"Infibeam Incorporation Limited Q1 FY 2017 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2017 Earning Conference Call of Infibeam Incorporation Limited hosted by KR Choksey Shares and Securities Private Limited. This conference call may contain forward-looking statements about the company, which are based on believes, opinion and expectation of the company as on the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants' 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 the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Mayank Babla from KRChoksey. Thank you and over to you Mr. Sir!

Mayank Babla: Thank you. Good afternoon ladies and gentlemen. On behalf of KRChoksey Shares and Securities Private Limited I take immense pleasure today in having with us here Mr. Vishal Mehta, Managing Director and Mr. Hiren Padhya, Chief Financial Officer who are here today to discuss with us the company's performance in Q1 FY2017. Let me hand over the floor to the honored guest from the company. Over to you Sir!

Vishal Mehta: Thank you Mayank. Good afternoon everyone. I welcome you all to the Infibeam's earning call for the first quarter financial year 2017. I would like to update everyone that this is our first quarterly result that we are posting after our listing, which was on April 4 2016. We have shared our results documents and that is also available on the website and I hope that all of you had an opportunity to go through some of them.

The first quarter of 2017 was a very large quarter for Infibeam in terms of overall profitability, service revenue as well as strategic new developments both locally as well as globally. When most companies in the e-commerce segment burnt cash and reported losses in India; Infibeam has adopted a proven we are staying cash positive by recording growth, which I would to walk you through as we go through the slides. For this turnaround in the e-commerce market we have achieved a very rare distinction by providing an integrated and synergistic business model for both our B2B and B2C segment of customers on the cloud based infrastructure, which enables online sales of products and services from merchants in the local market as well as global markets.

Now, I would like to move to slide 3, which is value proposition, empowering digital enterprise. We continue to evaluate all strategic relevance of service offerings to our merchants. Merchants come to infibeam.com to list their products in our marketplace and as part of listing process we also offer the merchants an ability to sell on their own store using the same backend, the IP solution. So merchants at infibeam.com are actually merchants who want to sell their products and services on infibeam.com. The blogs that says merchant.com is the service offering where we allow merchant to build their own online store using our front-end and backend, build-a-bazaar infrastructure technology. Affiliated syndicated stores where merchants get banded offerings on infibeam.com we also allow suppliers to sell directly on the infibeam.com where we actually end up managing the system and logistics. As online has a huge assortment of products and not every merchant carry the entire assortment then the low velocity, slower moving products that are also available where there is consumption and demand are focused directly on infibeam.com by Infibeam Incorporation, subsidiary NSI. So as a result we allow suppliers to actually use our fulfillment and logistics and finally we offer value of the services to merchants that include opportunities for merchants to acquire customers. Opportunities to acquire merchants through our .OOO registry as well as in future certain specific services like logistics that we intend to provide to merchants as well.

Moving to slide 4, which is a diagram, which says "Powering Digital Enterprise". We have always defined our business in terms of growth cycles and in our previous calls we covered the growth cycle for Infibeam, which has a very important relevance to both merchants as well as customers. Here in this we have shown an ecosystem where you do have the supply side, which includes the brands, the retailers and the suppliers. In our vocabulary we call each of the merchants who want to sell directly onto the customers in the online digital format. In the right hand side we showed the demand channels where there are customers.

Each of the brands, retailers, suppliers and merchants they want to reach out to the demand through specific demand channels and in that what we have highlighted is an opportunity for them to create their own online presence and opportunity for them to create a B2B sales channel and opportunity for them to list the products on infibeam.com and opportunity for the specific supply channels to reach out the demand through advertisers including Google, Facebook and other channels and also to list their product and services across third party marketplaces. So we provide a complete commerce of solution, which allows each of these brands, merchants, retailers and suppliers in aggregate we call them merchants to reach out to the demand channels using other build-a-bazaar framework. We also have integrated logistics where we actually offer our own logistic to suppliers. We have recently launched a Shipdroid solution, which allows merchant to use our software framework. So that they can plug in into third party logistic solutions as well as offer their own logistic solutions within certain specific zip codes. In essence build-a-bazaar solves the problem of connecting demand to supply channels while also solving capacity through integrated logistics.

I would like to move to slide 5. I want to cover this slide while we have covered in the past but this is a very important part of our company. We call it platform and the platform is a build-a-bazaar platform, which allows us to offer merchants an integrated solution for them to reach out to customers across multiple demand channels. In terms of a platform we intend to continue to investment technology. Technology is core to what we do and do we continue to invest in that framework in terms of hiring software developers as well as building new products. We always look for great software developers and software engineers become core to solving problems and scale and we continue to spend as well as invest in the team building. We are building out a very strong analytics engine. Analytics is core to look at users across multiple implementations where we are able to go and track as well as improve the customer experience of buying who want to continue investing in building out a very strong analytics engine one that actually has capabilities from machine learning and one that allows merchants to be able to reach out the users to get much, much higher conversions.

In order to actually look at a competitive advantage offerings like personalization on merchant stores as well as building out loyalty solutions specific to each merchant requirements become core offerings to be able to reach out to consumers across multiple demand channels. The important part is to give an integrated technology platform whereby merchants do not have to sign through multiple providers did they have an integrated solution and in their options they can decide to either simplify the entire process by taking the entire solution as well as if they have certain specific piecemeal opportunities but they can actually use only parts of it. We have launched a global registry called .OOO and will continue investing in that to be able to acquire merchants at scale.

At this point I am moving to slide 6, which is our focus on profitable growth and scale. With the art of all other initiatives and innovation the focus remains on solving problems with scale in the e-commerce world using technology. Our EBITDA growth and operating cash flow will always try to build a very superior value for our shareholders. In this quarter services revenue as a percentage of total revenue has improved by 43% in quarter FY2017 compare to 31% in FY2016. Since our EBITDA margins in services is at 61%, the growth in services revenues drive significant profitability in this quarter for us. The profit after tax from the total revenue for the quarter grew by 237% to Rs.96 million compared to Rs.28 million in the first quarter of FY2016. We continue to track clients across many categories to utilize our market place platform along with value added service and the same platform that works for large clients also work for small and mid size clients. Some of the common in names are listed in our prospectus as well as on the slide they are listed on the right.

I am going to move slide 7, which is the operations snapshot while we are going to spend a few minutes to walk you through these numbers. I also want to walk you through our business model, which is covered in previous slides so that you have the correct understanding of our business. Since there may not too many e-commerce companies listed in India and the common understanding used to compare other companies with other marketplace based platforms do you think it makes sense to appraise you about two segments of our business.

The service revenue and the product revenue, which is offered using our build-a-bazaar platform to begin with; the services segment in this we have created build-a-bazaar platform for enabling online e-commerce services from merchants to sell their products and services to consumers. The platforms were used by merchants is provided on the cloud wherein it offers the ease of those business at a very affordable cost. It is a very unique proposition for both local as well as global merchants to use this cloud based platform and get online market place instantaneously with reduced sell products in the web which makes Infibeam a very unique service provider in the global market place.

The scalability of the business model is very hard for us and it allows the company to acquire merchants without losing money and it allows us to grow revenue from services while they remain profitable and cash flow positive. Under this model the company offers various plans that suits the requirements of merchants. We used a lot of data analytics to help merchants, target customers and increase the rate of transactions. There are specific questions that merchants have that get answered using our platform. Things likes I spent a lot to get traffic with customers are not converting. Some other questions like I do not know who is my target customer, who is coming to my site and converting. We assimilate a lot of data and use data analytics to be able to understand what resonates with the target audience and we allow them to get higher conversion rates on their storefronts.

The company earns revenue by offering a combination of setup as well as a monthly fee and a transaction commission. As of June 30, 2016 the company has 57482 registered merchants on the platform. The revenue from services for the quarter has grown significantly. Services revenue grew by 43% to Rs.322 million in the first quarter FY2017 compare to 225 million in the last year quarter same period and EBITDA margins in services revenue stand at 61%.

Now I would like to cover the product segment. Infibeam.com has a wide range of product showcase across 40 products and services categories, which include mobiles, tablets, computer accessories, lifestyle fashion products, books, gifts, travel and more. The company strategically follows a very asset led inventory model and while we have 1000s of merchants who also sell directly on infibeam.com. We also have suppliers integrated onto infibeam.com framework. As of June 30, 2016 the company had more than 8.2 million active users. Infibeam reported revenues of 709 million from products, as of June 30, 2016 quarter with an improved contribution margin. It is a very conscious and strategic effort of the management to be positive with contribution in this e-commerce space where online retailers may be losing money. Infibeam follows a strategy of forward investing while ensuring that we have a profitable track record of growth.

Our total revenues came in at Rs.1031 million the consolidated gross margins across the segment for the first time exceeding more than 35%. This has maintained the services and product segment profitability and most importantly earning cash versus burning for growth in the e-commerce markets. While most of the Indian e-commerce companies will be tracking as well as planning for holidays Infibeam will continue to stay in the proven track record of growth with profitability. We believe that that is a lower distinction in this space and both for B2B as well as B2C segments are our customers. They will continue to take advantage of our cloud-based infrastructure while recording higher profitability and growth for themselves. It is important to note that merchants do better and they grow their business. It translates into higher growth and profitability for Infibeam as well. At this point I would like to pass the call to our CFO, Mr. Hiren Padhya.

Hiren Padhya: Good afternoon everybody. The slide, which is already there slide #8 it is, consolidated results for quarter one FY2017. This particular quarter is very impressive in terms of profitability, increase in service revenue and strategic new development for this quarter. Rather than spending time on this particular slide, I would like to focus on next slide where some analysis was already done.

Now I am moving to next slide that is consolidated revenue Q1 FY2017. The company has outperformed this quarter compared to same quarter last year reporting growth in total revenue in two digits. The company recorded revenue of Rs.1031 million in quarter one FY2017 from Rs.843 million of corresponding quarter of previous year. This has an increase of 22% on year-on-year basis. In composition of revenue still product segment is dominating with 69% contribution. However the service segment contribution has increased by 4% compared to corresponding previous year quarter whereby improving profitability of the company. In view of very high scalability of our business model which helps the company to acquire merchant without losing money and thereby growing the revenue from services and yet we are remaining profitable and cash positive.

Now I move to next slide, that is Q1 FY2017 revenue composition of products and service segment. In case of product the company has consistently growing in terms of this revenue. It has grown by 15% to Rs.709 million compared to Rs.617 in Q1 FY2016. Infibeam.com provides wide range of products across 40 products and service categories, which includes mobile and tablets, computers and accessories, electronics and cameras, housing and kitchen, books and magazine going up to fashion products, music, travel, gifts. The company strategically follows an asset led and has more than 5000 registered merchants who sell directly on Infibeam.com and 8.2 million active users as on June 30, 2016, overall contributing higher revenues.

Next is service segment. Company has achieved a rare distinction by providing an integrated and synergistic business model for B2B and B2C segment of customer on cloud based infrastructure, which enables online share of products from merchants locally as well as globally. This has given rise of 43% in service segment revenue. It has grown to 322 million from 225 million compared to corresponding quarter in previous year. As a part of long-term strategy company continues to focus on service in view of very high EBITDA margin. Company earns revenue by offering a combination of better followed by monthly fees and for transaction commission.

Now I move to next slide, it is Q1 FY2017 EBITDA and operating profit. This slide depicts an impressive growth of EBITDA by 139% to Rs.169 million compared to 71 million in Q1 FY2016. There is an increase of 98 million in absolute value. This has set a track record of high profitability unlike most Indian players in e-commerce segment; it burns cash and report losses. It also reflects an improved operational efficiency along with margins. So far as operating profit is concerned we are on a integrated and synergistic business model for B2B and B2C segment for customer on cloud base infrastructure which has enabled online sale of products and services from merchants locally as well as globally, which has been reflected in our operating cash flow. Secondly 43% growth in service along with very high margin resulted into an increase of 900 in operating profit from 76 million in Q1 FY 2017 as against 8 million in previous year.

Now we will move to next slide that is profit after tax. After going through the overall profitability in terms of operating profit increase in revenue etc the overall impact is already there in terms of profit after tax, which has increased from 28 million in quarter one FY2016 to 96 million in quarter one FY2017. There is an increase of 237%. We being a zero debt company the finance cost is negligible. This along with higher operating profit led to excellent growth in profit after tax. So far as earning per share is concerned our company is committed for increase in shareholder's wealth our all actions are being focused into that. After having remarkable and positive changes in revenue profitability and operating efficiency the shareholders value also registered growth in earnings per share. It has grown by 166% compared to operating EPS of Rs.0.70 in Q1 FY2016, which has gone to Rs.1.86 in Q1 FY2017.

The next slide I will just request Mr. Vishal.

Vishal Mehta: Thank you Hiren. At this point, I would like to cover some of the new developments that have taken shape in the first quarter of FY2017. Our company signed up an agreement with the world largest milk producer Gujarat Cooperative Milk Marketing Federation for developing an online model framework to enable Amul products direct to home. This is our conscious effort to keep an attracting and working with some of the largest and the best brands in the industry and we are very happy to have them as part of our portfolio.

In terms of international growth the company's technology platform has been signed up by Saudi Telecom Company to build a next generation mobile experience Jawwy. This is a very interesting development where for the first time a new product platform with the service has been introduced in the geography, which has huge integrations with social networking as well as the way people, consume mobile experience. Company has made an investment to payment solution company CC Avenue. CC Avenue is one of the leading payment processing solution provider in India and an investment the company will allow us to go and do a deep integrations to be able to allow merchants to get much larger transaction volumes and as a result larger contribution process to the company. Finally as part of our international expansion we have set up a full owned subsidiary in Dubai and we will be looking for much larger opportunities for international growth in coming quarters.

I would like to move to slide 15, which says growth strategies. Our growth strategies continue to be what we had discussed in the previous call. We want to continue the focus no merchant acquisition. Merchant acquisition becomes key to able to generate larger service revenue and larger profitability for the company. We have touched upon the loyalty solution. This is more on the consumer and the customer part and we continue looking at a strong loyalty solution in this fiscal year to be able to give muskiness and more traffic on infibeam.com. Increase in the merchant wallet share will happen through more value added services. We continue to invest in providing more value added services for our merchant's thereby larger revenue of the merchant for the company. Our logistic infrastructure continues to look at opportunities where we can give better services and faster deliveries for our consumers. As part of our capital rate we plan to expand into 75 additional logistic centres and worked with the expansion in terms of signing up identifying and commercializing them has already started. We want to continuously invest in technology and product renovation and finally international expansion becomes a very core area of growth for us in coming quarters.

I would like to touch upon the proceeds of IPO and the updates thereof. The first one is setting up a cloud based data centre in purchase of property for setting up corporate office. The company has started investment to acquire 4.5 lakhs square feet in the city. There has been an advance payment, which is already been made, and equipment for data centre as well as commercializing of such data centres is expected to be completed in this financial year. What that means is that we have been very conscious about deploying the capital to ensure that shareholders get the largest share of return on invested capital and for the company we have taken the conscious effort of deploying and taking parts of the building and with the payout that happens over multiple years.

We expect that with this cloud based data centre the moment it is operational it produces our variable cost or serving merchants. A lot of merchants can utilize our framework; our registry can utilize our framework to be able to address a much, much larger community of merchants as well as traffic that originates from such locations. Setting up a logistic centres company plans to expand sales tax centres within the next three years. We will get much larger cost efficiencies, better customer experience and incremental revenue from services through deployment of such infrastructure. We will be reporting progress on capex as and when they are incurred and will be sharing the few on a quarterly basis. It is important to note that this also opens up on larger revenue of services the moment it gets operational when such services are provided to merchants it results in incremental services revenue for the company and we plan to announce as well as communicate the progress that we make in this. The third one is purchase of software. Today for any merchant who wants to advertise on another merchant using our own platform, which is a build-a-bazaar platform, we have to go through third party advertisers to do so. In quite a large share of the wallet of that spent is captured by the advertising network.

We are providing the software for such merchants to advertise using our inbuilt infrastructure with the platform for advertising whereby any merchant can list the product and advertise the products on another merchants store are also using of our framework and platform. This allows us to capture a larger portion of the wallet of the merchants while giving much larger and better conversions in terms of traffic for the publisher. We have started work and we will be reporting the progress in subsequent quarters. We believe that it will take another four quarters for us to be able to deploy, implement and make it scalable and we will be communicating the progress in subsequent calls.

For general corporate purpose as stated in the prospectus the IPO and advertising expenses have been incurred and accounted for in the full year financial year March 31, 2016. The company has made an investment from its fully owned subsidiary into CC Avenue as part of our strategic and long-term growth. At this point I would like to pass it on to the anchor.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Amit Jain from Dron Capital. Please go ahead.

Amit Jain: Sir I want to know what kind of growth do we see in merchants and rolling for our build-a-bazaar platform because right now we have around 57,500. So what growth do we see in FY2017 and FY2018?

Vishal Mehta: If you look at the last quarter, Amit in 2016 when we ended the year we ended with 53000 odd merchants and in the first quarter of this year net we actually have 57000 odd merchants. So we have been going at a run rate around that. The important for us is the strength comes both in quality as well as numbers. We want merchants who become very sticky where we can provide more and more value added services that allows us to keep on retailing and growing with the base. We also expect that with our initiation while bulk of our revenues today comes from domestic markets we have just initiated our opportunity to grow in the international market as well. There are many staffs out there where the total number of merchants who sell across multiple marketplaces abroad goes into tens of millions. So while we will go after one geography at a time we believe that there are significant opportunities for the company to grow also in the international markets. So if you look at the growth quarter-over-quarter you will see that we have grown between 10% and 15% in terms of the total subscriber base with the growth both in the domestic and international markets we will continue that track. It is also important to note that we are using our .OOO registry as a way to acquire more merchants. One of the things that we are doing as a company is spending towards building out our data centre infrastructure which allows us to provide the registry at a much lower marginal cost to the subscribers and as a result it becomes a great tool for us whereby merchants can select what they want to have in terms of the URL and use other frameworks optionally to decide whether they want to build out their own online e-commerce presence using our infrastructure.

Amit Jain: One more thing Sir how do you see the competition because this industry is very capital intensive I think because every now and then all the e-commerce companies are raising capital and we are having cash with us. So I mean what it that I mean how do you see these challenges because ultimately all the companies are facing with capital issues right now?

Vishal Mehta: So there are different business models out there in the e-commerce space. There are business models, which are similar to retail, and a single market place model that is a single URL where all customers come to that URL or a particular destination to shop. So the company has taken a very conscious strategy of not just building a single URL destination. We create large number of URLs whereby each merchant can actually decide to get traffic onto their store as well as does not prevent a merchant from selling across other demand channels. So if you look at the slide which is slide 4 in a verdict that actually gives a pictorial idea of what the platform does in terms of connecting the demand and supply channels for a merchant who wants to sell in the digital format they are not precluded from selling onto a single marketplace. Usually merchants decide to sell across multiple locations and destinations in demand channels and what our build-a-bazaar platform does is it connects the merchant's products and services across multiple demand channels including their own, which comes integrated with integrated third party logistics today. So when you look at this space and this infrastructure while there are certain business models that compete for customers to get the customer to the destination only we have not taken the approach of being a conqueror but we want to be an explorer. We have decided to actually open it up for many merchants so that they can explore multiple demand channels including their own. The moment you decide to actually get the customer only to a single destination it will require a different business model and different levels of spend and historically if you look at our company we have grown the company in that prospect whereby let us allow merchants to explore rather than deciding that we will be the only destination where every merchants has to come and sell that approach has resulted in much larger EBITDA margins and profits for the company. It is important to note that merchants would want to actually continue having presence across multiple marketplaces and that will potentially result in then getting additional sales and it is also important to note that as company we will get more profits through larger number of merchants and more transactions as well as more value added services that we offer to merchants in many a cases. So in this competitive landscape while many of the companies may have adopted a business model and a platform in the technology that supports this business model has already been grown out Infibeam has taken a differentiated approach of opening up a very distributed environment of merchants to sell across any of the implementations. That will result in larger profitability for us with growth. So we have taken a conscious effort that is it is not either or/and with more expansion both in the domestic as well as international market and I emphasize international as a very important growth strategy for us. It is also much larger it becomes more of a global opportunity for us to tap in into as we keep on scaling of our business on the platform.

Amit Jain: Thank you very much for taking my question. That is it from my side.

Moderator: Thank you. We take the next question from the line of Jedaih Khan from Forest Capital. Please go ahead.

Jedaih Khan: I have two questions. First question is basically how we are doing at .OOO domain. How exactly or what kind of customers we have added in the previous quarter and what kind of growth we have seen. Second question what is our blended realization in build-a-bazaar platform and what kind of merchants we have added in the previous quarter?

Vishal Mehta: I will take one question at a time. The .OOO registry is a global registry where we allow users or merchants to be able to select their name. Merchants have an option to select across any of the registry providers including .com and the reason why we decided to launch the registry was that usually merchants **(inaudible) 41.12** before they think about what to build out or they know what to build out they really do take a payment instrument it usually starts with a name and we have realize that it is very hard for merchants to get the name of their choice on a .com because many of them have been taken. So as a result for the company since we had a large merchant base and subscriber base it made more sense to offer merchants the name of their choice rather than changing the name just so that it suits the requirement of actually getting a name why should it not be the name of their choice, which is the name of their brand and that is the realization that we had. In terms of .OOO we have started giving out a lot of domains. We priced the domains through registrars and registrars in turn sell it through ISPs to merchants but we have the global registry we have access to all the information about every merchant who takes the domain name. In the past several quarters if you look out our numbers we have about 20000 registered approximately names that names keep on the numbers of course will fluctuate as more people get added and some dropout. We have realized a significant opportunity whereby merchants who take the .OOO name can also be converted onto the build-a-bazaar platform in terms of the peak rate. It is important to know that for the merchant it is not an either or they can have multiple URLs point to the same destination whereby even today if you go and type in buildabazaar.com it will automatically redirect to buildabazaar.ooo so in other words you can have multiple URLs pointing to the same destinations that the users completely aware and it automatically reach with actually any perspective. We have seen a percentage conversion it keeps on fluctuating. It goes into low double-digit percentage for us as of today. We are tracking it and the important part also is to actually reduce the marginal cost at which we can provide such names so that most of the merchants can actually start utilizing them and for us to be able to reach out to a much, much wider audience. So while we are looking at making such investments in our own framework infrastructure and technology we are not there today. We expect that in the next few quarters we will providing more insights about how we reduce our costs so that we are able to provide such domains at a marginal cost, which is much lower than what we are providing today with. As far as your second question is concerned in terms of the kind of merchants that we track, we look at merchants who have a good quality, who potentially have certain specific number of products to offer because the likelihood of sales is much higher. We look at merchants who follow a certain criteria and have certain specific product information and details that are competitive in pricing. Pricing is a very large component in certain product categories compared to other and then we also go after certain very branded merchants in other words merchants who are very large and category leaders in terms of what they do case in point being a recent agreement that we have signed up with Amul. So we continue looking at those kinds of your prospects, which become a very large opportunity for us to be able to continue to expand its scale. Finally the .OOO registry will continue helping us acquire more merchants as well. So in other words within the registry also it is important to note that a case in example will be that even if you have a .in registry a .co .in is also a part .in. So while you can create a separate framework it all resides within the same registry and as a result will continue valuating options and how we can do something very similar. So that we can keep on adding more and more merchants to us and also looking at specific channel partnerships, which allows us to use a channel partner whether it is a telecom operator or whether it is an advertiser or whether it is a bank in both domestic as well as international locations. So I hope that answers some portions of your question.

Jedaih Khan: Sir one last question. I just want to understand what are our product and services mix at this point of time and second question is how exactly our capex strategy. We are entering into certain kind of investments of office and logistic part of the business. How exactly you see what kind of returns that going to see in next two to three years. That is it from my side. Thank you.

Vishal Mehta: To answer your first question in terms of can you please repeat the first one. You mentioned about the capex part but the first part, which was. The product and services mix is that correct. So in terms of product and services revenue, services accounts for 31% of the aggregate revenue and remainder 69% is the product revenue. If you look at last three financial years as in 2014, 2015, 2016 you will see that services revenue was around close to 18% of overall revenue and that 18% has grown to 31% of the overall revenue. So clearly we are focused in ensuring that our services revenue keeps on growing while total revenues have also grown. Our services revenues have also increased. So in 2014 it was 15% of the overall revenue. In 2015 it was 23% and in 2016 it has gone by 31%. We continue maintaining in that range. So our services revenue has shown a considerable increase as service revenue keep on showing that increase it translates into much larger profitability given that EBITDA in the segment that we provide is more than 60% for us. In terms of the mix the product accounts for 69% of the overall revenue and services accounts for 31% of the overall revenue. As far as our capex is concerned you touched upon logistics and I want to may be spend two minutes in terms of the logistic setup. Today for all the suppliers who are logged into infibeam.com to sell the products Infibeam manages the supply chain including the logistics and as a result all the locations that we have currently it is very easy to may be understand that rather than having 500 units ship from one location to 500 different locations can you actually ship it to another specific B2B and then to a local delivery which allows you to save on cost and then can you offer the same framework to merchants also who potentially once you have the spread in the build out they can use the destination so that they can also benefit which results in a bigger service revenue opportunity for the company. Today we do not do it but it is a new revenue opportunity for the company in coming years. The capex that is required to be spend in logistics and the one that we have said that is part of our objects is 37.5 Crores that accounts for about 75 locations. So if you look at amortize the cost across location while some locations will be much larger and much smaller on an average basis the 5000 square feet locations and these 5000 square feet locations are meant for throughput. We are not meant for storage. We are not building out the storage or a warehouse in a location we are building out the throughput location. A throughput location is typically the one which is very close to the customers whereby we can get the product inward and then do some value add service to be able ship it directly out to the customers. So if you look at this typically ends up being somewhere close to Rs.40 to 50 lakhs of capex in each of these locations and the list of capex and the kind of investments that we do is detailed out more as part of our filing. So the logistic framework is a new service revenue opportunity for us in the future. Today we do not look at it as a service but it becomes an interesting opportunity once you have the spread and the build out because not only will you be able to user for the suppliers who are registered with infibeam.com but you can also offer it as a service to merchants. We call it Shipdroid and Shipdroid is two components one is the software piece, which allows merchants to be able to use Shipdroid to integrate across multiple couriers, which is a software piece, and the physical location piece that you can utilize potentially to be able to grow into other regions. The advantage of course with the recent introductions of GST gives us a lot more perspective that this strategy that we are following is perhaps the right one because GST will open up quite few boundaries that today are not has opened. So I think that is the one that we are tracking. We have also tracked the recent announcement and we will track the implementation of when GST becomes operational which becomes a huge boost for our logistics framework investments. If you look at the other capex that goes in it is into the data centre and the corporate offices that we looking at the city before we actually got into the decision to get in into the space we have done a very detailed analysis to look at what is the return and invested capital for our shareholders. It is very important to know that we are not looking at having a lumpy assets within our books that we wanted to actually look at the option of use versus buy and when we evaluated those options and the way we have to look at making a payment there is a marginal impact but it also means that is where all our data resides and as a result as we build out the data centre framework as well as corporate offices that it becomes an important location to ensure that you are long-term into that. The amount of updates and changes that you need to make both in the slower pace as well as being able to accommodate that traffic in volumes will mean that you are there in the long-term. So as we build out we look for that that is the space where we are spending in total 235 odd Crores and the rest of the capex will go into software development and software purchase that is the way putting out the advertising network. The advertising network is the one where merchants using our framework can publish for ads and other merchants using our framework rather than going through a third party advertisers who captures huge portions of the margins we have huge amount of data across all merchants which is indexed as well as on our platform and if you are able to understand and provide better conversion rates because we understand retail and conversions as well that we are able to capture some portions of that margins which results into high services revenue. So each of these projects are built out in a way so that we know we want to accomplish certain specific targets and opportunities in the next three years and we will of course update all our investors in every call in terms of progress that we are making as well as in the interim if we have launched anything specific. I think if you look at the logistics I think the return investment will be between 24 and 36 months for us for the investment that we make based on our internal estimate and as far as the data centre framework and infrastructure is concerned today if you look at the services revenue that we report we have reported about 33 Crores in services revenue. So on an annualized basis or on run rate basis with the 61% EBITDA that is what it ends up being our services revenue year-over-year has increased by 43% and we have targeted that our focus will continue to be in services. So quite a bit of what we build out in terms of capex for the data centre infrastructure as well as our corporate offices will support there is huge build out in services revenue that we have experienced in the past few years. Finally the software framework that we are actually investing into that return on investment is of course based on how well the software will sigh for relevance and given that we have the data and the framework called cloud index gone to our structure and our framework that we are able to go and target both on mobile as well as in web front for merchants who are using the framework to be able to service and support the ads that get released through our networking as opposed to a third party. Usually as business becomes around there it has much larger margin spread and more and more merchants and publishers they start using our network for those who are using our platform that results in much larger services revenue and incremental profitability for the company.

Jedaih Khan: Last question I just want to understand how .OOO strategy differentiated from the other domains available around the globe and how we differentiate ourselves from players like Amazon website?

Vishal Mehta: .OOO is the registry and you are right there are many registries out there. One of the big differentiators is that we are just not in the domain business. We also provide an infrastructure. The build up is our infrastructure because the moment you have a domain or the URL you have taken to build something on top of it and as a result when you are able to go and provide an opportunity whereby it’s an enterprise as well as SME level product which is tied to a domain it becomes a very significant opportunity for us to grow not just in the domestic market but also in the international market. There are many ISPs and registrars who sell domain and by way of the interesting offering that we can provide to such registrars as well as to ISPs that it becomes a great combination to be able to reach out to users to the very robust platform which gives across huge number of merchants. I think the important part that and we have been tracking quite a bit of movement in this space on how each of this registries have grown and we believe that pricing is one reason why quite a few registries are growing pretty well of course that means that of course relying on the fact that next year renewals are going to be a much larger rate compared to what they are offering today and what we are doing is as far as strategy is concerned is to ensure that our variable cost in terms of offering a particular domain is reduced significantly and the moment we are able to reduce that cost significantly we can pass on quite a bit of savings to our merchants, which result in much faster adoption and through the adoption it results in may be a larger take rate for our framework in our platform as well and that has been our conscious strategy. That is the strategy that you would be following this year and you will be making more comments around that as and when they are we are closer to launch. I think the second part of question is that how do you make as such that you are more available across many, many more resellers. So it is also important to be able to registrars and ISPs to sign up both locally as well as globally so that it is available in more locations. It is also important to note there are many, many premium domains out there, which also become a very large opportunity for the company to monetize on. So some registries they will take and approach of giving out a lot of domains while they make more capital and profits out of the premium domains. Case in point being something like cricket.ooo or insurance.ooo. They did not get sold at the same rate as in other domains. So our registry we get an opportunity to price the domains across the entire spectrum and the same can be available through registrars to be purchased by consumers. So as a result we of course have a list of a very large premium set up as well and all of these are monetization opportunities for the company. The first thing that we are of course looking at is how do we get more merchants to use the .OOO registry and one of the things of course important that we need to work on this financial year is to reduce the marginal cost to a level whereby we can actually make it extremely affordable and more pervasive across.

Moderator: We will move on to the next participant that is from the line of Atul Jain from Bravo Capital. Please go ahead.

Atul Jain: Good afternoon Sir. Congratulations on a good set of numbers in Q1. Sir my question is I wanted to understand how does Infibeam plan to tackle competition unorganized sector such as far as infibeam.com is concerned there are many companies out there who set up and manage websites and also give marketing and advertising solutions. So I want to understand how has the company planned to tackle that?

Vishal Mehta: See if you look at slide #4 of our presentation there are three large problems in our opinion that people need to solve one is the supply, second is the demand and third is capacity and typically if you look at companies which are in unorganized sector so-called that provide such services they are solving the problem of only providing technology. They provide software. That software can be built across any operating system, and they also provide infrastructure meaning servers, server capacity. They provide some level of security beyond that it is more about an ecosystem of company that you need to work with whether it be digital product catalogue whether it means marketing, whether it means logistics, whether it means a continuous update of new payments instruments and payment systems so on and so forth. And what we do as we provide solution so that a merchant can take our digital product catalogue and make it their own by making added some changes they can of course have an opportunity to upload their own. It comes integrated with many third party software applications. There are APIs, application program interfaces that allow you to integrating to third party applications as well should you do want it yourself. There was things that we provide in terms of a continuous update because we run infibeam.com also using the same infrastructure that we would be continuously update so rather than spending a lot of time in change request and figuring out what to do, there are a different versions of the same functionality that gets modeled within the platform. We also provide different demand channels. The case in point being it is just not B2C. Using the same product catalogue can the merchant also open up a B2B opportunity, which is behind the login, that allows people to actually have access to products that are available only for certain limited time periods and only with right credentials could be actually go and get that offerings if you will. So as a result what we do is that we offer, there are marketplaces that we get created so the same merchant can also open up not just a retail but a marketplace framework as well using our platform so why we are actually looking at providing entire digital experience with our digital enterprises which is the way you think of ourselves and not just a retail site so that is what we have been doing. To answer your question about how to tackle we have had a lot of companies who provide such services in the unorganized sector starting to use our framework. So we believe that as we keep on evolving only the platform keeps on growing that there will be some kind of a tipping movement whereby there are companies who start thinking about utilizing of such frameworks like ours and what it means is that marginally we eat up the technology cost and we die to success so in other words while the service providers can make or monetize out of a local merchant because local is very important and having a local service provider becomes important to certain merchants which in terms this you define as unorganized in our sector that we believe it is okay for our framework to be utilized by local merchant should they think it is appropriate for them. So we find that that becomes a good strategy for the company rather than opening up a huge number of feet on street that go to every merchant and communicate and then support them, so we think so-called unorganized sector becomes a tremendous opportunity for us to be able to have them participate and for that of course we need to do the right sets of tools and processing the system so that we are also able to utilize quite a bit of our framework which we continue to work apart.

Atul Jain: Sir my second question if I can, in the result release right now on BSE there is a capex plan given i think the amount of capex that has already occurred so I want to understand is over the next two years how do you plan to distribute this left the balance came actually.

Vishal Mehta: Good question. Our internal bias is we have a very clear path in understanding of what we trying to do in terms of we are going to build out and the distribution I believe that the distribution will happen over multiple quarters so we look at each of our object clauses the perspective on the data center and the build out of the data center in the corporate offices that happens over a period of three years so I think that is distributed the exact amounts of the distributions also mentions as part of our filing and we plan to stick with our distribution because that has an impact to over return and invested capital, we will continuously evaluate of course in terms of any opportunities that come our way but that is what will end up doing as far as the other objects including the logistics in the software framework is concerned we believe we have very, very stringent internal target the more we can use that capital to create value for our shareholders that we have to continuously deploy such capital to be able to progress the revenue streams as well as profitability in fact much larger so our framework is that between the next four to eight quarters we will be deploying quite a bit of the capital that comes to our use.

Atul Jain: Sir does the company plan to increase its debt levels from here anymore so that can you assume them to be the same?

Vishal Mehta: Yes you can assume we have got quite a bit of capital in our books which we will deploy towards capex and we will continuously value it but as of now we do not have any plans.

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

Mitul Shah: Sir my first question was regarding .OOO, you have said that there is a path you want to reduce the marginal cost how you will do that and what is the profitability target in that because that is an immense opportunity like we are seeing many registrar making a huge amount of money into it so what is the profitability target in that particular thing for next three years?

Vishal Mehta: One of the things that we do in terms of reducing the cost is there is some amount of investments that we are doing in the data centers as well as there are provisions of main servers so that what means technically is that we are registry we map the number to the name, number where we are hosting the site the name of the site, and in terms of ensuring that we have to work on the securitization, the infrastructure, the operator in certain cases to be able to provide the complete experience and to able to maintain and support it and for that we had to make a right amount of investments, continue building out relationship with right partners so that we are able to reduce the cost, the marginal cost to a much lower number whereby when we provide such .OOO domains that you know our marginal cost is not significantly impacted. We can view it as a merchant acquisition framework, merchant acquisition framework whereby you can add a lot of merchants on to your framework and also be able to allow merchants to use our platform which becomes the huge opportunity and like I said there are different strategies that many of the registry operators would follow, whereby it is not about monetizing on every single domain but use it so that you can monetize on may be premium domains. Similarly that would be a strategy whereby we will go and think about whether it make sense for us to provide such domains and also monetize on our platforms which is a build-a-bazaar platform. And with that we will of course keep on exploring and evaluating each of them as this is an evolving ecosystem it is not an either or in our opinion we would want to follow up both of these opportunities we have premium domains that we have registered and we price across each of the implementations registrar implementations so we believe that it becomes a significant revenue stream and an opportunity for the company in years to come. The first thing that of course we are trying to do is to reduce the marginal cost that the company has so as to actually make it very pervasive. And for that we are working we believe it will happen this financial year.

Mitul Shah: Sir my second question is that we have seen a very super performance from the product segment this time so is it a one-off or is it going to continue?

Vishal Mehta: It is a great question. I think that you know as far as the product is concerned it is very competition driven as more and more competition comes in that you know the margins do change or fluctuate in certain cases, I think that it is reasonable to assume that it will be a low single digit percentage in coming quarters so one can expect that there will be certain case in point may be festival seasons where it depends upon how fierce the competition is and what the results in terms of overall profitability. It also means that there are different times where you would have suppliers provide products at a differentiated rates case in point being end of the quarter and deal buys that allows someone to be able to liquidate such inventory. So I think to your question I think it is reasonable to assume it will be the gross profits will be in a low single digit percentage and it will depend upon of course how well the competition does in terms of pricing the products which of course we will keep on evaluating in ensuring this growth.

Mitul Shah: Sir if we see in the service segment also from 2014 we have started with 30.7 Crores sales this last year 102.8 Crores we are seeing a 50% year-on-year CAGR growth in to it, can we assume that this year we may see 150 Crores at least and 75 to 80 Crores profit into the service segment as it is started with 21 Crores in 2014 and ended up in 2015 it was 63 Crores already this quarter we have done a very great job so can we assume that this growth is going to continue for the next three years?

Vishal Mehta: So in the previous three years it has continued if you look at like you mentioned the previous years the company's focus has been in terms of growing that revenue stream and there are two things which of course we have focused on in terms of growth one of course is being able to keep on looking at international growth opportunities because that is also a very large opportunity. It is just not domestic. There are many merchants who would want to use those both in domestic as well as international markets and then the second thing of course is that if we keep on performing and keeping on focusing on that revenue streams including more value added services we talked about new revenue streams for us for services that we want to continuously focus on that, so to your point on a run rate basis you could of course see what the performance looking like for us this year, we have refrained from making any forward looking statements as of now we are going to perform and then tell you about what we do.

Mitul Shah: My last question is like there are two part of that question; one what kind of revenue we can expect from the cloud data segment what is the profitability in that because already there are many major player and the second thing in Sir, same service segment if you see if just 7% rise in the service segment and we have seen the processes risen by 43% is it due to the deal that you have made with Amul and the Government or is it due to something has happened, because just 7% rise in the service point and the sales has risen by 43% so want to understand the maths behind it?

Vishal Mehta: Sure if you look at the services we operate with a more than a 60% EBITDA margin so your first question about how the data center contributes? You know we do not have plans to offer standalone storage in server capacity utilization for merchants. We have provided it as part of our infrastructure so in other words more merchants using more of our services that allows us to give more of our infrastructure and opportunity. The data center of course you can imagine will host quite a bit of our primary databases but it also allows us to actually offer backup to disaster recovery and many across multiple locations across the world. So we are not looking at it in terms of offering standalone debt services as in storage in the server capacity as of today. We will be utilizing it in conjunction of our own growth for the merchants who are using our platform and the framework. So if you look at the data center in the utilization we have earmarked about 75 Crores in the data center investments and that is expected to support our growth that we expect in the next 24 to 36 months. So that is the investment that we make so as to support a larger base of merchants and to be able to accommodate the growth that we face in it. As far as the services revenue is concerned, you know what essentially translates into terms of profitability you see our services revenue historically it has climbed significantly if you look at May quarter last year versus this year that growth was about 43% but you are also looking at profitability on a very small base because our profitability last year if you look at full last year the full last year was 8.5-odd Crores and in the first quarter alone we recorded profits of 9.5 Crores so this quarter was larger than the profitability of last year and in last year of course we are looking at the base which were smaller compared to the larger base as you keep on building out platforms and frameworks our marginal cost on everything that we do as to reduce, so we plan in such a way that we need to essentially become more productive by reducing the marginal cost of what we can do in terms of the offering to consumers. In certain cases we make our capex investments that allows to become more productive in the long term so as a result we deeply care about such matrix and we want to continue doing that as we go through. To your question about has Amul contributed? No, Amul is not. Amul has not launched yet and it is expected to contribute in the coming quarters.

Moderator: Thank you. We will take the next question from the line of Zeil Trivedi an individual investor. Please go ahead.

Zeil Trivedi: My question to you is what is the margin and deal structure with Amul and Saudi Telecom and what is the profitability and margin?

Vishal Mehta: I will tell you, quite a few details about the terms of each of the contractors are confidential. Now we are in the business of providing our platform to such brands. We have done this in the past as well for each of the brands that gets listed on to our framework but it is reasonable to assume that the way we price our option is typically a small setup and then there is a recurring components. We tie our success to the success of the company in most of the cases. So if you will the revenue model for us does not change. We want to continuously eat up the cost of technology and allow the brand to do what they think is right for their brand whether it is a Saudi Telecom or whether it becomes an Amul but the opportunity there is to allow the brand to actually take hold of their consumers and their experiences and do become a great partner and a participant in terms of powering the digital enterprise. So our whole appetite there is that you know are we able to power the digital enterprises or we able to allow them to reach out and achieve their objectives and goals. So I think it is an important event for the company because both these brands are very large brands with an appetite to be able to achieve the experience that they desire. We have not launched Amul yet, we have launched Jawwy as a service in Saudi Arabia. It supports multiple languages. So our platform has the capability of supporting multiple languages including Arabic and also it supports multiple currencies, so in other words it is just not limited to a single currency but it supports huge amounts of integrations and currencies across. So both of them are of course there. The impact of these deals will be seen in subsequent quarters.

Zeil Trivedi: Okay Sir and what would be the other income consist off?

Vishal Mehta: Other income is basically interest income from the fixed deposits that we have.

Zeil Trivedi: What about the growth and probability outlook?

Vishal Mehta: See, we have not being providing such specifics but I can tell you is that historically of course our focus have been on the high margins of revenue. We want to continue doing that. We do not have a philosophy of burning capital for growth in products we want to be consistent we want to grow but we also want to ensure that there is profitability in site we have not done that historically and its reasonable to assume will not do it going forward as well. As far as service revenues are concerned one can actually look at the first quarter performance and may be look at how potentially we have actually given enough specific details international is a large growth opportunity for us, internationally the percentage of overall revenues in single digit percentage today but we believe that we want to actually increase it and that poses a lot of specific opportunities for us to actually increase our revenue base. Also the launch of new specific services the capex that we invest in terms of provide in the digital advertising infrastructure and also software as well as being able to launch logistic as a service should provide something that we have announced that essentially allows us to get additional revenue streams which is going to be perhaps addition to what we have today. The .OOO registry questions that were asked I think that is a very important one for us, I think it is important to note that every while there are so many registries that .OOO is a generic one. It is easy and it has a pretty large potential in terms of having premium as well as non-premium domains and allowing people to utilize what they want, of course they have been required effort and investment of the private company to reduce the cost, you know the moment we actually reduce the cost by a factor that allows us to actually make it very pervasive across. And that is of course part of our strategy, pricing becomes an important part of the strategy and that is also going to contribute to our services revenue in coming quarters.

Zeil Trivedi: Thank you Sir.

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

Mayank Babla: Good evening Sir. Thank you for taking my question. My first question is what is the current employee strength?

Vishal Mehta: We have employee strength of more than 850 people.

Mayank Babla: Sir what are the plans going ahead as into model projections for the company I need actually needed the plan going ahead as in approximately what will be the addition over the next two years?

Vishal Mehta: So it is reasonable to assume that as we scale up our revenues that the employee strengths will climb and of course our investment and technology which allows us to keep on scaling our business but I think its reasonable might to assume that it will actually go up by a factor of two.

Mayank Babla: Sir and could you also give some guidance not guidance but exactly some details about the current client profile like currently the Tier I IT company also gives certain profiles like so many clients are above a revenue of 10 Crores or above a revenue of 50 Crores so we could get some visibility about the business currently?

Vishal Mehta: This is actually, so many of the IT companies they are classified as IT companies generally they provide software to merchants and it does not become part of the part of their intellectual property, so or otherwise in many cases they do not own the users or such companies as well. When it comes to our company we actually own both the intellectual property that goes to every client that we actually give to provide our framework to, as well as the users of such framework so today when we actually report and talk about users we talk about users on infibeam.com because today we do not monetize on the users across all our implementations. I think we are not in the business of selling any user but we do provide ad framework advertising framework and the moment you provide advertising framework you start providing more information about users across the industry work as a platform.

Mayank Babla: Sir you cannot give any guidance on the client profile and build-a-bazaar also?

Vishal Mehta: In build-a-bazaar we have actually provided the specific number of merchants to utilize the merchants who are selling both on infibeam.com you know you did build-a-bazaar as well as on their own, in terms of the profiling such clients are concerned typically there will be merchant retailers specifically as well as traders who use our framework they are the ones who actually sell across multiple platforms a market base platform of course if you will and if you actually look at the numbers which are across, which have been talked about by many of the e-commerce companies many of them they report numbers in lakhs, so in other words there is the ceiling is very high in their favor, so I believe that you know if you look at specifics for e-commerce that you will find a specific numbers that come across, of course merchants they keep on changing the profiling of the product that they would want to sell and so as a result, yes, we do track one brand user, ones which are prominent the ones who are visible across both nationally as well as locally we try to provide such information, we have a showcase on build-a-bazaar which provides more insights, we have a newsletter provides more information about specific clients if you will. So we do try to profile certain clients as part of our internal communications and even communication to our clients. And we can add specifics in more to that framework as well as part of our communication.

Mayank Babla: Sir as far as sales and marketing is concerned could you give me currently as in what percentage of the revenue is deployed in sales and marketing and going ahead can we assume the same percentage or an increase?

Vishal Mehta: Sales and marketing as a percentage if you look at year-over-year and in the past ever years as well so the way report revenue it is the net revenue. It is not the discount. Discounts are its part of discount so discount is netted out so as a result that has been our reported philosophy so sales and marketing is the spend that we actually incur in terms of the advertising networks. In terms of print, digital media as well as physical media. We also incur some on events, if you look at a percentage wise it is been on the single digit percentage for us so last several years we are in marketing has been the single digit percentage, if you are also it is reasonable to assume that you know will be slightly more aggressive in terms of being out there specifically on certain events and certain announcements that we need to make but it is reasonable to assume that it will be in the same range, the percentage will be a single digit percentage.

Mayank Babla: In the same range right?

Vishal Mehta: It will be a single digit percentage.

Mayank Babla: Sir I wanted to know a specifically as you scale up the warehouse and logistics centers what kind of a margin impact can we see from current merchant, is in how much can it scale up from the current levels?

Vishal Mehta: If you look at the build out in logistics we believe that as we keep on deploying the capital to scale it up it is going to have marginal impact given that there is a capacity utilization that needs to happen, prior to it actually generating the ROI. The return on investment on such locations and this is typically logistics locations they are throughput locations that comes from using the utilization or utilization of such locations for both of the supplier as well as merchants. So the supplier who want to use our framework so that they can actually use it as well as merchants, so, yes, there is a cost element to it but the revenue element of it comes from two aspects one is that are we able to save enough cost so rather than shipping the product given the GST will not boundaries but are you able to ship the product from one location to another location and then the local deliveries as opposed to using a third party network to be able to move your goods and products and services. So that utilization is based on doing some level of injection keeping the two specific nodes so as to reduce the cost of transportation because it becomes a bulk movement and not an individual movement of each package so that is one part of the cost savings. The second part of the cost saving comes from the fact that you are able to generate better revenues for merchants, where you are potentially going to have revenue share opportunities. So as we able to generate that revenue share from merchants so as to actually generate additional services revenues which has a direct impact to margin if you will. So those are the two aspects that we believe are going to important the total capital of course that we plan to deploy in order to actually scale up to the 75 locations is 37.5 Crores. Like I said the capex per location will be in the ranges of 40 to 50 lakhs of course it averages may be higher or lower in certain specific locations okay, but that is the capex that goes into each of the locations and that becomes an opportunity for us to create both additional service revenue as well as a new revenue stream in the long term and in the short term reduce our cost. In other words bring more efficiency in our network. It is also reasonable to assume that if you look at the call center operation or any of the other operations that people have the capital as well as third party networks and there is a low balance, so balance is how much should go to the capital network versus the non-capital network so as to ensure that the utilization rates and commitments do not fail. So I think there is similar movement we have done this and we believe that that becomes a large opportunity for us to get footprint across the cities, about 100 cities in our opinion account for a large majority of the volumes in India today. And so we believe that that is a good target to have for the next 36 months.

Mayank Babla: So if I have got this right now initially the margins will take a slight hit due to the capacity utilization being low and as it increases we will witness there will be scale up in the margins right?

Vishal Mehta: It is fair to assume that. That is all from me.

Moderator: We take the next question from the line of Satish Bhatt from Anvil Shares and Stock Broking. Please go ahead.

Satish Bhatt: Sir congratulations on good set of numbers. I just wanted to know who is the biggest customer in terms of sales what is the maximum revenue generated from your build-a-bazaar platform, what type of commissions you have received on that?

Vishal Mehta: Of course we do not disclose the name of our client in specific we typically share, there is a slide on our deck, which is slide #6 where some of the prominent names are showcased. There are of course materials to us and those are the ones that we showcase in terms of our overall approach. If you look at the segmental in terms of you know how the merchants will essentially come up you will have large merchants offline they may not have huge generations affairs in online and vice versa but in specific we are quite confidential with agreement so we would not be able to communicate, of course the ones that have been showcased have been explicitly taken consent off and those are the ones that we actually talk about as far as our platform and framework is concerned. The likes of clients you essentially join us they typically start out on a variable cost to the revenue share basis so lot of clients will eventually go and sign up with us saying that there is a revenue share that happens across the sales channels and as the demand grows up that can potentially migrate those fixed cost basis as well. So as a result there are merchants who will there are enterprise level merchants of course who will sign up on a variable cost basis eventually move on to a fixed cost basis as well. So I would not able to give a specifically of course the merchant name and so on and so forth but the ones that we take consent that are in the large in our network they are the ones which are showcased on that page.

Satish Bhatt: Sir okay, you may not give the name what is the revenue you have got from the biggest customer?

Vishal Mehta: The revenue is whatever is out there we of course we do not explicitly share the specific of which merchant gives how much revenue that is again somewhat confidential information. The part of the reason just that you know is because I think that we work in a market in a competitive business which essentially means that as merchants keep on utilizing our networks that also becomes somewhat indication of how well each of your merchants are also performing so as a result we typically do not share such data and it is reasonable to assume that we are not going forward just because it compromises quite a bit of our business and also the merchant's business.

Satish Bhatt: Thank you.

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

Mayank Babla: Good evening again Sir. I just wanted to understand what would be for a typical merchant on build-a-bazaar.com what is the average tenure of the contract?

Vishal Mehta: It is actually one-year contract so in other words we do not sign long-term contracts. There are specific cases which are also longer term in nature but you know what we do is we want to allow the merchant the flexibility to be able to continue with their business and as a result when they become successful we become successful.

Mayank Babla: Sir as in once the client is acquired so the starting there is a set up fees and there is a registration fees there is a transaction fee right?

Vishal Mehta: Yes, for the merchants there is a small set up fee and then the transaction fee but for merchants to scale up to a certain level then it becomes a flat fee.

Mayank Babla: Okay and on renewal of the contract so there would be only the transaction fees?

Vishal Mehta: Correct.

Mayank Babla: So there are only two kinds of fees that is the setup and the transaction fees and also merchant's revenues increase so will your revenues will also increase?

Vishal Mehta: Yes, so as the merchant's scale up in terms of revenues then we allow them to have the flexibility to move to a fixed cost on a monthly basis, a fixed price contract, so in other words as they scale up and they actually move on to the fixed price contract then they have the flexibility to do so in other words it becomes the as they scale up that they do not had to spend more.

Mayank Babla: Sir how do you decide what is the level of this fixed price?

Vishal Mehta: It actually becomes an opportunity for the merchants to decide. In other words the moment they cross a certain threshold and as a percentage typically for any merchant if they end up paying more than what their fixed prices that they would move on to the fixed price contract for the duration that they think is appropriate, so we allow the flexibility for them to move from a variable to a fixed price contract.

Mayank Babla: I was actually asking how does Infibeam decide how much fixed cost should they charge, on what basis do you decide?

Vishal Mehta: That is a great question. We have had a lot of data about this. In other words every segment every country is different of course and the way the consumers and merchants would react will also be different, but the whole perspective there is that how do you ensure that merchants can use more and more of your services, if you look at technology, the cost of technology over a period of time keeps on reducing, and our appetite is that how do we keep on ensuring that we provide more and more to our merchants, how do we provide more and more value added services to our merchants. It is very easy for any company to start thinking about charging more to merchants. We have taken a conscious view and our management is taken a view that we will continue to provide more services and check it out how to provide more value added services to keep on building up revenues. So as a result that is the way we think of framework, that is the way we think of our revenue streams I think that in the past also we have kept on reducing the thresholds, we have not increased the thresholds and it is also reasonable to assume that we will continue doing so as they build out model.

Mayank Babla: Sir previously in the concall there was a mention on advertising as an additional source of revenue so I just wanted to know as in some more clarity on that business?

Vishal Mehta: We are building out in other words it is purchase of software that you know we are essentially having a lot of merchants who utilize our framework to build their own online presence and today the same merchants were building the presence they have products to sell and they also want products to be published. So in other words they are already using our framework where all the data and setup is all indexed scrolled on those infrastructure. So for those merchants what we would like to do is build out an advertising network. It is closed advertising network whereby a merchant today if they wanted to publish on another merchant they would need to use a third party network and as a result generally the third party advertising network will capture quite a bit of a value and they will pay publishers a smaller amounts and using our framework that since we already have merchant, merchant data, merchant information as well as a pricing conversions everything indexed, scrolled in real time basis can we offer such an infrastructure so as to increase the conversions for our merchants to make them more successful while we are able to capture some portions of the share and that is the framework that we have set out to build out and purchase and deploy and that is the one that will potentially become a very large opportunity for us as we build out the network because the network that we plan to build is of course in domestic but also in international that we have started giving it out. So the framework that we utilize will be used both for domestic as well as international opportunities.

Mayank Babla: Sir how is the customer how is the merchant be charged for this kind of marketing or advertising?

Vishal Mehta: We will tell you once we deploy it, so we of course are working on that favor, but it is also reasonable to assume that as merchants are aware of different pricing models whether it is a cost per impression or cost per click or a cost per conversion those are the three models that are usually out there in terms of how the merchants get charged for advertising and the publisher usually gets paid based on the same parameters that it will be some version of that.

Mayank Babla: By when can we assume this will be deployed?

Vishal Mehta: We believe that its four quarters out.

Mayank Babla: That is all from my side. Congratulations and good luck on this new venture.

Moderator: Ladies and gentlemen that is the last question. I would now like to hand the conference over to Mr. Babla for the closing comments.

Mayank Babla: On behalf of KRChoksey Shares and 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 Sir.

Moderator: Thank you Mr. Babla and members of the management team. Ladies and gentlemen on behalf of KRChoksey Shares and Securities Private Limited that concludes this conference thank you for joining us. You may now disconnect your lines.