it is more in the B2B format. So there are certain specific channels that we have identified that become very important and attractive for us to be able to give our framework given that a lot of merchants in that region are already KYC'd by them, which is know your customer bit correct and so we think that channels are very important and then very large branded companies in international business are very important and relevant for us. So the first step was to actually get the first client in the United States and in that we were successful in getting one of the very known brands in the US called Sears and the framework and the platforms that we given them are the ones that we give to merchants along with an expanded framework to be able to be manage of lot of machine learning frameworks for them as well given that the scale of data and the transactions over there are at a different scale compared to everywhere else in the country or in the world. So we have started giving it out. As far as our own internal positioning is concerned we have setup a fully owned subsidiary in the Middle East that allows us to do some amount of management locally as well as grow the client base in that region and as and when we identify the scale of opportunities, we believe that we will continue doing so and investing into the right places that allows us to scale our international business.

Mitul Shah: And what kind of the margins are there in that business same margin as of India...

Vishal Mehta: Yes international margins are very good. You see the revenue per merchants if you look at many of the other companies that have traded in that region, which has similar business as ours that you will find that the revenue per merchant for them, is significantly higher than what we report in India. So even if we go through channels and partners who potentially take some amounts out of such business then also it is very lucrative for us. So we believe that the margins should actually continuing being that way and perhaps even expand if we continue building it out in that setup.

Mitul Shah: Okay and last question that when we can see a huge transition from domestic business to international business and what kind of revenue you see in the next three years.

Vishal Mehta: You see we have not been forward communicating about specifics, but what I can tell you so far that international is becoming a very important roadmap for us. See in digital fortunately there are no boundaries, so the merchants and the brands who uses over here in India, there is a strong possibility of them utilizing us internationally as well. So we think that that is obviously the next synergy that we should explore and the specific strategic conversations with CCAvenue allows us because given that the payment processing on a standalone basis at the tune of 15,000 Crores a year that potentially even payments can scale with us in the international markets, so that you can give a full service offering. What you would require of course is acquiring bank and the local permissions, so we believe that this integrated offering if we are able to build out in the international opportunity that will perhaps result into very high growth in shareholder value as well. The same thing, which is the investment in capacity that we are doing and international plays a very important role in the future build out and the monetization of such capacity that we believe that there are many brands given the GST implementation is upcoming. The results of demonetization whether more opportunities for retailers to transact in India with simpler tax reforms that such brands and retailers would want to come to India as well and should we power some of them in such regions that they would want to come to India and maybe perhaps look at evaluating using our capacity, which becomes monetizable in the future. This is something that we had highlighted in the past, but given that we will be starting to build out our capacity more from a data centre perspective as well as logistics centre perspective that those are also monetization opportunities for the company to monetize on the international plans.

Mitul Shah: So that will be managed by decentralized or centralized, like international our business will be managed by centralized process or decentralized process.

Vishal Mehta: International business, we think local people have to do local stuff. So in other words we have always taken the approach because every region is different. So while a lot of infrastructure, framework, so on and so forth that we have built out can be utilized, but there is also certain specific activities and infrastructure that can potentially be utilized for international business, which will be done internationally. So while we expand into each country through a centralized framework once the volumes built out that we try to make it more and more decentralized.

Mitul Shah: Okay. Thank you.

Vishal Mehta: Sure.

Moderator: Thank you. We will take the next question from the line of Nirav Shah, Private Investor. Please go ahead.

Nirav Shah: Hello. Sir, could you throw some light on your partnership with Sears.com.

Vishal Mehta: Sure Sears is a very large retailer in the United States and much like any other retailer they have got a presence online wherein any consumer can potentially go to sears.com today and also be able to transact on sears.com. This is before us giving the framework. Some of the challenges that they work with are that they are not just a retailer, but they also have a market place presence, which means that any merchant can potentially go and upload a product on Sears and that such product can potentially be searched, browsed, and fulfilled by the merchant or Sears themselves. So they work as a retailer as well as a market place. The platform that we are offering is the Buildabazaar framework that allows us to identify with the fair amount of accuracy what the product identity is. In other words, in a very simple term it is very hard for the merchant to identify because every company has a different browse note structure in terms of where the product will lie. If in point being that if somebody wants to sell a watch then the browse note works in such a way that it goes into lifestyle under watches under men under Bla Blue. There are a lot of product hierarchies that are built out and should the product not match into the right hierarchy that it is very hard for anyone to be able to search, browse, and discover products and a lot of times such activities at scale in certain ways are also done manually as well as automatically and it is a problem for not just one market place. It is a problem for many of the market places. So given our infrastructure that we can offer deep learning, machine learning for essentially allowing product identification, which is what we have actually communicated and that said services can potentially be given to clients and should that work with a high degree of accuracy, then potentially that allows us to keep on scaling up more and more of our platform pieces into such companies. So it is a framework wherein you know what we do is we allow someone like Sears to use our advanced machine learning algorithms for automated classification of products in Sears market place if that makes sense and in that, that essentially means that every product that is uploaded gets automatically identified into the product classification, which perhaps means that you start with item mastered, which means that item master, the catalogue management systems, the IDs of the product they all come onto a framework. Eventually, we can keep on expanding more and more into such opportunities whereby they would use more of our frameworks and services to do both B2C and B2B.

Nirav Shah: Okay Sir I have one more question. I was going through the RHP and I saw that lock-in period of 1 Crore shares is ending on March 17, 2017, so would it not we see a significant profit booking thereafter.

Vishal Mehta: Like I said it is unfair for me to comment on that because I believe that of course depending upon what investors will end up doing we would not be able to control that, but like I said I think that we want o communicate via long term in terms of growing our business out and that we would deserve the investors through execution, not optics. That if we keep an execution on our performance that we would deserve the investors that we would hopefully have in the long term.

Nirav Shah: Okay thank you Sir and all the best for future performance.

Vishal Mehta: Thank you.

Moderator: Thank you. We will take the next question from the line of Rahil Vora from ABML. Please go ahead.

Rahil Vora: Good morning Sir. One question regarding Amul how much it is contributing to our top line and also need to get some knowledge on the contract, which you have done with Amul.

Vishal Mehta: Sure. Specifically, we have of course announced that we are giving the entire infrastructure to Amul to build out their online presence, which is called Amul online and what that means is even today one would be able to download the app through Mobilapp through any of the frameworks. You see the product base Amul is very, very interesting because they are the finest brand and that they have got an assortment of dairy, frozen, and non-frozen product categories, which allows them to actually spread across and that there is a huge consumption on such products as one can imagine. So the entire infrastructure is on our framework that allows for any one in certain cities to be able to place orders and that those orders get satisfied within time span, within certain timeframes, and that users can of course get the benefit. So typically what we do with such companies like you said is that we would not be able to report of course specifics on the amount of revenues that we would build out or we would get out of one client, but what I can tell you is that it is Amul's business. For any Amul product, there is a humongous amount of stickiness, which means that consumers are very sticky to that product and that will keep on allowing them to keep on coming back onto the frameworks. It is not unreasonable to may be imagine that for a particular city that on a daily basis one can perhaps do thousands of orders, but again I would not be able to comment on specifics given that it is their business and typically we do not have a practice of commenting on customer's businesses.

Rahil Vora: And one more question to it. What kind of revenue flows we are expecting from the Sears, which is annuity or the variable.

Vishal Mehta: Typically our contracts are variable with a floor in international business. So international we work with a variable costing because a floor pricing, so that we know that we are covering our basics, so as we keep on expending out that if the variable is less than the floor then we would perhaps get a payment of a floor and if we actually increase it then variable will increase and hence we get the payout on the variable. In domestic business, we worked exact opposite. We work with a variable and a ceiling. So in other words, we will start variable and even beyond a certain point, we will ceil ourselves up in revenues. So these are typically some of the conversations that we would pick up. So like I said I think that we typically do not have a practice of commenting on specific-client contracts, but what I could tell you is that they are material and hence they are disclosed.

Rahil Vora: Thank you.

Vishal Mehta: Thank you.

Moderator: Thank you. We will take the next question from the line of Mayank Babla from KR Choksey. Please go ahead.

Mayank Babla: Good afternoon Sir. Just one question I had was actually what kind of a margin impact and revenue impact are you expecting from this merger with CCAvenue, if you could throw some color on the revenue run rate of CCAvenue's currently.

Vishal Mehta: Sure thanks Mayank. See CCAvenue like I had mentioned they are the largest payment aggregator in the country and while they are processing 15,000 Crores of transactions, which we call the GMV or the gross merchandising value that it is reasonable to assume that such companies in the payments space they would lock in about 10 to 20 bases points in terms of net revenue. So in other words while they would process such amounts of transactions for merchants across that the net revenue that they get is between 10 to 20 basis points across the margins. So one can assume and it is reasonable to assume that such companies at scale that you would find that if they are processing a few 100 Crores in net revenue that they are one of the largest in the country. As far as our appetite to look at an investment into them is concerned, one is the scale and size in terms of the number of transactions that they process because for the scale and size of the transactions that they process it, five basis points improvement in that almost doubles your free cash flow. So in other words that is one. Second is the number of merchants for whom they process. So in other words while today we would have a set of 66,000 odd merchants, that there is 100,000 merchants with CCAvenue as well. So from an operating perspective that each of these 100,000 merchants becomes an opportunity to be able to monetize out of. They will continue of course being with the existing team and team members and basically the whole idea there is to workout the synergies because the synergy is such that when a platform in a payments company come together that potentially there is a lot of magic that one can create, so in other words the whole appetite there is to look at perhaps one to one plus one how do you make that 11. So the synergies in the business can be significant in terms of being able to look at international scope of such platforms as we grow that the internationalization of payments becomes a huge opportunity number one. Number two that as we keep on scaling up we have got many of the value-added services including being able to do deeper integration as a platform. By the way, payments are not platform specific, it is platform agnostic. In other words payments can go onto any framework and that we want to be able to go back and make merchants more and more successful as a company. It will continue the running with the existing team. CCAvenue post demonetization even pre demonetization if you look at the compounded annual growth rate that they are working at a CAGR of more than 45% to 50% year-over-year. So when you look at the impact was that you would be looking at perhaps adding post of course regulatory approval and the merger going through that you would see another 200 Crores being added into the services revenue's portfolio in terms of revenue. In terms of profitability, you would see another 40 to 50 Crores of net profits being added onto the framework and that is of course like I said post the investment that we have announced and a scheme of amalgamation that we would file. That allows us to consolidate the company into us. So the whole idea there is that given that the space is very synergistic and the synergies can be utilized to grow shareholder value that one can think about looking at a multiple if you look at the price to earnings multiple that even it if looks handsome at a 40 but looking at the compounded annual growth rate of 50% year-over-year that becomes very reasonable and the second part is that when we actually offer our platform to many of the large clients and some of them we have even mentioned recently even in India, which actually process thousands of Crores of transactions that such opportunities lie in terms of giving them payment solution as well, which is the synergy that we would work up on that allows us to grow faster.

Mayank Babla: Okay thank you Sir for answering my question.

Vishal Mehta: Thank you.

Moderator: Thank you. We will take the next question from the line of Amit Loonker Jain, individual investor. Please go ahead.

Amit Loonker Jain: Good afternoon. Sir my question is that can you give us some colors on CCAvenue merger like what kind of revenue impact and the margin impact, which can be seen in the going future.

Vishal Mehta: Sure. Like I had mentioned just maybe a few minutes back CCAvenue is the largest payment aggregator in the country and if you look at the amount of transactions that they process on an annualized basis, the gross merchandising value of what they process is upwards of 15,000 Crores a year, which means that if you were a merchant who is using CCAvenue as a payment processor then the amount of value of transaction will translate into revenues of CCAvenue. So while they process more than 15,000 Crores of gross merchandizing value that makes them one of the largest payment processor in the country you will also imagine and appreciate that the net revenues that they would earn or any as a matter of fact payment processor will earn will be in 10 to 20 basis points, which means it still translates into few hundred Crores in net revenue and when you actually minus the cost that they incur then also it is a highly profitable business, which means that they would be generating in upwards of a good 40 to 50 Crores in profits. Now when you actually look into that we have seen that companies in the payment space both pre and post demonetization, they have been growing at a compounded annual growth rate of more than 45% to 50%. So when you look at any of the multiples and of course there will be fairness evaluation before we look at putting up a scheme, but the MOU that we have signed right now allows us to invest to own significantly largest stake in CCAvenue subsequent to which we will file a scheme of amalgamation pending regulatory approvals, which means that we would perhaps look at taking control and then going through the process of being able to go through the amalgamation process. So in that you will generate we would be adding about close to 150 to 200 Crores in terms of services revenue and you would be adding about 40 to 50 Crores in profitability.

Amit Loonker Jain: Thank you.

Vishal Mehta: Thank you.

Moderator: Thank you. We will take the next question from the line of Mitul Shah, individual investor. Please go ahead.

Mitul Shah: Since the last three conferences you were saying there would be an update on Dot-Triple-O. So the prices of Dot-Triple-O and Dot-Com, there is a huge difference, so what are the steps that you have taken for the updation of that and bringing down the price for that.

Vishal Mehta: Sure that is a very good question and you are right, we have mentioned this. See we have been working a lot in the backend, which of course is not visible in terms of what we can do to reduce the price. So in terms of reduction of price it comes from being able to utilize your own infrastructure as much as possible. It comes from utilizing your own securitization because there is a whole security and security framework that one can utilize and it also comes from using some of the third party agencies, which are mandatory in nature, which are prescribed by again to be able to be able to go and make sure that they also validate what you do in terms of the overall behavior as a registry. So in all the three places our appetite is that our investment comes from the fact that we are putting up our own data centre infrastructure to be able to manage certain capacities. The second part is being able to go and build out our own securitization frameworks that allow us to manage a debt scale and not eventually incur that cost and the third part is to be able to use the right agencies that can perhaps help us in terms of lowering the cost of the overall management of such domains. So to give you an appetite of what we are looking at today if your cost is X, our target to achieve is one tenth of that cost in such a way that if we actually boil it down to that number then we would be able to still sell at may be one twentieth of the cost that we are selling today and still make profits out of it.

Mitul Shah: Because if you are able to sell that in a big way, we can see a huge valuation coming from that.

Vishal Mehta: You are absolutely right. So our internal estimates were that we would try to accomplish all of them before March. We have actually spent significant amount of time and effort. It is actually now not a theoretical exercise. Practically, we have known that we can achieve such cost basis to be to reach such cost.

Mitul Shah: Actually the revenue coming from the Dot-Triple-O, do you have any plan for that value realization.

Vishal Mehta: Yes that is absolutely true. So one can expect that in the month of May 2017 that you will see the value unlocking or value being realized and that quarter you will start seeing the up deck, so after the June quarter of 2017 one would expect significant amount of updates in that area.

Mitul Shah: Okay thank you.

Vishal Mehta: Thank you.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Mayank Babla for closing comments.

Mayank Babla: Thank you. On behalf of KR Choksey Shares and Securities Private Limited, we thank the members of Infibeam management and all the call participants for such an engaging discussion. I hope you have a good day. Thank you Sir.

Vishal Mehta: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of KR Choksey Shares and Securities that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.