"Infibeam Avenues Limited
Q3 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY2022 Earnings Conference Call of Infibeam Avenues Limited hosted by K.R. Choksey Research. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Parvati Rai from KR Choksey. Thank you, and over to you Madam!

Parvati Rai: Thank you. Good evening, everyone on behalf of KR Choksey Research, we welcome you all for the Q3 FY2022 Earnings Conference Call of Infibeam Avenues Limited. I take this opportunity to welcome the management of Infibeam Avenues represented by Mr. Vishal Mehta, Managing Director; Mr. Vishwas Patel, Executive Director; Mr. R. Srikanth, President; and Mr. Hiren Padhya, Chief Financial Officer. We begin this call with a brief overview of the company by the management, followed by the Q&A. I now hand over the call to Mr. Vishal Mehta for his opening remarks. Thank you, and over to you, Sir!

Vishal Mehta: Thank you Parvati. Good evening and welcome everyone to our third quarter earnings call and wish everyone a very Happy Safe and Prosperous 2022. India presents great opportunity as we are in a very nascent startup ecosystem with about only four to five years in the space versus 20-25 years by most other countries like the US, UK, China and Japan, Korea and others. Hence we believe this decade will be the year of tech-led organizations for India that will solve many business challenges and make us more efficient in the way we do business, consume resources and will make governments also very efficient to handle economic affairs with use of technology.

Government's vision is to make India a less-cash economy and Infibeam will play its part in adding to the nation's purpose. We aim to do that by enabling the merchants from top of the pyramid right up to the bottom with two of the most basic business requirements in the digital space, marketplace software platforms (to do business digitally) and payments (to accept money digitally), and we offer full stack solutions under both these options, and we have been doing it for more than two decades now. Many global tech platform companies have over the last two to three years also doubled up as a payments company. We envisioned this combination as a successful business strategy back in 2016, and we have built a very comprehensive suite and solution for our merchants for a very long term value creation and sustainable growth.

We have presented this on slide number #16 of our presentation deck which is called 'Growth Oriented Business Model' as a header, under the 'Company Overview' section in the earnings presentation. In the slide, you will also see, as we began our journey with digital payments, we built a deep portfolio and a profitable business model for long-term sustainability. Our payment business under the brand CCAvenue was launched in 2001 and we will complete more than two decades of incorporation in the next few days.

We have been PAT (profit after tax) profitable in this business for 20 years straight. A reputed Singapore-based research firm in the Fintech blog mentioned "Can payments be profitable?" They say, "lessons from Infibeam Avenues". Our payments business has a very strong customer acquisition engine with almost minimal customer acquisition cost. We had a monopoly in retail payments for more than 11 years and had the benefit of first mover advantage to target all the premium businesses in India whom we continue to serve even today.

We have built many innovative products through our journey and expanded both horizontally into different payment acquiring businesses and we have expanded internationally as well. We cover merchants of all different sizes and scale.

To have a huge competitive advantage and a great value proposition on top of our payments business, we have the platforms business to significantly scale up the customer acquisition, and it also provides retention, engagement and cross-sell opportunity. The combination of payments and enterprise platforms make the customer even more sticky and allows us to generate additional revenue, scale our businesses and will start incrementally contributing to our margins. Among the platforms business the GeM platform, which is called the government e-marketplace, is one of the strongest offerings with millions of merchants registered to sell to the government. We earn on a per transaction basis with revenue linked to order value of each transaction.

In FY2022 the order value is estimated to be INR 1 lakh Crores which is projected to double by FY2023 as per comments from GeM. Thus, the scaling opportunity is immense and unlike payments there is no pass-through as this is a business of software so most of the earnings flow to EBITDA. In fact, this is why our platform business has high operating margins and it helps us to generate consistent cash flows quarter-on-quarter. Also, the merchants on these platforms have been increasing at a very fast pace. Currently, GeM alone has 3.5 million merchants. Add to this, the merchants from our payments acquiring business, the entire offering of CCAvenue, and from other platform businesses, that is, BillAvenue, ResAvenue, as well as other large enterprise clients whom we cater to under the Platforms business, all of which presents a very long-term opportunity to build out other new products. To let you know, we added over 8,000 merchants across our Fintech portfolio every single day in Q3 totaling to over 800,000 merchants in the three months ending December 2021, which has been our highest ever. We have 5 million merchants with many marquee brands.

Similar to our own payments and platform growth strategy, we also have an investment-led growth strategy, see the bottom of slide #16. We aim to be present across the entire ecosystem of payments comprising 1) 'payment acquiring' through Infibeam Avenues, 2) 'payment issuance' through our majority owned subsidiary Go Payments, 3) a payment network through our majority held subsidiary in consortium with other large MNC and international MNCs as well, where we are awaiting RBI approval, as well as, 4) cross-border payments through Fable Fintech, incubated in our office.

The entire portfolio of ours leads to, our next phase of growth, to monetize on the rich and growing merchant database. We aim to do so by enabling lending to our merchants. We know, the credit gap in the country is almost $300 billion and the takers are many. We have three models under lending which we discussed in the last call as well, 1) secured lending through same-day settlements which we are already doing 2) aggregating buy now pay-later (BNPL) options and 3) enabling credit through a credit platform TrustAvenue, which we launched today.

1) Our secured lending is up from $150 million in Q2 to $175 million in Q3, and is at a run rate of $700 million, 3x ahead of our FY2022 guidance of $200 million. We are targeting $1 billion run rate by end of March 2022. 2) The buy-now-pay-later option which is the second option, are available and under our payment gateway. We will offer more and more of these options to merchants where we can earn upfront MDR which is Merchant Discount Rate without any collection worry or NPA and, 3) the credit platform TrustAvenue will be a future revenue and margin driver for us, one that we will give to all our platform implementations as well as to our clients using our payment gateway.

India's digital story picked up from the time of demonetisation accelerated by COVID and also digital has been one of the core go-to-market strategies for most businesses. Overall, digital payments industry in India is just about four or five years old versus nearly two decades in some of the countries including U.S and China. There are only about 250 million digital payment users in India with a population of 1.4 billion, hence, we believe the headroom for growth in India is significant and we are at an advantageous place due to our unique business model.

Between December 2020 to December 2021 our market share in India's digital payments industry as per RBI report has significantly improved. It is important here to note that while we are chasing growth, we are also having a profitable business model and we continue to grow our profits in India's hyper competitive market with predatory pricing and where there are regulatory guidelines of zero MDR on UPI and rupee debit cards. Hence, we continue to maintain signal digit contribution from zero MDR payment options, due to which the impact on our net take rate is low. We continue to gain market share without compromising on profits. Over the next few years we will invest and work towards improving our market share further in India, increase revenue contribution from our new businesses, and as our investment-led business scale, as well as our international expansion scales, and as our lending business scales, it will further improve our operating profits.

We are also planning and we will be announcing and we have already talked about this in our disclosures and Vishwas will cover it in slightly more detail but all of our payments today are digitally online payments and we are now also getting into an offline payment opportunity, one that will be hybrid, one that takes over a merchant's payment requirements both as online as well as offline.

Thank you and I will now ask Vishwas to give you updates on the payment business.

Vishwas Patel: Thanks Vishal. This quarter we have taken payments to a new high. Our payment transaction processing value has grown 60% year-on-year. We have added a thick pipeline of merchants which is consistently growing for the last five to six quarters. We are very proud that we have double the number of merchants than one of our largest peers. Our 21-year-old brand speaks for us when it comes to portfolio services, security, success rates, tech support, customer service, and even on timely payouts to the merchants we are a preferred choice of our customers and partners.

This quarter we have seen a good uptake in the sectors that were badly affected by the COVID pandemic be it airlines, travel and all those have experienced pre-COVID levels of volume. This is a very good sign and we hope the trend to continue which will have a positive bearing on our overall performance.

We continue to expand the portfolio in the Indian market. In the past we have launched payments for corporates, payment services for banks, expanded possibilities within our online payment gateway business, but today, we are taking a very big step, to further become a full-pledged payments player by entering into the offline payments. For this, we have acquired 100% in the Bengaluru-based 'Uvik Technologies' whose payment platforms can allow smartphones to be converted into business and payment terminals. Apart from its contactless technology allowing to pay by tapping on the phone, it can also offer QR codes for payments, payment links, we can offer bill payment services embedded within the app, we can also offer them agency services of our subsidiary 'Go Payments' which can be an additional income to them, we can enable lending, we can offer credit cards, we can offer BNPL options for our customers, reporting and analytics, and many other things which really helps the merchant's day-to-day business. We will also be able to give seamless payment technology with a larger basket of services for those merchants having both offline and online business. The company has issued equity shares on preferential basis to Season Two Ventures not exceeding INR 27.5 Crores as part of the deal.

Additionally, as we keep building the tech-stack we realized the opportunity was ripe for 'lending to the merchants' to help them with working capital and grow their business. Vishal already mentioned the three models that we have under lending. Today, we have announced the launch of TrustAvenue.com, a marketplace lending platform for businesses to get unsecured loans; MSME loans up to Rs.5 Crores and loans under the government's Mudra scheme. An in-principle approval for loan comes in less than an hour.

We have 5 million merchants and we are rolling this out for everyone. We have multiple layers of revenue. We do not take any credit exposure as we are a tech platform offering a marketplace with high intelligence and analytics of our merchants for the lending institutions to carefully underwrite the loans.

Continuing our expansion in the Middle East, especially GCC, we have received an expression of interest from the Royal Family of Qatar, the Thani Group, to form a JV in Qatar. They will also be doing a primary investment in the JV. Infibeam Avenues, directly or through its subsidiary will hold majority stake in that JV. This year Qatar is hosting the Football FIFA World Cup in November 2022. As the nation gears up for this event, we believe there will be a lot of opportunities through the year to expand quickly in Qatar. Qatar, like its peers in the GCC, is focusing on increasing the digital business. With Qatar's entry we will cover three-fourths of the GCC in the payments business; Oman, UAE, Saudi and now Qatar, the four biggest players in e-commerce markets in the GCC region.

We await RBI's approval on the new umbrella entity or the payments network license like an NPCI. A payment network is the most important digital part of the digital payment ecosystem. If we get the license it will be a big opportunity where we can build innovative products through our experience and with the help of our consortium partners we will be able to reach the bottom of the pyramid to serve customers across India.

Now let me hand over the call to Srikanth to give you Q3 business update. Thank you and Srikanth over to you!

R. Srikanth: Thanks Vishwas. During the quarter we saw 90% increase in our total TPV led by sharp growth in payments business and increase in order value on the government marketplace. We are now at a run rate of processing over INR 3 lakh Crores, more than double of what we did in the whole of FY2021.

We are inching closer towards achieving the total TPV of INR 1000 Crores on an average per day which we plan to achieve by the end of March 2022 and then double it in FY2023.

The growth in Payments Business in terms of TPV comes mainly from the large enterprises that we have added in the last few quarters, festival buying during the quarter, increasing contributions from travel and hospitality sectors due to Diwali and Christmas vacations and on festival occasions, and an average increase in discretionary spends led by festival quarter. This quarter we have added lot of SMEs grocery store and it will be interesting to see how this industry plays out over the short to medium term.

Growth in GeM order value comes from continuous effort of the government to make the digital purchases for transparency and savings, encouraging government departments to buy from the platform, and large number of sellers from various sectors registering on the platform increasing the number of products and services available on the platform.

In the 30 days between last week of November to last week of December the order value on Government e-marketplace platform was INR 10000 Crores, on an average INR 333 Crores per day, which is a very remarkable number.

We are strengthening our payments play by entering into offline, as Vishwas just mentioned a few minutes ago, so we will be targeting offline as well as online as it opens plenty of opportunities for us. CCAvenue's business brand, app-based zero-cost point-of-sale terminal and the basket of services the company offers, all under one roof, will help the company in acquiring offline customers, to scale our Payments Business.

We have received expression of interest from Royal Family of Qatar including primary investments from them to setup payment business in Qatar through a joint venture structure. Qatar's entry will further deepen our penetration in the fast growing GCC e-commerce market, expected to grow to $50 billion by 2025 compared to $24 billion in 2020, as per Kearney report. We already have a presence that you all know in UAE, Saudi and we are a market leader in our credit card payment business in Oman.

Our AI-based credit platform branded TrustAvenue is actually launched today. Partnership with lenders and their integration is now in full swing. Our comprehensive payments and platforms stack is an engaging tool for the merchants which we plan to monetize through the lending and other exciting services that we will build upon as we go forward. And lending will be the revenue and margin growth driver in the next two to three years time as we scale.

I will now hand over the call to our CFO, Hiren Padhya. Over to you Hiren!

Hiren Padhya: Thank you Srikant. Our revenue for the third quarter was up by 74% year-over-year. If you notice Q3 of last year was already the top quarter in FY2021 and we rose by 74% on that. This is mainly due to our continuous effort of building a strong Fintech portfolio with high merchant additions over the last five to six quarters, which is helping us building a strong growth pipeline.

This quarter we offered promotional rates in the payment business; a processing fee of 1.75% due to festivals and vacation for travel season during this quarter. The processing in was 2% in Q2. Despite the drop in the processing fee we were able to grow our net take rate by 2% in the quarter, led by a good business portfolio mix.

So far as EDITDA is concerned in this quarter it has grown by 10% quarter-on-quarter. This quarter, we have made expenses towards building a new business, leading to higher total operating expenses. These expenses are necessary in order to build future growth. We are in an expansion mode.

Given the 75% plus headroom available for growth in India in payment, we are changing growth but without compromising on profits. Our profit after tax has increased to Rs.24 Crores in the quarter growing by 89% year-over-year and 35% quarter-on-quarter.

Our cash position remains strong, EBITDA to cash conversion has consistently been above 100% percent for many years now, our capex cycle is behind us and, we are a debt-free company.

As we scale in our new businesses over the next few years in India and internationally, our cash flow will improve further and the company will generate higher ROA and ROE.

With this I hand over the floor to the operator for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Anil Nahata an Individual Investor. Please go ahead.

Anil Nahata: I have a couple of questions, the first question is on the Uvik deal. I would just like to know that how are we going to scale up this business and at what level presently the business is, if you can give the six-months numbers or nine month numbers? and how our merchants are on-boarded onto that platform, is it a direct on-boarding or there is some other way to do it?

Vishwas Patel: The idea here is that, today, we are very well represented in the online space, on the website and for in-app connections, etcetera. The problem in India is in the offline acquiring, in the sense that, you would not find a POS terminal at a Kirana store say in a village in Assam or Orissa because the point of sale terminal is around Rs.10,000 to Rs.12,000 and the cost of deploying and training the merchant plus, the hardware cost of battery and other things keep coming, which are recurring and, of course you have to keep sending them printer roles for charging, printing the charge-slip at the end of the transaction. That is why the POS terminal was not able to penetrate into tier 2, tier 3, tier 4 and there are limited numbers. So, what is now coming is QR codes into small places which is very limited with only UPI transactions, it cannot do credit card transactions and other things.

'Uvik' has a tap-on-phone technology which comes within an app, so within a CCAvenue M.A.R.S. (Merchant Accounting And Reporting System) app, in which you can do a digital onboarding of a merchant within two minutes and then the merchant has the ability to accept credit card, debit card, everything within the system. So what it means is, suppose you are a tuition teacher somewhere in a village in Tamil Nadu and you want to accept Rs.1100 from the student's parents and they are giving you a credit card, but you cannot except, so all you have to do is go to the Google Play Store and download the CCAvenue app, and there is a calculator kind of interface in which you just put Rs.1100 and then from your phone only the parents can just **tap** on the phone thru their credit card, debit card, and the transaction will go through without the OTP. That's how easy it is then deploying a POS. And, we anticipate the point-of-sale terminals to disappear in the next three years, so this is the future technology, **tap-on-phone,** and any phone can become an acquiring point-of-sale terminal.

Now, today we are going exponentially, if you see the merchant intake, we on-boarded 800,000 merchants this quarter at the rate of 8,000 merchants every day. Now with this kind of solutions which is M.A.R.S. based then anybody across the country can just download and start accepting payments for offline customers and we intend to scale up, so hence our total processing volume is at $41 billion and, we have already given guidance of $100 billion in the next three years, so this will help expedite our growth rate.

And this is a future technology. Uvik is the only company in India which has certified with Mastercard, Visa and NPCI's RuPay to accept the transactions with PIN on glass so they are the only company in integration which is certified right now along with one company in Turkey. Hence the acquisition made all sense. It also helps all our existing base of almost five million merchants, so those who are using PoS terminal offline, you can start downloading the app and collect money through their smartphones.

Anil Nahata: That sounds great. What kind of topline are we expecting or transaction processing volumes we are expecting from this in a couple of years time?

Vishwas Patel: We have already given guidance of $100 billion, more than double from $41 billion run-rate. It will go more than double than what we are and even more further, so it depends on how far we are able to aggressively market and which we are going to do but it will double from the current TPV that we have and even the merchant base we expect to double.

Anil Nahata: Okay so couple of other questions one is on the GeM revenues. The GeM revenues that we get on the per transaction basis, they accounted in which segment, the payment segment or the e-commerce segment?

Vishal Mehta: They are part of the e-commerce segment.

Anil Nahata: Thank you for that and the last question is on the payment switch deployed, what is the future outlook for that?

Vishwas Patel: Payment switch cannot work standalone. We have launched a product called CPGS, CCAvenue Payment Gateway Service, for big banks and big corporate merchants. It is already deployed and Live, where we give the full payment gateway along with the bank and connectivity with various switches including our switch or third-party switch or to the bank switches, whichever. We have launched this around a year and a half back. We have successfully deployed it in Oman with the country's largest bank there, Bank Muscat, which is already Live and we are processing their transactions. The number two bank in Oman Bank Dhofar also is Live now. In India we have signed up with JioMart. CCAvenue CPGS as a white label is already used by ICICI for their corporate site, the retail side is also in the discussion.

HDFC bank SmartHub is also Live, the Kotak All Pay payment gateway is also powered by CPGS. So the whole CPGS is already started and Live, to answer to your question.

Anil Nahata: Yes, so that answers the question. And how do we make revenues on this I mean it is on per transaction basis, what kind of bps (basis points) are there?

Vishwas Patel: There are multiple modes of revenues with different banks. It comes under different heads; there is a setup fee, per merchant on-boarding fee, per transaction flat fee that is charged for processing those transactions, there are support charges and many others, so, it comes under different revenue heads and it is from bank to bank how we close the deal.

R. Srikanth: It is a customer centric.

Vishwas Patel: There are no charges to the customers.

R. Srikanth: Yes, it is customer centric, our customers here are banks, these charges can vary from bank to bank.

Anil Nahata: Does this go into the e-commerce revenue?

R. Srikanth: No, it will come under the payment business.

Anil Nahata: Thank you so much.

Moderator: Thank you. The next question is from the line of Unnati Bhavekar from KRChoksey Shares and Securities Private Limited. Please go ahead.

Unnati Bhavekar: You'll have mentioned about the drivers of margins growth in your commentary, so you believe that as the share of value-added services like CPGS or Neo-Banking services where you will be doing the lending, BNPL, AI-based credit platform, so you think that this is going to have an immediate impact on the gross profit margins in the few quarters ahead because, you have been getting a good traction from the audience concerned, with respect to these businesses so do you believe that this is going to have an immediate impact on the GPM gross profit margin first thing and what could be the share of this particular value added revenue to the total revenue it could be as a percentage of total revenue or net revenue, and the second question is your depreciation expenses have been coming down year-on-year since Q3 FY2021, so any particular reason for it and how do you think it will pan-out going forward? Thank you.

R. Srikanth: I will take this question basically the first question to address the first question is that you know all our strategy which we mentioned actually and execution we mentioned this call, it is all actually going towards achieving $100 billion total TPV and that is basically a unique target and mantra for the company so we believe that all of our business model 75% to 80% of our business model is basically linked to the total TPV in terms of transactions revenue model and even in this quarter that you have seen total TPV has gone up 90% year-on-year and profits have gone up 89% year-on-year. So it is in a way directly a linear actually to total TPV in a way and from all practical purpose, lending is basically a definitely a next generation growth for the company both for the topline and also for the bottomline and the express settlement we have already experienced actually bottomline growth driver ever since September 2020 and we are also getting into offline opportunities even though the point of sale terminals are going to really fade away in 2-3 year's timeframe from now but for all practical purposes that we do not want to miss that hybrid opportunity and therefore that there are several functionality frameworks of specifications that are coming along with that acquisition route which we believe that using our brand we will be able to really acquire more customers in the offline space and plus you have the test revenue lending in terms of a strong brand which is actually launched today and any merchants not necessarily that they are our merchants even external merchants can really log-in and we will be able to really do the lending services through partnership with our banks and NBFCs so all put together, all lead to the growth drivers not only for the topline but also for the bottomline. Therefore, we are all working actually for the consistent improvements in the margins. You can see it actually this kind of an increments in the margin in the current year and therefore that uniformly that on one side investments and platforms are happening, on the other side that growth in the business of all our legacy business and new business are really happening therefore that in two three quarters you can see some amount of further tractions in the bottomline and the objective is to really have a really scalable sustainable profitable growth in the medium to long-term and that is not our objective. Second question what was your second question?

Unnati Bhavekar: Depreciation expenses have been coming down?

R. Srikanth: Depreciation actually can see it in the last year footnote final accounts all our enterprise payment platforms or technology platforms our various assets, intellectual competitive assets which got capitalized and we have amortized actually based on certain legacy conventional policies, but as the period actually goes as the further investments are going into this kind of an IP assets, the intrinsic value of the assets have significantly gone up and the remainder usage of those assets have also significantly gone up and as Hiren was mentioning we are not a capital asset centric company and therefore that for all practical purpose with the existing asset that we will be able to really gear up our work existing guidance of 100 billion TPV in three to five years timeframe that is what we guided therefore that there are usually assets that likely life of the assets have been increased and that is one of the reasons for the amortization reduction by 2 Crores to 2.5 Crores actually during the current quarter.

Unnati Bhavekar: How do you think it will pan out like because you have already you see that the value evaluation of those intangibles is actually more then of course your amortization cost will continue to drop down is it or how it will be stabilizing at these levels?

R. Srikanth: It will be in the range of INR 35 Crores to 38 Crores on an average actually on annual basis and right now it is about INR 9 Crores on an average per quarter.

Unnati Bhavekar: Thank you.

Moderator: Thank you. The next question is from the line of Nandan Vartak from Wealth Managers. Please go ahead.

Nandan Vartak: Thanks for the opportunity. I wanted to understand UPI or Google Pay, these UPI-based application companies, do they require any services of Infibeam?

Vishwas Patel: Basically, we use them as a payment option to offer it to all our merchants and we make money out of it in the sense that the UPI option across all our merchants anybody wants to use a pay to GooglePay or PhonePe or through PayTM can pay, so we use that as a payment option and we are services that UPI if there are GooglePay customers they can pay our merchants via CCAvenue on that.

Nandan Vartak: Can you give update on JioMart collaboration that we have signed what would be revenue contribution on that part?

R. Srikanth: I will take this question. Revenue contribution is a customer-centric confidential information, therefore we will not be able to share it. For that matter any large enterprise customer centric information, unless it is a public data, we will not be able to share; however our relationship with the large enterprises is too big, both on the strategic side and also on the tactical side, and our e-commerce marketplace platform is doing wonders, with 10x value proposition, and the relationship is ongoing both on the payment side and also on the platform side.

Nandan Vartak: Thank you.

Moderator: Thank you. The next question is from the line of Arvind Datta an Individual Investor. Please go ahead.

Arvind Datta: My question is on the other expenses on the consolidated results on a Y-O-Y basis, they have grown 92% and on a Q-o-Q basis 79% so can you throw some color on these expenses and how do you see the trajectory of the run rate going forward in the next three to four quarters on the other expenses?

Vishal Mehta: Basically, the other expenses is basically provisions, the provisions that we make on a quarterly basis so I think those are one-off charges, they are not recurring charges that pretty much builds up most of the other expense you know setup that you talk about.

Arvind Datta: Okay so it is not going to be a similar trajectory going forward that is what you are trying to say?

R. Srikanth: That is right. We have been lot of ways appropriately conservative all of the standards and in terms of following that standards we provision every quarter.

Arvind Datta: My second question is adding your slide number #26 on the investor presentation deck which talks about secured lending performance $175 million of express settlement, so being a payment gateway or a Fintech can you lend or how is this lending happening, are you allowed to lend by RBI and if not then how is this happening?

R. Srikanth: Basically, we cannot take any credit exposure and therefore we are not taking any credit exposure both on the secured lending through express settlement and enterprise lending actually through relationship with banks and NBFCs we are not taking any credit exposure, so that is number one. Number two, the loan look of $175 million which is equivalent to almost $700 million, we are heading towards $1 billion. We started from zero in September 2020. It is basically after the success of the transaction, so instead of making the settlements on T+5, T+7, T+3, we are working with settlement on day T, so that reflects actually additional charge from the company, and our cost of funds is hardly anything, and therefore this is a profit driver for the company. This activity is going to be a tremendous activity. The engine is working very well. We are not taking any credit exposure and this is allowed by the regulator.

Arvind Datta: Thank you so much that is my question.

Moderator: Thank you. The next question is from the line of Anil Nahata, an investor. Please go ahead.

Anil Nahata: Thank you. On the TrustAvenue which we have launched, how are we going to attract the customers since it is a marketplace, how are we going to attract the customers to that?

Vishal Patel: There are multiple ways. The first thing is like Srikant had mentioned that we will open up the platform for customers who are already using our CCAvenue payment gateway. We have got more than a few million merchants who transact payments through us and that opens up an opportunity to offer them lending products. There are multiple products in lending, what Srikant just mentioned, one which is express settlement where we do not take credit exposure, similarly there will be other opportunities as well. The big one of course is SME based lending, where the ticket size is anything between Rs.50000 to close to Rs.5 lakh or Rs.10 lakh and those are the ones that typically banks do not cater to and those are the ones who we aim to process through us, that we can potentially open up that opportunity, so that is one area. The second area is the larger enterprise clients who are using our platforms, so we open up that opportunity whereby we can reach out to many, many more audiences and that becomes an opportunity to reach out to those clients as well. These are primarily the two areas that we will focus initially as far as TrustAvenue is concerned. There will be other products and features that can be built on top of TrustAvenue, as a roadmap which we will talk to, as and when we launch but initially our appetite is to go with merchants who are using our platform and enterprise clients who wish to avail the feature sets and the framework that we have developed to be able to reach out to those merchants.

Anil Nahata: So this is essentially a cross-sell opportunity using our other data and do we also be able to use the GeM merchant base for this thing?

Vishwas Patel: Like I said we will have to work with each of our enterprise clients and reach out to as many of the merchants as possible but to answer it in a short way absolutely we would like to showcase the TrustAvenue framework to many of our enterprise clients and we would like to see how we can actually participate. You see, any time a merchant gets more capital and cash flow they can deliver better on a marketplace. So, to give you an example, there are two different kinds of factoring that happen and RBI has opened up factoring in a very large way where earlier only a handful of NBFCs were able to do factoring, now there are many, many customers, so what you talk about is maybe invoice level discounting and order level discounting when a seller receives an order you can discount that order or when a seller invoices you can discount an invoice and so those are the ones that are opportunities that we would also want to explore absolutely.

Anil Nahata: Great and another question before this thing is the MDR has stabilized over the last quarter rather from 6 to 6.2, how do you see this going for the next three to four quarters?

Vishwas Patel: We are looking at a more upward trajectory because we were a little bit impacted because of the COVID pandemic. Our main performing merchants where the MDR is in percentage base, be it the hospitality sector, the airlines, be it all the others, were severely affected because of the pandemic, but now in the last quarter they having come up and we see a more aggressive quarter and they are coming back to their normal businesses specifically with international flights also starting, so you should be aware that your company processes for more than a dozen international airlines like Emirates, Gulf Air, Delta, Air France, so all those flights, when they also starts in a normal way, we will see a more upper trajectory on the Net Take Rate, and on the gross margins from 6 to 6.2, we hope it will go up even more further.

Anil Nahata: Thank you so much and all the best.

Moderator: Thank you. The next question is from Ajit Gharat from UBS. Please go ahead.

Ajit Gharat: I just had to ask about the future outlook of the company just the board had already confirmed about what exactly so what are the parameters we are using to get into the developed market like U.S or any of the other countries when we are looking out for the expansion of the business, do we continue with the same kind of region wherein we are targeting the overall business model which is there in the current year?

R. Srikanth: I will take this question. Thank you for asking this question. This is the growth driver which we are talking about in the last two quarters, and we talked about it in the beginning of this year that we will double our express settlement in terms of growth driver and we are actually about instead of 2x we are about almost 4x, so that is one thing. Second thing is that we have said in Q2 that we will do an artificial intelligence platform for our credit services and lending services and as we committed that by December end, we have launched actually our credit service platform, even though technically it launched today, it got ready in December and we are waiting for the actual launch date. So this is going to be another driver for our lending business and credit business which is going to be a huge opportunity and we believe that this is going to be a next generation growth for the company. Number three is that pan India we are just about 20%-21% in terms of the overall market opportunities and 70% to 75% is non-digital. So the conversion from non-digital to digital is happening which is helping us our legacy business of payment gateway to the merchants. So this has really led to total TPV of INR 75000 Crores almost $10.2 billion as we speak on a quarterly basis. The same number about the same quarter of the previous year, the number was INR 39000 Crores. So it has been almost doubled actually, not only in the TPV but also in the bottomline too. With our push of digital, our legacy business will also continue to grow pan India and we are also getting into the offline mode through our technology framework, partly now it is created and partly acquired actually through Uvik acquisition and that is going to be an addressable market to really capture the accelerated growth and this is the fourth growth driver. Fifth one as you mentioned that India itself is a huge opportunity, however we started UAE about 3.5 years ago as zero and today we are about almost four billion Dhiram almost $1.1 billion actually of processing which we are doing. With our Oman presence of credit card payments and we are about 90% plus market share and that is also likely to go up. Now with the new joint venture being formed actually with the primary investments from Royal Family of Qatar, we at the management, we at the company sincerely thank Royal Family of Qatar for their active interest in the company and to accelerate payment business in Qatar, so we believe that in the median term that is going to be a huge growth opportunity for the company, and of course but for the COVID we would have by this time started two more countries but COVID has really slowed down our process of new country operations but still we believe that the COVID situation globally have not settled even though in India it has settled partly but, globally it has not been settled. So once it gets settled we will accelerate our growth opportunities in the new country operations, at least two or three countries going forward.

Moderator: Thank you. The next question is from the line of Hemal an Individual Investor. Please go ahead.

Hemal: Thank you for the opportunity. I just want to hear your viewpoints, let's say in the next two three years we achieve our target of $100 billion or let us say doubling or more than doubling our current GMV run-rate, where do you believe this is going, given the rate of competition, competitive intensity, the reality of the technology going on in the market, the amount of smartphones we have and not have, where do you believe this take rate will go, the 6.2 bps, do you believe it will improve going forward, of all the opportunities that we are doing in lending, how much can it improve our margins to, like do we have a ballpark viewpoint on that or yet it is still being fleshed out?

Vishwas Patel: GMV and the digital business is increasing. There is a misnomer that because of UPI being zero-MDR nobody is earning in the payment business, but that is not the case. Even on the UPI MDR, government has given out INR 1300 Crores back as an MDR for those who did not earn anything for the past one year and we expect that on Zero-MDR somewhere down the line government will compensate. And there is money to be made on every option. You see apart from debit options there are still credit which is going phenomenally well, like credit has grown 100% in just one year, the credit card systems that are there, and then there are so many other payment options in India. India has the maximum number of payment options in the world, more than 200, net banking is not affected that is also growing, wallets are coming in and then subsets of those payment options be it EMI, standing instructions and others, so that business is growing which you can see from the GMV also, we are almost double what we did the last year in nine months alone, more than double. From that perspective those payment business is growing. The real opportunity now starts coming and kicking in with the backward integration as well as forward integration, how you want to put it. Backward integration is the platform that we have built, we are earning in technology and giving it to the banks and others and for every transaction we are processing we are making money, for every merchant ID we open we earn money, for all the support we give, on which we make money. So that is the backward integration that we have gone into with the CPGS product and in the front-end many value-added services have been offered to the merchants, lending is just one of them, many other services will continue to roll out which will be accretive, so payment processing is the growth engine which is what you can call it as a fast growing commodity item but, the services behind and the services ahead, the value-added services that we can give merchants be it on lending, and many other of our platform services there is money to be made. So, the whole idea here is that, payments in the core you do backward integration as well as forward integration to make good money, so that is the whole strategy here we have got.

Hemal: I see so you believe that the stake rate will improve like dramatically like it will go from 6.2 to like 8, 9 and 10, I know it is difficult but you believe that?

Vishwas Patel: Yes, it can grow. As I said those take rates went down not primarily because of UPIs but because during the Covid period the main sectors like entertainment, travel everything went down which are in percentage bps and utility items like bill payments, education, and others which is typically on a flat fee, went up, that is why the take rate in flat-fee is lower than in a percentage-based model where I am charging a merchant say 2% and our cost is 1.65% or something like that. So, percentage earning on a transaction cost is always much higher than the flat-fee transaction amount you are charging say INR 4 per transaction or INR 3 per transaction and we are earning 0.25 paise or 0.50 paise per transaction. So those percentage-based businesses, be travel, hospitality, entertainment, all these are coming back and those take rates will increase. And overall, if you see the whole Indian market dynamics, it is only 27% which is digital, there is a whole new universe of 73% that we still have to go. The entire healthcare is not done, we have a list of one million schools which are still not accepting fees online, there are so many other businesses, the B2Biz that we have launched is where the corporates make vendor payouts, the vendor payments, so many things that we can do, so payments as a business is core to this and as India moves towards the $5 trillion economy this thing will keep growing and the margins also, because government has realized the zero MDR for UPI is not helping the payment system, and the acquiring is not growing, hence the finance ministry paid out INR 1300 Crores for last year. Going forward also it will continue to compensate so the take rates and other things will grow and the value-added services will take it to another level.

Hemal: Thank you. Just one last question this NUE that we had applied to RBI, any updates from RBI on that like, are they coming out with any update on who is going to get the license anytime soon?

Vishwas Patel: I am also the Chairman of the Payment Council of India and in all fairness I could say that we did put a question to RBI on what they are thinking but, they said that as and when anything happens, we will let you know, maybe internally they are collating or putting up the idea of how to, and so many players and consortium applying, they might be doing the internal due diligence and process, I think similar to how they did for small finance bank where they made up a committee and then gave out, so I think those things will happen. RBI is not the one who will backtrack on not giving a license or anything. They have got through in pulling up this whole process and so many consortiums have worked hard in putting up such a big application, so RBI will definitely come out sooner or later.

Hemal: Thank you Sir. Thank you for my question. I appreciate it.

Moderator: Thank you. This concludes our question and answer session. I would now like to hand over the call to the management for closing comments.

Vishal Mehta: Thank you all for joining our third quarter earnings call and we will keep you updated on the new launches and new things that the company will be undertaking as we go along. Thanks for your participation and have a good evening.

Moderator: Thank you very much. On behalf of KR Choksey Research and Infibeam Avenues Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.