"Infibeam Incorporation Limited Q3 FY2018 Earnings Conference Call"

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Moderator:

Ladies and gentlemen good day and welcome to the Infibeam Incorporation Limited Q3 FY2018 earnings conference call, hosted by KR Choksey Shares and Securities Private Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involved risks and certainties 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. Dhavan Shah, Research Analyst from KR Choksey Shares and Securities Private Limited. Thank you and over to you Sir!

Dhavan Shah:

Thank you Bikram. Good evening everyone. On behalf of KR Choksey Shares and Securities Private Limited, we welcome you all to the Q3 FY2018 earnings conference call of Infibeam Incorporation Limited. I take this opportunity to welcome the management of Infibeam Incorporation Limited represented by Mr. Vishal Mehta – Managing Director and Mr. Hiren Padhya, Chief Financial Officer of the company. We also have on the call Mr. Vishwas Patel, CEO & Founder of Avenues India. We will now begin the call with the brief overview of the company by the management followed by the question and answer session. I now hand over the floor to Mr. Vishal Mehta for his opening remarks. Over to you Sir!

Vishal Mehta:

Thank you and good evening to everyone. On behalf of the management of Infibeam, welcome to our third quarter FY2018 earnings call. I may not have had a chance to wish you all a Happy New Year, so please accept Infibeam's wishes to all of you for a very happy and prosperous 2018.

On February 14th, our Board of Directors adopted the results for the third quarter FY 2018. The results has been uploaded along with the press release and earnings presentation from the Stock Exchanges and also on our website. I trust you all had a chance to go through the same. We are very happy to announce that our Board of Directors has approved to pay an interim dividend of

10% to our shareholders. We've also got in an approval for the proposal of Network18 Group to invest up to INR 40 crores (INR 400 million) in Infibeam and also to appoint Mr. Vishwas Patel, who is on the call with us, as well as Dr. Piyush Kumar Sinha from IIM Ahmedabad as Directors on the Board of Infibeam. I will discuss the details of these in a while as we go ahead with the presentation.

In our Agenda today, we will discuss the following.

1. First, what will thrive Infibeam as an e-commerce enabler. We will discuss about the strong scalable business model in growth prospects by using some analysis from the industry vertical that we operate in, that is the Internet industry.
2. Second, we will then take you through some business developments. We will share business updates that has helped Infibeam grow faster and also make profits. I will also subsequently share some of our growth plans.
3. Our CFO, Hiren, will walk you through the financials and how our strategy reads by the numbers.
4. And then I will summarize some of the key strengths and future potential that we hold.
5. Finally we will open the floor for Q&A.

1. Infibeam Web Services (IWS) - A Platform for Ecommerce Transactions

Slide 5 - Internet Economy Driven By Platforms Globally …

I think it's very important to understand the business and the progression path before we delve into the numbers. While Hiren will walk you through the numbers, I wanted to walk you through the business model and also our thesis around why this business model is extremely scalable for us.

We've got a lot of names on slide five of companies that you may recognize.

Infibeam is an e-commerce enabler. We provide technology by leveraging the power of the internet. So just to put into perspective, there are nearly about 5 billion Internet users worldwide, among the population of 7.6 billion worldwide, which means the majority of people in the world use Internet and there are more than 2 billion smartphone users.

And basically, wherever consumption happens, that's where transactions will also happen. And hence, building-out Internet platforms to do e-commerce for selling of goods and services and also enabling it through digital payments is an extremely important part of a Platform. I will come to you in a moment to the Internet platforms that others do, but basically what I wanted to show out of the slide is what Infibeam has been doing so far, among so many years. The focus is to provide a platform for all these millions of users, not just in India, but also overseas to be able to transact online.

Slide 6 - … Platforms Are Asset Light & Scalable

There are two broad business models in our opinion that has emerged. If you walk to slide six, you will find several other names as well, in the industry very, very well-known names. You see the first business model and in terms of a visual is the television model, whereby, you essentially create a pipe to get the content to the user. And over a period of time, you will notice that platforms have emerged, like YouTube, which actually go and provide more than just a pipe.

There is content ingestion framework, there is an engagement model, there is a model for consumption, there are models for revenue recognition, which are ad supported and many others. **And so, Platforms do just more than Pipes.**

And I'll walk you through what I mean in detail.

If you look at how most of the companies on the slide six evolves, you will see that there are e-commerce services platforms, there are payment platforms, there are social media platforms, there are many utilities for each and every aspect of this platform, there is also a different pipe model that I call the traditional non e-commerce model.

So, over a period of time given that this billions of users and consumption has moved online that platform becomes a very important facet on how companies have evolved as well, which requires a lot of effort to get it right. It requires huge amounts of time and effort to be able to get the positioning and the propositions carefully crafted. But the moment it actually gets crafted, it allows you to grow not just linearly, but exponentially.

Many companies, they provide very scalable services, it mostly starts from the fact that some user or a merchant or a customer wants to transact and the company will build out a platform on a framework that allows this consumption to be built at scale. If you look at how Internet companies have grown in recent times, you will find that there are different business models that have emerged. And among this business model, I wanted to specifically talk about Infibeam as a business model, as I walk you through slide seven.

Slide 7 - Transaction Platform: Exponential Growth Prospects Have Emerged

You see Infibeam as a business model, we used to have a subscription-based model, a subscription whereby we will cap our upside to the more our users and our customers in a B2B model as a merchant adapting our platform. The more business merchant does, we did not get an upside. And that is a very differential model. I think it was a great value proposition a couple of years back, because a lot has evolved in this Internet age, that allows you to manage your cost much better and it also allows you to scale up, but the dimension of scale was more geared towards addition of more and more merchants.

And that subscription business, it was a great opportunity for the company to build up a very defensible product. But over a period of time what we realized was that as our users and our customers and our merchants they did better and the harder we hit, we were not additionally getting more revenues. In other words, we kept on building out more and more feature sets, more and more important customizations, but that limited our upside, given that it was subscription.

To give you an example, if one of our merchant, they ended up doing a few lakh rupees of transactions and if they increase the number of transactions, the company did not get additional money for it. Now over a period of time what we realized was, that as the Internet economy grows and as transactions grow, it actually makes our model more transactional in nature, that the company and our shareholders will get a lot larger return. So, **in the past few quarters, the company has consciously focused on building out and providing our same infrastructure along with payments to make the model more transactional in nature. And I'm very happy to say that, the majority of our revenues are transactional in nature now**.

If you look at our model, BuildaBazaar has many of these merchants and that was the model that we started out with, where we used to actually make revenues out of subscriptions. And we used to get some bit of revenues from transactions. There are many of the initiatives that we have undertaken; with payments, essentially more transaction means more revenue for the company and the addition of payment was a big step towards making the model more transactional. **You see the software and the payment framework together not only just create stickiness, but it also allows the company to generate more revenues and make money out of every single transaction.**

So if you look at CCAvenue, on a run rate basis for FY '18, the company is on track to process $3 billion of transaction.

And mind you for every transaction the company generates some amount of revenue for the shareholders. In terms of the total number of transactions, we are one of the very few companies that generate more than 100 million transactions a year, that's very important to note over here, that these transactions are not just processed transactions, these are successful transactions. While the industry is full of numbers, they talk about how many are processed and not how many are successfully processed. The company has taken the choice of reporting only numbers which are successfully processed and ones where we actually make money because we do not have a philosophy or an appetite to make losses on transactions, but what we have done is that on every transaction we would want to make some profit.

So we've taken that approach and that has allowed us to scale. There are more than 240 payment options including UPI and RuPay which are integrated. I wanted to talk about government e-marketplace and I will also talk slightly more in detail about this, but this particular framework has been provided to the Indian government and all Central Government procurements has the potential of coming on to government e-marketplace.

And here also rather than positioning the framework and allowing it to be subscription driven where more transactions get processed but the company would still get the same amount of money, we rather positioned this and communicated this as a transactional framework. So in other words, more the value of goods get processed on to the GeM platform, the more money the company gets. I'm very happy to report that we have started generating revenues out of GeM as of last quarter, as in Q3 of FY '18. I will cover GeM going forward slightly more in detail.

I want to also cover BillAvenue and I will allow Vishwas to subsequently cover more of it detail. BillAvenue is an amazing service that has been launched, which allows us to get a share in the utility payment space. You see, there are thousands of utilities, and government has created a framework called Bharat BillPay. The company has created a framework where there are a set of agents. These agents will collect utility payments. The way you can think of these agents are, these are people who are outside of a railway station or a kirana store who are able to collect payments. And then on the other side, there are set of utilities. Utilities could be water, electricity, whatever you call, it could be local utilities as well. And these utilities are on a common framework or a pipe. And in one case, whenever the agent collects not only does the agent earn some commission, but the company also gets some revenues. To give the scale and size of this opportunity, there are about close to 9 crore (90 million) bills that get processed or created everyday.

And earning a few rupees out of every bill, which we will walk you through is also a tremendous opportunity for the company and again it is a transactional revenue; the more the company transacts, the more revenues we generate.

So, what I want you to **takeaway from this slide 7 is that, we would want to earn revenues out of every transaction, which is a significant opportunity to scale up the company.**

2. Business Development Updates - Increasing Focus on Transaction based services

Slide 9 - Can GeM Become The Largest Marketplace In India? GeM e-commerce powered by IWS

Next, I would like you to understand GeM slightly better from us. There is a lot of information about government e-marketplace and we would like you to understand the business development opportunities and the updates from the company.

Government e-marketplace is where there is already usage-based e-commerce going on. Government purchases lakhs of crores (trillions of rupees) of goods and services every year and GeM has the potential of bringing that entire consumption online.

We've decided that usage-based commerce is a very important facet of what the company needs to walk through. It is not a discovery engine, it is usage that goes on and whether that usage can potentially go online. You see in the past we have made some significant announcements, material developments that we've announced that we will bring Amul - Amul as a product framework, online. We have also announced Adani and Fortune Wilmar, to get those products online. Those products typically don't need to get discovered, a lot of people know about these products. There is an offline consumption already going on. If there is an offline consumption going on, is there a potential of bringing that entire framework online?

Unlike a Google frame work that allows discovery of products, a usage based frame work allows you to bring the entire consumption portfolio online, which is wherever our core competency lies.

So government e-marketplace is an opportunity to bring that entire consumption of the government online. We had talked about this in the past, in previous call, where we said that, government has a total procurement opportunity of $100 billion. You see across the entire industries, even today, when you talk about companies as large as Amazon, the revenues are not as large as this potential, if you will. So this has the potential to become one of the largest marketplaces in the country. Of course that will mean that the consumption and the entire procurement of the government would eventually go online.

I want to walk you through some statistics of government e-marketplace, which has been publicly published under the url gem.gov.in. We are very happy to report that the entire e-commerce framework of GeM is on Infibeam's framework, which means that Infibeam web services framework powers government procurement. The total value of procurements are estimated to be between INR 6 to 7 lakh crore, it’s about $100 billion. And it's also public information that even state governments have signed up to do local state procurement using GeM. So not only is the central government procurement moving to GeM, even state governments have signed up to utilize GeM. There are already close to half a million products on GeM, these are for businesses who want to provide these products to the government.

So the same process of offline is replicated on the online GeM framework for government to procure. Mind you, this is not an open marketplace, this is a closed B2G marketplace for the government. It's very interesting to note that even services, which means that whether the government wants to purchase a service related to a product or a service in general that consumption is also moving on GeM. There are more than 8,800 services that have migrated to GeM.

If you look at the number of orders in the value, there is more than INR 4,000 crores (INR 40 billion) of procurement which has already been flushed through GeM to date. And mind you this has happened in a period of about four months. So, there is a potential to actually grow out. GeM 3.0 was recently launched in the month of January.

If you look at sellers, there are 73,000 odd sellers that have already on-boarded on GeM. And if you look at the number of buyers and buyers meaning government organizations who are empanelled to purchase products and services, more than 16,000 have already signed up to procure. So, it's a fantastic opportunity for the company to be part of an opportunity to power a marketplace that has the potential of becoming one of the largest in the country.

Now I would like to hand over the call to Vishwas Patel. He will walk you through the payments business update and the potential thereof. Vishwas, over to you.

Vishwas Patel, Chief Executive Officer

Thank you, Vishal. A brief introduction, I'm Vishwas Patel, currently CEO of CCAvenue. A brief description about CCAvenue payment gateway. We're India's first independent third-party aggregator providing payment gateway services which started in the year 2000-2001. We have the maximum number of payment options, where we have tied up with 54 plus Indian banks, where we are deeply integrated into their core banking solutions.

Side 10 – Digital Payments Scaling Up Rapidly; We are just getting started

Today, we have the highest number of merchants on our platform. Going on to slide number 10, this last 12 months, we have processed 100 plus million successful payment transactions. As Vishal said earlier, we are talking about successful transactions and not process transactions. Majority of the top performing merchants are processing through us, so you name anybody in the Indian Internet industry say if you take travel as a use case, then if you look at say hospitality, then Taj Hotels, Oberoi Hotels, ITC and Lemon Tree, all the main chains process payments through us. We've done the OTA space, MakeMyTrip, Cleartrip, Yatra, and so, 92 of the top 100 merchants process through us, including now IRCTC, Odisha Government tax collection, Bharat Gas, Hindustan Petroleum, and many other new merchants also, we become the default payment gateway providers for them, mainly because of our huge experience, our customized solutions and for many other services we provide.

Going ahead the government has made debit card MDR to zero, so it will lead to an exponential growth. Today the card transactions for the end merchants, specifically in the SME section, if they accept cash on a 100 rupee transaction, now they will get full INR 100. So now with debit card rates also dropping to zero and government taking on the burden of reimbursing us, the payment gateway aggregators, we expect the usage and future growth of payments going up even further. I think it will grow exponentially because for the end merchant the usage expense on debit card is going to be zero.

Slide 11 – The Bharat Bill Pay System … A Game Changer In The Billing Ecosystem

Going on to the other platform, which we are talked about is the BillAvenue, that we launched two or three months back. Now bill payments as a utility -- currently it is all fragmented, the government and RBI has conceptualized Bharat BillPay. So every utility, as you see on slide number 11, be it in electricity, water, municipality, gas, telephone, DTH, then slowly education, school fees, college fees and then insurance, mutual funds, so all kind of billing items are going to come on to a common standard into a common switch or a system called Bharat Bill Payment System, which is conceptualized by NPCI, which has earlier made the India's card system RuPay and amongst other things.

So under NPCI, we have been appointed as the operating unit, where RBI has licensed us. There are only eight private players who have got biller operating unit (BOU) licenses from RBI and rest all are banks. To qualify it requires five-years of bill payment experience and INR 100 crore (INR 1 billion) of networth. Since we have got the license, we have on-boarded in a span of less than 90 days almost half-a-million agents across the country via agent institutions. Big agent institutions like Suvidhaa, MoneyOnMobile, Hermes, etc. This gives us the ability to go to the billers and put their bills on to the NPCI systems. And on every transaction, we earn a flat fee out of it, on the billers' side.

And on the other side, we have appointed agents where any bill payment done at any of our agent outlets anywhere in the country, we earn a flat fee out of every transaction from our agent side as well.

Slide 12 – BillAvenue's Network … Empowers Customers to Pay Bills Anywhere in India

Utility payments unlike shopping is compulsory; you have to pay up. Once all the billers come on to a common network, anybody from anywhere in the country can pay any bill across any utilities. That is the kind of power of this BBPS system, and that kind of bill payment is going to become a recurring phenomenon. And since we are well placed there, we expect a lot of growth on that.

Today, our network includes lakhs of agents registered across India, there are over a dozen billers already put up on the system like DishTV, Gurgaon Municipal Corporation, Baroda Gas, Sabarmati Gas, etc, so any of these bills paid anywhere across the country or any bank platform, there is a revenue to be made on BillAvenue by us. And if you look at the agent also half-a-million agent network is already established across the country.

Slide 13 - 120 Mn Daily Bills Generated in India … Significant Revenue Opportunity

I just want to give you a scope of how many bills are generated across the country today. Today, on the bill's part, this year alone every day 12 crore (120 million) bills are generated across the country. Annually, 4,200 crore (42 billion) bills are generated in a year. So there is going to be a significant growth opportunity, going up to almost 9,340 crore (93.4 billion) bills generated every year by 2019. Bills are of every nature be it recharge, postpaid, electricity bills, municipality bills, school fees, insurance, mutual funds. We have a good in-depth domain expertise and a first early mover advantage in this. And since we have already aggressively moved in getting half-a-million agents in less than three months, so, going ahead, our efforts will continue to dominate this space as well.

Slide 14 & 15 – Hospitality Industry … Transaction Based Opportunity for Digital Payments

Third thing what we have done is, we have looked hospitality as a vertical, where instead of just giving payments, we're giving end-to-end solutions along with the payments i.e. platform plus payments. As Vishal explained earlier, this is the core of what we want to keep doing. Hospitality sector today is quite fragmented in India. Globally, in the west, it is all under the franchise model where you will find a Best Western Hotels or a Super 8 Motels model having thousands of hotels across the United States. But, in India the franchising model works only at the five stars or at the hotels at the top end. So, the two stars and three stars continue in their name. Providing services platform plus payments, offers us a huge scope.

Today in India alone, if you look in 2016, there were almost like 113,000 room nights a day, so if you annualize it, the potential is of around 41,400,000 room nights that are to be sold everyday. And mind you, these are perishable commodities, you have to fill up the inventory.

To the hospitality industry, we thus provide, on their demand, both the platform and the transactions or the payments, upfront. Hence, we have good inroads there.

The platform that we offer is a Centralised Reservation System that we have created for the hospitality sector, which gives them a real-time inventory management, where they can distribute it to all the Online Travel Agencies (OTAs), they can distribute that inventory to all the Global Distribution Systems (GDS) systems like Galileo, Sabre, Worldspan, etc. Hence, through one single system they can pull the inventory across, and it's a real time system. The occupancy rates today is around 70%, but you can expect that this to go to almost like 4.3 crore (43 million) room nights by 2021.

The growth in the hospitality sector is going to be huge and our solution is well entrenched to capture a significant portion.

Slide 16 - P2P Remittance Platform … Transaction Based Opportunity

Lastly, we have invested in a company that looks into the remittance space. On a global scale remittance is a $586 billion opportunity between the countries. And more than half of that, the inward remittances, about US$ 260 billion flows into India, China and Philippines. India receives about $70 billion of remittance every year, that is inward remittance from abroad into India. If you look at $70 billion a year, day wise, it's huge. And it's a 5% growing market in global remittances.

The platform that we have built is a B2B and a B2C solution. Remit online is the B2B path where some of the top banks in India and in the region are using the remittance platform example Kotak Bank, Axis Bank, YES Bank and many others in this region, and Bahrain Finance Bank and others in that region also have adopted the remittance platform where there is a transaction based earning for the investor company. RemitGuru is the B2C path, where it can do real time remittances from UK, Australia and other countries into India. So that's the B2C venture. We are very gung-ho about this investment, where we own more than a quarter of the company.

And as far as financial performance is concerned, I will now hand it over to Mr. Hiren Padhya, our CFO.

3. Financial Performance

Hiren Padhya, Chief Finance Officer

Thank you Vishwas bhai.

Good afternoon/evening to all of you as applicable.

Infibeam web services delivered a strong performance in Q3 and achieved higher profitability due to rise in profitable transaction related services offered on the internet.

Slide 18 – Rising Profits leads to maiden dividend declaration

As part of company's long-term strategy of creating wealth for shareholders and Infibeam's consistent profitable track record, Board of Director approved paying maiden dividend declaration. Board of Directors have recommended a maiden interim dividend of INR 0.10 per equity share (being 10%) having face value of INR 1 each. Infibeam is among the very few technology companies that has declared dividend. The ecommerce sector in India is still burdened with losses. Infibeam rather chose to be an ecommerce enabler that generates high operating margins and profitability.

As Vishal discussed in his speech earlier, it is amply clear that internet platforms are scalable and as such with scale can generate healthy margins.

Slide 19 - Strong Q3 FY18 Performance … led by increasing transaction business' growth

Let me begin by providing the key financial and business highlights Infibeam achieved in Q3

Financial Highlights

- As you can see consolidated revenue, EBITDA and PAT for Q3 FY18 have all doubled from last year. This was on account of strong performance in Infibeam Web Services (IWS) segment comprising Platform and Payments. IWS Revenue was up 252% YoY and IWS EBITDA was up 162% YoY.
- Non-linear growth in revenue compared to cost led to an increase in both EBITDA and PAT by 132% and 146% YoY, respectively.

Operational Highlights

- Infibeam business model is now fully geared towards transaction related services. More the number of transactions, more is the opportunity to earn. On top of that if the ticket size also increases, it further accelerates growth.
- We processed 23.5 million successful transactions in this quarter. Transactions in Q3 were lower compared to Q2 as Q2 was a festive season. However, we expect Q4 to be better than Q3 on account of various transaction related services seeing more traction example BillAvenue was launched only in late November but will see more transactions from Q4 as we build our agent and biller network, growth in CCAvenue payment gateway services on account of higher usage of debit cards due to reduction in MDR for merchants to zero for transactions upto INR 2000, 'Fortune Online' built for Adani Wilmar gaining more traction, etc.
- Digital Payments services saw a healthy growth of 18% QoQ in payments processed on its platform. Our Payments business has gained momentum due to our wide variety of verticalized payments offering to travel and hospitality, Telecom, Events, Memberships, exclusive tie-ups in domestics and international markets, etc., and growing adoption of digital payments trends in the country.
- Number of merchants have grown to nearly 89,000 and has seen the fastest growth in the last 7-8 quarters. Infibeam Web Services added 6855 merchants in this quarter, up 34.6% YoY.

- BillAvenue was launched in the later half of November 2017. 52 Agent Institutions (AI) have been on-boarded from a universe of approximately 180 AIs, about 300,000 agents of about half a million that are on-boarded are live and are already processing transactions (i.e. bill payments). Many billers are live on BBPS through BillAvenue and several other billers in pipeline are at an advanced stage of integration on our platform.
- The new GeM 3.0 launched on Republic Day is running on Infibeam's platform. In all 20 States including 2 Union Territories have signed MOU with the centre on GeM as of end of Q3 FY18 from 15 as of end of Q2 FY18.
- Infibeam's BoD in its meeting held yesterday approved interim maiden dividend of 10% driven by strong cash flow from operations.
- Infibeam's BoD also approved the proposal of Network18's investment in the Company in the same meeting.
- CCAvenue merger with Infibeam is approved by SEBI and CCI and awaits NCLT approval.

Slide 20 – Q3FY18 Financial Performance Snapshot

- The scale of our service segment business has increased over the last many quarters as our focus towards transaction led services has increased. This has helped IWS to record a revenue of INR 1415 million up 15% in Q3 vs Q2 compared to a growth of 9% in Q2 over Q1. This has resulted in achieving segment result of 45%, 700 basis points above the 38% we achieved in Q2 FY18. We believe we can sustain these margins going forward as we build our scalable business which Vishal has just discussed. We see a lot of opportunity in our existing business itself.
- Our products segment comprising the B2C marketplace saw negative gross margin compared to positive gross margins we achieved in Q2. This quarter we saw a shift in the purchase mix towards low margin products which led to lower net realisations. This can be attributed to strong buying in the branded category in the festive season that we experienced in Q2 which has significantly dipped in this quarter.
- Despite these headwinds in the marketplace Infibeam managed to report the best ever EBITDA margins in its history of operations. Our EBITDA margins for Q3 were 22.7%. We believe that EBITDA margins going forward should increase as we scale our high margin web services operations by growing in international markets and expanding our logistics and .OOO business which we have not meaningfully monetised yet.

Slide 21 - Q3 FY18 Consolidated Financial Performance … led by IWS growth

- This slide gives the YoY and QoQ comparison of some of the key P&L numbers.

- As you can see that our revenue model has transitioned towards growing service revenue which now contributes 66% to overall revenue. The contribution from this segment will increase further due to the pace of growth in this segment.
- We are particularly excited about the profitable growth. We will continue to keep a watch on our profitability even while we fast track our topline growth.
- This quarter our PAT grew by 43% QoQ and PAT margin was 14.4%, up 375 bps compared to Q2.

Slide 22 - Q3 FY18 Key Segmental Highlights

- This slide provides the split between our web services segment and marketplace segment by revenue and by margins.
- Service revenue and margins have shown a sharp growth and will continue to outperform as digital adoption and ecommerce keeps growing.
- The Service Segment comprising subscription and transaction revenue model continued to register a very strong growth mainly due to large number of transactions flowing through digital platform generating higher transaction revenue. Infibeam's business model is transaction oriented built on the internet which is scalable. The Company's transaction based growth drivers are government contracts, large brands and retailers, marketplace and payments platform.
- **Infibeam's service revenue from transaction led services accounted for majority of the total IWS revenue marking our shift towards growing this revenue, as it is scalable.**
- The Company constantly offers innovative and more value-added services to the merchants to increase revenue per merchant, ensuring growth with profitability from each merchant account. As part of merchant acquisition strategy, the Company efficiently manages the cost without incurring higher operating expenditure. The low-cost operations model is resulting in higher EBITDA, making it one of the most profitable technology based digital marketplace service provider, across the world.
- The Company's successful inroads into the International market through prestigious associations with companies and by offering Digital Services. As part of international expansion strategy the Company has entered into agreement with some of the largest channel partners ("aggregators") to establish its business in potential geographies like Middle East and Europe. The Company constantly thrives to improve and innovate its digital services and deepen technology capabilities to offer the best experience to merchants both in India and in International markets.
- The Company's focus will remain to grow the transaction-based revenue stream by providing more innovative digital solutions to brand and retailers thereby increasing revenue per merchant.

- Marketplace topline and margins have both suffered in Q3 for reasons I already mentioned sometime back. We will work towards keeping this segment contribution positive.

Thank you.

Now, I hand over to Vishal bhai.

4. New Business Opportunities – Value Added Services

Vishal Mehta, Managing Director

Thank you, Hiren.

Finally I want to walk everyone through the new business opportunity that the company is going to undertake. In this quarter, to summarize, our business is built on platforms and payments. When you actually combine platforms and payments, you create an opportunity for a transaction to get closed.

Slide 24 & 25 - ".OOO"

It is very important to note, that we provide an amazing opportunity for **usage-based commerce** whether you talk about a vertical like a hotel or whether you talk about a vertical which is a retail or you think about travel entertainment or education that anyone and everyone can build an opportunity in a presence for themselves under their own URL.

Now I repeat that word, 'under their own brand and under their own URL'. Because when you already have a presence and an understanding and a base, that the usage that you have currently which is in the physical format, that has the potential of going online, there is no reason for anyone to think about it as an either or, let me just sell across the marketplace, you could have your own, as well as sell across. And if you are able to provide a framework and a solution that allows a merchant across any of the verticals to do both of them, and make it variable as an opportunity, it becomes an amazing opportunity for the company to build up upon.

So in terms of the new business development, I want to cover what we will be doing in the subsequent quarter. We are going to focus this year a lot on building up our dot-triple-O, which is the route of the internet, a domain, and also provide the infrastructure along with that business. You see, I want to spend a couple of minutes explaining what we will do, so that it will give you a perspective of how each of our pieces fit together.

In the past, we had platform and payments and we verticalized that solution for every industry and make sure that that industry becomes an opportunity for us to scale up upon. Now in the whole domain industry we find that internet is equal to '.com'. Our internal thesis is that if you have a '.com' available that any consumer or any merchant will prefer a '.com'. But now recently, it is not possible to get the URL that you would want. And so rather than thinking of it as just a domain business, we see an amazing opportunity to not just offer a domain because a lot of domains you would purchase and you will not do anything with it, that is there a possibility to offer that domain along with an infrastructure framework. So what I mean by that is that we can light it up along with securitization for anyone and everyone to build up their own setup.

And when the marginal cost of building up is very, very low, then the opportunity of being able to scale up against an incumbent, which is a .com can be very large. I think for a country like India, which is just getting on, I think it's still very early days of the Internet. So, while Internet as an industry has scaled up, I personally think it is still very early days where there is a huge potential for a lot more to happen in the subsequent years, that we believe giving an opportunity to be able to scale up along with the platform not just in India, but globally is a very large opportunity for the company.

And then if you also offer a payment framework along with that for customers of the merchant to transact upon, it becomes a one-stop shop for someone to be able to build up upon.

So, to give you a size and scale of the opportunity, there are 300 odd million domain names registered across the world. We have already integrated across more than 100 registrars across the world. Since we are the brand, we will work through a registrar and a registrar could be somebody like a BigRock or somebody like a GoDaddy, who you would go to, to be able to purchase a domain. And we would have created an opportunity to price those across all registrars.

In the past, we had discussed on the call that we are very interested in building upon this opportunity and that we were working on reducing the cost. It's taken us longer than we thought earlier. We were of the opinion that we would be able to launch but there is a lot of regulatory approval process which is required. We are very happy to report that all regulations and regulatory approvals have come through. Our pipes into all the registrars have also been built out and starting late March, we will be able to roll it out. It's been late, but we believe the opportunity and to be able to monetize on that is significantly larger. More importantly, the advertising platform that we are building out and the one that we will essentially deploy will also be monetizable across all these opportunities.

So this is an additional revenue stream that the company will generate where we have already expensed out all of our development and all our costs.

Slide 26 – Computing Capacity and Last Mile Logistics

I want to give you an update on the data center, as well as our interest in building out last-mile logistics.

As far as the compute capacity is concerned, this is the framework that we are building out, to be able to give the entire framework hosting solutions for all different opportunities that we are targeting as a platform. We are very happy to report that the progress is going very well and by end of this calendar year we will make the facility functional. This allows us to give out more infrastructure services to our merchants in a very securitized and scalable way. It's a Tier 3 data center which has a certain amount of uptime, which means that the availability as well as virtualization will allow us to scale our platform business on top of this opportunity.

As far as the last-mile logistics is concerned, while we have not made a lot of progress in building it up, you see with the introduction of GST, there is huge amounts of changes that have happened all across the supply chain. We will take this opportunity up this year. To give you some reference, we have a software product that we have built out, which we give to many companies to utilize. We do not monetize on that at the moment at all. It is provided to certain companies, so that they are able to offer a courier opportunity to businesses.

But the businesses that utilize these have scaled up significantly. So while today we do not have a monetization, the moment we build out logistics as a framework that it becomes an opportunity for us to monetize upon. This is an opportunity that we will work upon in the subsequent quarters, the one we believe will actually drive additional consumption. It will be the biggest opportunity for our Web Services business, where we not only offer merchants an opportunity to get a domain to be able to register and build out a framework to accept payments, but also to deliver products and services.

Slide 27 - Network18 Group to Invest in Infibeam

Finally, I want to touch upon the announcement that we made recently about Network18 investments into Infibeam. Network18 group will be making a strategic investment in our company. And through this tie up, we plan to integrate multiple platforms and assets to build out a very large customer base, with a very differentiated offering, and this partnership will strengthen our positions in many of our platform businesses. Several mutual cooperation strategies will be explored in the due course of this partnership, specifically in the digital space. As you know as a reference point, Network18 holds many media and entertainment assets and many strong media brands as well, which becomes an opportunity for us to be able to monetize upon.

At this point I think I will end up the presentation and will open it up to **question and answers.**

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Piyush Sakhiya from Raisonneur Capital. Please go ahead.

Piyush Sakhiya:

Good afternoon Mr. Mehta and team. I am very happy with the kind of performance that you have given and I am kind of awed by the business model that you have adopted. My question is on something that has not appeared in your presentation and has not been a priority for you guys, that is the OdigMa piece that you guys had acquired a few years ago of what I understand the digital advertising space. It is almost a captive kind of a publisher tool that you have which can be monetized by just bringing in the demand for the advertisements. I would like to know how and when do you plan to take that up?

Vishal Mehta:

Thanks Piyush. I think it is a great question and I will attempt to give you some thesis around that, that we have. In the digital space, you are right, there is an advertiser and then there is a publisher and we own a lot of publishers on our platform. Publisher is where the advertisements gets published and if you look at historically this entire space has been dominated by very large search engines and while we also have publishers, you are right, we have a lot of advertisers as well. Building out an opportunity that allows us to scale on top of our framework becomes a very attractive one for us to build up on. We believe that if we build out a business, which is going to service a client more like a media-servicing agency, it may generate profit for us but it will be very hard to scale. So being able to build out a technology framework that allows a publisher to publish ads and earn money, and to be able to allow an advertiser to be able to target users across publishing assets becomes a very, very important and relevant opportunity for us.

Our understanding of e-commerce gives an opportunity, and with OdigMa's understanding as well, in terms of being able to drive conversion, will only help in terms of making this opportunity more pervasive. In other words we have to build out a very interesting analytical intelligent framework that allows us to monetize on top of publishers and advertisers that we hold.

The second part is that of scale, it becomes even more important and interesting, we believe we are getting to that scale. When we are talking about billions of page views then the opportunity to monetize becomes very large. If you recollect we are spending on building out the advertising framework. We will be deploying it when we talk about the Dot-triple-O opportunity and the one that we will be focusing on, that we will also deploy our ad framework along with that which allows us to monetize and also allows merchants to be able to accept digital ads using our framework. While we have a thesis on that in terms of how we will like to proceed and we have made a lot of progress but we have not launched it yet and you can expect that in the first quarter of next year we will be launching it.

Piyush Sakhiya:

Thank you.

Moderator:

Thank you Sir. Do you have any further questions, Mr. Piyush?

Piyush Sakhiya:

I am good with that. Thanks.

Moderator:

Thank you Sir. We have a next question from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya:

Thanks for the opportunity. I have two questions. Firstly, on Network18 deal that you talked, about integrating multiple platforms of Network18 Group. Can you help us with some examples how exactly you are planning to do that? My second question is on the last mile logistics what you talked about, what should be the things which we should be watching in terms of the progress of this business and how it is headed?

Vishal Mehta:

I will take them. As far as the second question regarding last mile logistics, you see there are three basic verticals within last mile logistics; one is the first mile where you pick-up the product, second is the warehousing and the fast forwarding of that inventory to the location and the third is the last mile. If you look at the cost structure in the logistics industry, what we evaluated, we think that the last mile is the largest opportunity to be able to go after for a company like us because, we already know the demand and we sit on top of a lot of merchants who have demand on this framework and so to be able to offer last mile opportunity for merchants, it becomes an opportunity to be able to monetize upon.

Now within the last mile, we noticed very interesting dynamics that, everyone is building a very human-capital-intensive network; a network where you would employ thousands of people and most of these are actually on a third-party roster to be able to manage the risk. So finally what we realized was that you are connecting the demand the merchant has to a company that has humans and people who can deliver the product. Smartphones are very pervasive, every logistics delivery agent will have a smartphone with them, so we first developed a software framework, which is called 'Shipdroid', to allow agents to deliver the product and for a merchant to be able to give demand and establish an entire pipe. About a couple of years back, we went in the process of being able to offer and approach many of the courier companies to be allow them to utilize our software. What we realized very quickly was that nobody would pay us to use logistics software and as a result we started giving it out to a few companies who wanted to get into the courier business, think of them as start-ups, and in that we realized that it is a very interesting dynamics to be able to drive a business which is more around subscription with merchants which means that you take a minimum commitment to deliver so many from the merchant and then you also provide a forward commitment to companies that has humans, they provide to the many courier industries, it is not about giving it to a courier, but it is giving it to a company that has agents. And in that we realized that the largest company using our framework is capable of delivering a million packages a month.

Now mind you we do not monetize on this framework at all today. But short of going and saying that there is a pipe to be established for merchants that have demand to companies that have humans. There is an amazing opportunity to be able to deliver and make money out of every single unit that passes through your system.

This year since GST has been implemented, we would also establish locations that allows cross delivery and offer it to these companies that are already utilizing our framework that we do not monetize on today. And if we are able to do that successfully, then earning small rupees out of every delivery will mean a very significant opportunity for the company, we will not go into a capex intensive logistics business. Last mile delivery has launches delivery but also payments attached to it and what I mean by payments is cash on delivery and if we are able to get that to scale, then we have a potential of building out a framework, which is in logistics where it becomes sticky for companies who utilize our software as well as making them more efficient to be able to utilize our locations as a last mile delivery center. Our monetization opportunity would be based on delivery of every unit and that is the program and an opportunity that we will take up in this year.

To your question about Network 18, Network 18 has many assets and when I talk about the digital assets this first was moneycontrol, huge number of page views, a lot of appetite to be able to monetize upon. We also have a reach to so many users and to be able to provide our platform to such digital assets as well as take advantage and take an opportunity to build out on our base on the reach will be the opportunity to focus on. The contours of the deals have been working upon, when we have an update, we will update you on due course.

Pranav Kshatriya:

Thank you for the detailed response. I have a follow-up question. Will there be any board seat given to the Network18 and secondly you have talked about this GeM project, can you quantify what sort of revenue, even an indicative number range, was booked for this quarter?

Vishal Mehta:

Regarding the first question around the board seat, all material disclosures have been made. There is no board seat given to Network18.

Your second question around government e-marketplace; as far as the third quarter is concerned, if you look at the value of transactions, there is a pay out that comes to the consortium, and from that our revenues get booked on what we get in terms of the overall pie. It is reasonable to assume that our payment will be in single digit basis points. So if the transaction value is a few thousand crore rupees then Infibeam's payout will be a single digit basis point out of that few thousand crore rupees for the last quarter.

Pranav Kshatriya:

Thank you very much. That is from my side.

Moderator:

Thank you Sir. We have the next question from the line of Dhavan Shah from KRChoksey Shares & Securities Private Limited. Please go ahead.

Dhavan Shah:

Congratulation for the great set of numbers Sir. I have a few questions, firstly can you please breakup the revenues between CCAvenue and Buildabazaar in the services segment for this quarter?

Vishal Mehta:

Payments is, in general, from CCAvenue. We have about close to, shy of, rupees 60 Crore (INR 600 million) out of the CCAvenue business from Q3. The remainder is from the platform. You will appreciate that, now, we are building out our framework in such a way that payments and platforms are coming together, which means that, we typically offer a solution, which allows us to monetize out of payment and that is the role and that is the path we have undertaken because that makes our platform as well as payments business very sticky. But to answer your question, for the last quarter Avenues' business contributed to less than rupees 60 Crores (INR 600 million) of the overall services revenue.

Dhavan Shah:

If I look at the segmental EBIT margins for services, it has improved to over 40%, so around 700 basis point improvement over the last quarter. Can you please quantify I mean is there any improvement in the CCAvenue EBIT margins during this quarter or how is this operational performance moved out for this quarter?

Vishal Mehta:

You see in a platform business, I should tell you a little bit about our thesis of how we look at this. When we actually build out a platform, our incremental cost is typically very, very small and so as more and more for example when we think about payments, once it is established that when the same customer does well, then our payout from the customer or merchant keeps on increasing. When you look at Avenues in Q3, the overall processing value, transaction processing volume grew to INR 5400 Crores (INR 54 billion) in the previous quarter and in Q2 as a reminder it was INR 4500 Crores (INR 45 billion). So that was close to about a INR 1000 Crore (INR 10 billion) more that was processed in Q2. Hence, if you are able to make it very sticky with the platform solutions, then it will have a direct impact in terms of the margins. I mean the same thing happens in terms of when we actually migrate our business model from more transaction-based versus subscription-based, so as our transaction base volume keeps on increasing because in that in every transaction we will get some revenues out of it, then you would see some non-linearity and that was primarily the reason why you will see expansion in our EBITDA margins.

Dhavan Shah:

Okay. So can we assume the same kind of EBITDA margins like this 40% in the coming quarter as well?

Vishal Mehta:

I think it is reasonable to assume since, we keep on working on verticalized opportunities that allow us to focus on different industry. To give you an example, BillAvenue was one of them and in BillAvenue we set utility payments, as we did not monetize and we do not make a single penny so far, but we thought let us go after utility payments because you are talking about an industry which is very, very recurring on payment framework and goes into lakhs of Crores (trillions of rupees). So, if we are able to target, and we have not even scratched the surface of this, then we will keep on investing into these opportunities. So marginally you may see our EBITDA to be slightly compressed, but again like I said that when we launch that service you will again see that the EBITDA will go up, and in the long term it is reasonable to assume that EBITDA will be in this range.

Dhavan Shah:

Got it. Now if I look at the product business, the capital employed for this quarter has increased by around INR 20 Crores (INR 200 million) and the EBIT loss has widened for the product business. So I understand that maybe this Q3 is festive season and that is why maybe the capital employed was higher during this quarter, so how was the scenario in the product business in terms of the sales and the operational performance, so can you please explain about this?

Vishal Mehta:

Sure, so in the product business, our thesis continues to be the same that we think consumption or consumer is a very important opportunity to monetize upon. You see in our usage-based platform that I talked about in payments, we have got a very strong hold on it. But, as far as the consumer is concerned, you see that very, very large marketplaces are out there who have taken a lead on that and they continuously keep on investing and reporting losses, so that thesis we have decided, we will never take, we want to actually grow a business, which allows us to monetize on the consumer. Now in that, what we have done is, in Q3, ofcourse because of the festival season, many of the branded products, that become the head products as well, were essentially getting run through our portal, and overall, the product mix that we had, a mix which in the returns that come along with that, even for the product tail, because when the consumption happens, there is also a return that comes along with it that resulted in compression in the margins for us. But we believe that in the long-term, we will continuously operate and we have a thesis on building out a profitable end price focused on certain specific verticals, which allows us to continuously grow and gives opportunity of building up logistics which will further improve the margins on the product tail.

Dhavan Shah:

Okay and because of this increase in the capital employed, I mean maybe was it invested through internal accrual or have we raised any debt because if I look at the standalone statement the interest cost has been increased by around Rs.8 million, so just wanted some clarification on that part?

Vishal Mehta:

Internal accruals – so you can assume that it is mainly from accruals.

Dhavan Shah:

Okay. Got it Sir. That is all from my side. Thank you.

Moderator:

Thank you Sir. We have next question from the line of Pritesh Thakkar from KRChoksey Shares & Securities Private Limited. Please go ahead.

Pritesh Thakkar:

Congratulations for the strong set of numbers. Sir my question is on CCAvenue; the value of transactions from CCAvenue has increased by 18% but the number of transactions has declined during the same quarter by 11%, so could you please throw some more light on this variation and the secondly which mode of payment has contributed the most to be increasing the value?

Vishal Mehta:

Sure, so Vishwas will take that question.

Vishwas Patel:

The number of transaction vary from merchant to merchant. In the last quarter and before that there is a seasonality to it. Mobile recharge was one of the main categories that was happening based on cash backs and others because all the major recharge companies be it FreeCharge, PayTM, Mobikwik or Airtel where the number of transactions are high but the ticket size is relatively low around INR 80 to INR 90 per recharge transactions, so those were doing very big in the last quarter, but this quarter, number of transactions in the recharge category have gone down, but overall on the other merchant side be it travel, etc., because of the seasonality of vacation in Q3 that is why every ticket size and amounts have increased. So the seasonality depends on merchant to merchant. We typically track money made on the amount transacted, so that has been a good healthy 18% growth on that part.

Pritesh Thakkar:

Okay and secondly which mode of payment has contributed most to be increasing value to transactions?

Vishwas Patel:

It is merchant to merchant dependent. Ccredit card, debit card, net banking are almost equal right now and wallets, and then there are UPI and there are no fixed percentage that this amount comes from a particular card. If there is an offer driven wallet then the transactions on wallet go up, so it is different models, we have 200 plus payment options, so very difficult to categorize on percentage basis on this one.

Pritesh Thakkar:

Do we expect the ticket size to increase going forward?

Vishwas Patel:

We look at it in a little different way; we look at the amount processed, we keep adding new merchants, like we are adding 100 plus merchants every day, as the volume increases and as a new category come in, etc., we have bill payment, travel, utilities and other verticals, so, definitely on the amount processed, there is a continuous growth if you see over the last three quarters and we expect the growth momentum to continue.

Pritesh Thakkar:

Thanks a lot Sir. That is it from my side.

Moderator:

Thank you Sir. We have our next question from the line of Mitul Shah, Individual Investor. Please go ahead.

Mitul Shah:

Good evening Sir. Very nice set of numbers, but I have three questions. First question is why CCAvenue profit have come at INR 8.2 Crores (INR 82 million) when last time we have talked about CCAvenue you have told us that full year profitability of CCAvenue is INR 20 Crores (INR 200 million) approximate, so am I missing something there. On the nine-month basis it is coming at INR 8.2 Crores (INR 82 million), so something is not adding up so what am I missing here?

Vishal Mehta:

Mitul I will answer that question. I think we will have to look correctly at these numbers, so nine month profitability is north of INR 8.2 Crores (INR 82 million), that is first. So what we can do is, provide you specifics on that opportunity. I think it maybe quarterly numbers that you may be referring to. Overall, I think, the profitability is healthy in CCAvenue. The second is that you see we have also build out many platforms to be able to attach platform and payments together and one in specific that we referred to in our presentation was BillAvenue. So when you actually invest it is a fully baked-in expense and so within the quarter you may find that as you build out different verticals to attach software and payments together because it is no longer a pipe, it is very intelligent pipe with analytics and every information about user experience, users and to be able to close the transaction that you will find that there may be a slight compression in that, but overall we have seen that it has been very healthy and we believe that with this introduction of zero MDR on debit cards that we should keep on seeing better progress going forward.

Mitul Shah:

So what is the profitability that you are expecting in full year for CCAvenue particularly?

Vishal Mehta:

See we do not provide a forward-looking statements as a policy, but what I can tell you is that profitability has been north of what we had seen last year in spite of building out the platforms, which allow us to go and cater to specific industry verticals like BillAvenue. I think that we see healthy growth. We have focused as a company on building out a long-term opportunity for us and in that we believe that when you have the core platform and payments framework established then being able to go after verticals and by the verticals I mean certain industry verticals, for example, travel being a vertical or hotels being a vertical or retail being a vertical, so if you go after that and within those verticals also if you focus on usage-based verticals, as usage-based clients, and not discovery-based clients, you see for a client who is producing something which nobody knows of, they are better of perhaps going to a Google to go and have that product discovered, but for those people who have the consumption-based framework anyways that can be seen then and may provide a convenience to them, I think those are the ones that we believe we should go after and we have done that very successfully and that is what we continue building up upon.

Mitul Shah:

Sir so that way was just for this nine-month numbers, what was the CCAvenue profits actually that you can disclose because it is already out in exchange?

Vishal Mehta:

So it is about close to INR 20 odd Crores (INR 200 million).

Mitul Shah:

Okay so that was my point because already the number of transactions were much higher than the last year – it was not showing in the non-controlling interest that is why I asked this?

Vishal Mehta:

Correct, that is right.

Mitul Shah:

The second thing so are we going to launch Dot Triple O domain this time because you have said this from quite sometime? What will be the course of actions from your side, what will be the pricing strategy and how you are going to campaign this and how we will reach to each domain providers or the software makers?

Vishal Mehta:

Sure. There is a very clear distribution channel in the domain industry, which means that we are the registry and we would sell it through registrars. Registrars are the ones like GoDaddy who go to the end user, and the way it works is, then, we would price to the registrars and registrars will price to the end user, okay! Registrars can also work through resellers. Now you can imagine that since there are 300 million odd domains already out there worldwide so this distribution channel is very, very well established and thick, so the first thing that we would need to do is to actually communicate and establish the pipes with every registrars, and the second part is that we have completed and closed.

Mitul Shah:

Pricing is the most important thing, so how is it going to be, because .com you can get from INR 150 to depends even INR 300, so are we competent enough that we can compete with .com or .co or .in?

Vishal Mehta:

I will give you our thesis. Our thesis is that, Yes, if we are going to be thinking about mass scale and if you wanted to be positioned in one of the leading top level domain providers, then we will of course require to be very competitive in the markets and competitive not in terms of price alone, price is the most important element of course, but just an entire offering as well. So to answer your questions, the answer is yes that we would want to actually compete to be able to provide, see the good thing like you said is that for .com or .co or .in there are lot of domains which are not available which have already been taken, so we will have a differential pricing for different domains, it will not be a consistent single pricing for every domain. And number two that it is the opportunity that we would of course need to provide, and you are right that we have delayed on this, but you see there are too many regulatory approvals, it is very regulated business and our expectation was that we will do it much faster and that we would get the permissions but like I said we are very happy that we have received all the permissions, we have established all the pipes within each of these and it will also mean that we will be migrating all the existing account holders to the framework that we are getting in into, so you can expect that in the first quarter you would see significant movement in activities around this opportunity.

Mitul Shah:

So when are you going to launch this exactly?

Vishal Mehta:

We do not have a launch date yet that I can disclose as of today, but it is reasonable to assume that it will be in the first half of the next quarter so in fact in the month of April we believe that it will be a good expectation to take.

Mitul Shah:

What is your target like how much revenues are you going to get from this?

Vishal Mehta:

The first initial few quarters we are going to focus more on the usage, while there would be of course revenue targets as well, we believe that in a framework that we would launch, in the past we could have a business which is profitable, but if it does not scale for us, then internally we think that it may not be the right business to have in our portfolio. So we have always focused on businesses, while it may appear that it will make money, but we are more focused on the scale of it and not just the pure profits that can be generated out of it. So to answer your question, I think that it will be a function of pricing and usage. Our initial focus will be on numbers and usage and to achieve that we will come up with an opportunity of an offering, and I refer to the offering and not just pricing, because that will be the one which will drive usage in our opinion, so those are the ones that we will take up and we will grow on top of it.

Mitul Shah:

And my last question is; there are three parts to it. First, what was the revenue breakup for this time, how much it has come from the IL&FS that what you have talked about, how much has come out from the education software that you have done two quarters that you have done the announcement, how much has come from the international business and how much has come from the GeM that I wanted to know?

Vishal Mehta:

As far as GeM is concerned, of course we have talked about this earlier we do not report the revenues we generate on each vertical and customer.

Mitul Shah:

Sir it is just about my understanding, if we will do Rs.1 lakh (INR 0.1 million) transaction for GeM, how much we actually earn?

Vishal Mehta:

It is reasonable to assume that our revenues will be in single digit basis points.

Mitul Shah:

So it will be like 800 to 1000?

Vishal Mehta:

It will be in single digit basis point. So like I said that you have to work the math out for this. I mean it is reasonable to assume it will be in single digit basis points, so that is as far as the GeM opportunity is concerned. Like I said the scope is much larger because the overall size of what the procurement is extremely large, and while it may not have contributed a very, very large number to our revenues for last quarter, but that is an additional opportunity for us to monetize upon. As a company we have decided that as far as the Digital India initiatives and so and so forth is concerned, and as we talk about IL&FS and others, we think that from a prioritization perspective, the programs which are of this scale and size, are the ones to prioritize and the ones to actually go and monetize on top of it.

Mitul Shah:

For IL&FS when last time we have discussed you said it is INR 1250 Crores (INR 12.50 billion) opportunity as minimum over a period five years and this is about last year I am saying, so this quarter on third or fourth quarter the revenue will start kicking in of at least INR 50-100 crore (INR 500-1000 million) that was our last communication, so that is why I am asking, is there anything that has happened on that front or there is nothing else happened and it was just an announcement that?

Vishal Mehta:

To answer your question, yes we have made progress on many of the fronts, from a scale and opportunity perspective, that opportunity still exists for us. I think from an internal prioritization perspective we have taken up certain programs, because it is about making sure that what rolls out and from a roll out perspective we have taken up certain programs. As you can appreciate that, the size and scale of each of these programs are significantly large and as a result now we have taken that up. We are slow compared to our expectations on certain programs but overall like I said we are prioritizing the ones that allow us to create a game changer opportunity for the company and shareholders, so like I said it will be very hard to discuss specific client.

Mitul Shah:

And last question Sir how much revenue has come from the international business?

Vishal Mehta:

International business is about in the teens so it continues to be that way.

Mitul Shah:

Okay and what is the progress on the expansion in this international business?

Vishal Mehta:

We think internationals are very, very large opportunity for us. The important part is that we have gone after aggregators. Aggregators are the ones who provide to end users, so a case in the point being telco, a telco would be an aggregator and that becomes an opportunity for us to go into each geographies, so with the roll out of the Dot Triple O framework globally we think that international also becomes a beneficiary of that whole framework.

Mitul Shah:

Okay and going forward for the next one year, our main priority is going to be GeM and Bill Payment System and BillAvenue?

Vishal Mehta:

That is correct those are the once that we have launched, the ones that we are about to launch is the Dot Triple O framework and ad framework that I mentioned.

Mitul Shah:

So that is going to be the priority or this will be the main thing we are going, because the one thing which I have noticed that, quarter on quarter, our service revenue EBITDA margin percentage is coming down due to our capital employment on other things also, so that is why I am asking that are these going to be the priority, so we are going to look forward for this, because these are big opportunities, but the percentage of profit is very less in this, but the volumes are very high and our original core business was into the service business where volumes are less comparatively but margins were very high. So, we are shifting from high margin to extremely low margin but volume based business, so is this the way going forward for the company, in the next one year or one and a half years or 2 years?

Vishal Mehta:

So that is correct, we have actually moved from a subscription based to a transaction based framework. In terms of transaction based framework, if you look at EBITDA for this quarter it is about 700-800 basis points better compared to what we reported in Q2. You will have a compression because you are building up framework that allows you to target a certain vertical for example BillAvenue is just one of them, but you see over the period of a year, you will see a lot of recovery, because the moment you launch and that you know it starts generating revenues for you then it will also mean that it will start showing up in terms of the overall profitability and shareholder value, but you are right that we would want to go after volume based businesses and we of course are focused more on absolute profits and not really as much in percentage terms. So we believe any internet business if it does not scale then it may become profitable but if it is not scaling up for us, then it is not maybe the one worth having in your portfolio.

Mitul Shah:

If you see the government's plan for all the smart city, like there are going to be 22 smart cities, so just on that parameter, if it is not scalable or scalable, in-fact it is actually very scalable, but if you give a priority to that also, if you can have a separate vertical or something, it can give us a very good revenue as well as profitability because the 25%-30% we have talked last time, you said at least 25% or whatever margins that you are having at that point of time, is still there in these projects also. So I will suggest you to consider that also because that will also help us in a way.

Vishal Mehta:

Thank you. We will take that into consideration.

Mitul Shah:

Thank you.

Moderator:

Thank you Sir. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Dhavan Shah for closing comments. Over to you Sir!

Dhavan Shah:

Thank you. On behalf of KR Choksey Shares & Securities Private Limited, we thank the members of Infibeam management and all the call participants for such an engaging discussion. Have a good day. Thank you.

Moderator:

Thank you Sir. Thank you, ladies and gentlemen on behalf of Infibeam Incorporation that concludes this conference call. Thanks for joining us. You may now disconnect your lines.