# "Infibeam Avenues Limited's Q2 FY20 Earnings Call"

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**MODERATOR:** **MS. PARVATI RAI – KR CHOKSEY RESEARCH**

**Moderator:**

Ladies and gentlemen, good day and welcome to the Infibeam Avenues Limited Q2 FY20 Earnings Conference Call hosted by KR 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. Thank you, and over to you, ma'am.

**Parvati Rai:**

Thank you, Lizann. Good afternoon, everyone. On behalf of K.R. Choksey Research, we welcome you all for the Q2 FY20 Conference Call of Infibeam Avenues Limited. I take this opportunity to welcome the management of Infibeam Avenues Limited represented by Mr. Vishal Mehta - Managing Director, Mr. Vishwas Patel – Director, Mr. Hiren Padhya - Chief Financial Officer. So, we begin the call with a brief overview from the management, followed by the Q&A. The management may make forward-looking statements on the call today that are based on the current expectations and assumptions and therefore, subject to risks and uncertainties. The actual results could vary materially from those projected. 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 so much. Good evening to everyone. On behalf of the management present on the call, I welcome everyone to our second quarter FY20 Earnings Call. I also want to wish everyone a very, very Happy Diwali and a Prosperous New Year in advance.

It is my pleasure to present the consolidated and standalone accounts of the company during the call. Our financial results and earning press releases as well as the investor presentation have been uploaded on the company website, which is www.ia.ooo. They have been uploaded on the stock exchanges as well. I hope everyone had a chance to go through the financial releases.

I want to take a second and explain to you a little bit about our payments business. And while Vishwas will walk through the entire payments ecosystem in the digital payments business that we've accomplished in the second quarter, there always have been a few questions around payments. There are so many different payment gateways, there are so many different payment instruments, and I want to spend a little time explaining to you about our B2B payments business, or specifically, merchants-to-customer payments business, and how we are positioned and why we believe that we've got a very interesting competitive advantage compared to others.

First, we have got a very long operating history in the digital payments business. We have got an operating history of more than 15 years, and we have got a very large merchant as well as a large customer base. We have got significant volume, we have got scale and we have got resources and market share that typically other new as well as incumbent payment gateways do not have. This provides us a significant competitive advantage, both in terms of cost as well as in terms of scale.

If you look, RBI has recently introduced a discussion paper and certain guidelines on payment gateways and payment aggregators. There's possibility that some of the competitors will be subject to licensing as well as other regulatory requirements. This also creates certain quality assurance as well as barriers to entry in this particular business. As a company, we are positioned as a B2B digital payments provider, and as a result, there are a lot of other companies that focus on this part of the payment, which is the likes of Paytm, Google Pay, potentially WhatsApp Pay and many others. In fact, the B2C digital payment ecosystem is evolving. There is humongous amount of competition, and there are also a lot of opportunities for customers to self-select which payments option they want to actually go with. We are very neutral in this space. We benefit from the B2B digital payment provider ecosystem, and we compete in primarily the following areas as far as merchants having to select the payment gateway is concerned.

We have an ability to attract and retain and engage merchants, we have an ability to achieve incremental sales by offering digital payment system to merchants, we have a very simple fee structure, very easy to use and accessible payment system where merchants can self-select, we have an ability to develop service across multiple commerce channels, we have tools that we have developed that can potentially map out both the buyers and the merchants, if any, we have got a lot of reliability in data security built-in, brand recognition, and we have got one of the best customer services out there in the industry.

So, with that said, I wanted to talk a little bit about our digital payment business and how the ecosystem is evolving. And then I'll pass it on to Vishwas to walk you through the entire payments business as well as I will request Hiren to walk you through the financials of the company.

We've laid a very focused approach in the last quarter. We successfully launched our operation last year in UAE, and it's a profitable business in less than 18 months. We've commercially started our operations in Saudi Arabia by tying up with Riyad Bank, and we plan to launch digital payments business in few other international markets before the end of financial year.

In our enterprise software business, we have strategically planned to offer our software platforms to very large enterprises and governments. Government e-Marketplace is one of the flagship implementation of ours. BillAvenue, which is for payments platform of utility bills, both offline and online, and ResAvenue, which is providing hotel inventory distribution integrated with our payment gateway. They are all our enterprise-level software platforms. We have been in discussions with several governments to provide, both payments and platforms as a service, and to sharpen our focus and to grow our platform business, we have divested and demerged our non-core businesses. So, the two businesses that we talked about in the previous call, and I will highlight them, is our e-commerce marketplace and our software business, for both SMEs, small and medium enterprises, that was housed in our erstwhile subsidiary, NSI, which is now divested into Suvidhaa and DRC Systems. Both these businesses will get demerged, of course, pending regulatory approvals, and they can independently pursue growth strategies, allowing Infibeam Avenues' management to focus our strategies in growing the core, which is digital payments and enterprise software. We believe that this proposed demerger will be able to create enhanced value for our shareholders, and it also allow us to strategically ensure that we can build out a very high growth, sustainable growth, profitable company.

I will now hand over the call to Vishwas Patel to give you updates on the payments business. Vishwas, over to you.

**Vishwas Patel:**

Thanks, Vishal. I would like to spend a few minutes to give you updates on the digital payment industry.

If you see on the Slide 6, if you have downloaded the presentation, according to KPMG, in its August 2019 report on 'Fintech in India and powering mobile payments', globally, the digital payments market size is going to touch USD 10 trillion by 2026. This is globally. Surge in noncash transactions globally has led to significant innovations and growth in favor of digital payment industry. As per the 'World Payment Report' by Capgemini 2018, noncash transactions between 2016 to 2021 are expected to grow at a CAGR of 12.7%. The emerging Asian countries are projected to grow the fastest by 28.8% till 2024 and expected to account for half of the global digital transactions. Central Europe, Middle East, Africa, that is CEMEA, are projected to grow second fastest at 17.1%. The digital payments volumes in India are projected to grow at 20.2% every year between 2019 to 2023, ahead of China and U.S.A., as highlighted in KPMG report. Further, RBI has also expected number of digital transactions to increase over 4x from the 20.69 billion in December 2018 to almost 87.07 billion transactions by December 2021.

So, the online payment industry comprises of currently four to five top players in India processing most of the online transactions. So, our estimate suggests that the payments processed by these top players for FY19, based on the data available from various media sources, could be in the range of USD 70 billion to USD 75 billion a year in India, currently. So, we ranked third with approximately around 10% market share of payments process of the top five, while second in the rank has about 20% market share. Still Infibeam Avenues is among the very few PAT (Profit After Tax) profitable technology companies across all-digital payment companies, online as well as offline, in India, and perhaps, across all tech start-ups, big and small, based on data available through various media sources and the Ministry of Corporate Affairs' website.

We believe losses for these companies would have continued in FY19, as reported by a few large companies, and will continue in FY '20 as well due to the fierce competition, predatory pricing strategies, cash burns due to generous offers, including cash backs. So, majority of the PE-funded companies in digital payments continue to accumulate huge losses on account of customer and merchant acquisition and to preserve or gain market share. The loss making new PE-funded companies are accessing merchant credit information to offer small value loans to SME merchants, earning some interest/commission on loans trying to trade-off their losses. But as you are aware, RBI has asked the banks and NBFCs to stop providing unregulated entities access to consumer information held by credit bureaus.

So, let me give you update of our payments business.

If you see on Slide 7 of the presentation that we have uploaded on the website. So, if you know, CCAvenue is the first payment gateway in India. We are backed by a history of nearly two decades. Our outstanding innovations, robust technology and several prestigious accolades and awards places us amongst the best-in-class payment platforms of today, globally. We have innovated many industry players over the two-decade experience that we have in the Indian market. Our uniqueness lies in being a neutral player and offering innovative and verticalized solutions like our ResAvenue platform, which is an end-to-end solution for the hospitality industry; the bill payments platform, BillAvenue, which caters to the Indian citizens to pay any kind of bills, be it utility or otherwise, online as well as offline. Our new B2Biz platform for corporate clients allows to manage bulk payments as well as vendor payments plus collections, automatically. The payments platform built-in within the social media platforms to collect money through various social media apps. A negative database, risk management solution, which has a negative database, which has been built since our inception from 2001 to detect online frauds, which includes some very good data about blacklisted cards, dropship locations, e-mail IDs, and many more.

Moving on, if you go on to Slide #8- If you see, our brand CCAvenue was honored in August 2019 with 'Superbrands 2019' as the most trusted online payment facilitator in India by the Superbrands organization, which is a globally acclaimed arbiter of branding and independent authority. So, we were voted by more than 18,000 consumers and professionals across industries, following a rigorous selection of 2,000-plus brands across 244 categories. Here in Superbrands, we were awarded, not only for the consumer, but also for the industry. So, it's a very rare that both industry and consumer Superbrand honor has been given to CCAvenue.

During the quarter also, this Q2, we processed payments of around Rs. 145 billion or Rs. 14,560 crores. This is up 12% year-on-year. We processed payment worth almost Rs. 160 crores every day, working day or a holiday. We have added clients across education, government, insurance, retail, travel, etc. So, any kind of e-commerce where there is payment to be made for any product or services, we tend to be in it.

The education sector continues to show great traction, especially, when we have simplified the process for education sector to collect money. It's a lot of features specific to the education industry have been launched by us during this past couple of quarters.

Having said that, international markets are also lucrative, with relatively higher processing pricing power compared to India, and we have the added advantage of managing large parts of the cost from India. So, typically, in a way, is that 90% of the work in foreign countries is done out of India, and 10%, which is a front-end team, is only there in that international markets, which gives us a good cost arbitrage. It can also given us a good operating leverage as the overall business expands. We believe that we can expand with a lower capex (capital expenditure), as our experience shows with the low cost expansion in the UAE and the Saudi markets.

We have made inroads in the UAE market in the middle of 2018. And last year, we've done an investment of little over USD 1 million. We're extremely happy with our progress there. We've added many marquee clients in the UAE. Analysts who are on this call are aware that all the big names, if you are there in the UAE market, be it Emaar, DAMAC, Nakheel, FedEx, DHL, the Dubai Smart Government, all are our clients in the UAE market. UAE is also the most advanced e-commerce market in the Middle East and North Africa, the MENA region, according to the joint study done by the Dubai Economy and Visa titled, 'The UAE eCommerce Landscape'. The study estimates that the e-commerce transaction in UAE will alone touch USD 16 billion by 2019 and grow 23% at an average annual rate of about 2018 to 2022. May I also inform that we are in the traction of doing currently around AED 1.5 billion to AED 2 billion processing in the UAE market alone in such a short period of time having these marquee clients.

So, now after having successfully made inroads into the UAE, we are now setting ourselves to expand in the Saudi Arabia to offer a strong and innovative portfolio of payment technologies. We are happy to announce that we've just started operations a few days back. Saudi and UAE account for 85% of the GCC market. Hence, having presence in Saudi was very critical for us. In Saudi Arabia, we have tied up with Riyad Bank to address the kingdom's growing e-commerce. Riyad Bank is one of the largest financial institutions in the Kingdom of Saudi Arabia and the Middle East. The overall revenue of e-commerce market in Saudi Arabia is estimated to cross USD 7 billion in 2019, and is projected to reach USD 11 billion by 2022 according to some research. Our payment platform will cater to all the major industry verticals, including travel, e-retail, petroleum, real estate, hospitality, finance, education, etc.

The tourism sector has experienced a remarkable growth with millions of tourists visiting the kingdom annually, with the expansion from religious tourism to even a normal tourism, we expect exponential and loosening up of their visa, and expect exponential growth in Saudi Arabia. The government has also planned there the development of USD 25 billion entertainment mega city outside Riyad. So, Saudi Arabia's Vision 2030 is a series of reforms initiated by the government, with the explicit aim of making the Kingdom a leading nation in all aspects. As the Kingdom's economy grows exponentially in alignment with the Saudi Arabia's Vision 2030, our payment platform will contribute significantly towards the achievement of these national objectives of the Saudi Arabian government.

Going forward, we'll also keep focus on newer opportunities in the payments business by penetrating further in India, by following prudent pricing norms as well as look for further opportunities to expand internationally.

Now if we move on to the Slide #9, we continue our progress in our bill payments platform. Our daily processing of bills has increased to around INR 20 million a day, about INR 2 crores of bill payments every day, and we hope to increase it to around INR 25 million much sooner than the end of 2020 that we expected earlier. We continue to add more billers, more agents institutions and deepen our reach. Bill payments in India is a huge market and has significant scope of growth. RBI has just recently announced, around two-three weeks back, that BBPS is expanding the number of channels to which the bills can be paid and is also increasing the number of biller categories plugged into the systems.

Insurance, education sector are the big segments that are being added to BBPS. BBPS will soon add nearly 2 million more agents to expand into India to further our bill payments network. Currently, you're already aware that there are more than now 200-plus agent institutions, including the marquee name, like UAE Exchange, Muthoot Fincorp, Vakrangee, and all their agent network accessing the bill payments through our BillAvenue platform. With the opening up of new categories, we will expand further. We're already present in more than 2,600-plus cities and towns across India, and we expect to go more deeper into the heart of Bharat.

If you move on to Slide #10, it is our end-to-end hospitality solution that is catering to the hotels. And if you have seen, that has been an increase the number of room nights that has been sold on the platform. This quarter, over 200,000 room nights were sold. That makes it at over 2,500 room nights every day. We are extremely happy with the progress we have made in this business and are hopeful that the revenue pie from this business will keep increasing in the future.

If you move on to Slide #11, that is our investee companies- RemitGuru and Go Payments are both seeing a great progress and expected to achieve their targets for 2020. We'll look into further investment opportunities over the year.

I now hand over the call to Vishal to give you further business updates on our company. Vishal.

**Vishal Mehta:**

Thank you, Vishwas. As mentioned in the beginning, we continue to focus on the core. And with respect to our focus, we've sharpened our focus on both the platform business catering to large enterprises and the government, as well as digital payments.

On Slide 12, if you look at the numbers, procurement in GeM in FY19 amounted to about INR 173 billion, while procurements on GeM were worth INR 120 billion in the first half of FY20. In fact, in the most recent speech by our Honorary Commerce & Industry Minister, Shri Piyush Goyal, there were plans of GeM Portal to be opened up for private businesses and private sector. In that, he had mentioned that GeM can become India's own e-commerce portal on the lines of Amazon and Flipkart which can sell products that are made in India, heritage and traditional products and products from cooperative sectors. He also mentioned that GeM Portal can become an outlet in the country and abroad for swadeshi goods from India.

There is significant amount of government commitments that remains, and there's a lot of business that potentially can be shifted for consumption online to bring in more transparency and also allow large participation from MSMEs to sell directly to the government.

On Slide 13, I wanted to give you a quick update about the data center. The data center is live. Infrastructure-as-a-Service, we call it IaaS and blockchain platform, are now ready to be offered to clients. We're very soon launching virtual machines on both Intel and Mainframe and Containers on-demand on Mainframe, which is the first time ever on LinuxONE, across. We are in the process of migrating all our captive workloads to our own data center, and we expect that is should be completed by end of this financial year.

On Slide 14, just briefly, we touched upon this early on in the conversation, but we are demerging and divesting, both our e-commerce business and SME e-commerce to Suvidhaa Infoserve. Based on the fair valuation and the combined value of Suvidhaa, shares of Suvidhaa will be issued to the shareholders of Infibeam. Infibeam Avenues' shareholders will receive 197 shares in Suvidhaa for every 1,500 shares held, upon regulatory approvals. So, in total, Infibeam Avenues shareholder will hold 42.48% stake in Suvidhaa. Additionally, there is a small stake that Infibeam Avenues subsidiary will also hold in Suvidhaa.

Along that deal, we also decided to demerge our subsidiary DRC Systems. In that, once it is demerged, Infibeam shareholders will receive 1 share in DRC Systems for every 412 shares which is held in Infibeam Avenues. So, in total, Infibeam shareholders will hold 41.75% in DRC Systems.

Both these demergers are pending regulatory approvals, and these deals will allow our shareholders to get additional shares in two entities without investing any additional money. This will unlock additional value for our shareholders, we believe, over and above the current valuations of Infibeam. It is also important to note that with this demerger that there will be no removal of shares of Infibeam Avenues for the existing shareholders of Infibeam. These businesses are independent, and they will carry on their own operations and build out value in addition to the current focus that Infibeam Avenues has.

I want to, again, touch upon the fact that we talked about profitable growth. Profitable growth is not something that most of the companies in this space actually have. Profitability for us also is more of an output. We're not obsessed about it, but we do care about that a whole lot. And whatever we end up doing, that profitability comes out as an output for us.

We've a very strong merchant base of over 1 million and we work with marquee clients in the industry in both India and internationally. We're exclusive technology partners for the Government e-Marketplace which is GeM. Procurements through GeM are expected to touch about USD 100 billion in the next few years, on which, as a reminder, we make a few bps on each transaction. GeM platform has more sellers and service providers on its platform than the largest homegrown e-commerce company, which has already been identified by media sources.

We are also offering platforms and payment services internationally and plan to further expand into other geographies.

We believe that the digital payments business has phenomenal potential. It allows you to infinitely scale, as our technology scales, for every new country, that we will initiate, and when we open up, we do not have to incrementally spend the same amount. It's a proven, tested, world-class platform that potentially can be offered to customers and merchants in other regions.

Our relationships with merchants are strong as they also put many of the merchants who utilize us and our services in India, they can potentially also utilize the similar kinds of services internationally. And the relationship that we hold with all card providers, they also scale up, including the Visa, Master, American Express and others. We believe there is significant value creation opportunity in a business that can infinitely scale across geographies.

I would now like to hand over the call to our CFO, Mr. Hiren Padhya, to discuss the financial performance of the company. Hiren, over to you.

**Hiren Padhya:**

Thank you, Vishal bhai. As a reminder, the company divested its non-core business, that is online e-commerce marketplace, product retail and platform solutions for small and medium enterprises. Thus, the revenues in the quarter ending September 30th 2018, as well as year ended March 31st 2019, both will include the revenues of non-core businesses, as mentioned earlier, which is not reflected in the current quarter ending September 30th 2019.

Now moving to Slide 16. Our consolidated revenue was INR 1,683.5 million. There is a decline of 41% year-over-year. Revenue decreased due to divestment of non-core businesses. However, as a matter of fact, the comparable revenue actually increased over 12% year-over-year. And this is mainly due to the robust performance of digital payments business, where transaction volume increased by 20% year-over-year to 34.4 million, and in terms of value, our successful payment processed, it has increased by 12% year-over-year to INR 145.6 billion or INR 14,560 crore. In the UAE, value of successful payments processed increased by more than 50% year-over-year. We have gone live in Saudi, and we expect to ramp up the business there as well.

Now coming to EBITDA for the current quarter, that is Q2 FY20, which was INR 563 million and that is an increase of 83% year-over-year. Again, EBITDA margin has also improved significantly to 33% compared to 11% year-over-year and versus 30% in Q1. This was on the back of savings and operating expenses related to divestment of non-core e-commerce businesses. Our profit after tax grew by 241% year-over-year to INR 259 million, a net margin of 15.4%, mainly due to higher EBITDA and better operating leverage.

Our debt has further reduced to INR 31 crores in Q2 compared to around INR 40 crores at the end of FY '19.

We are also happy to propose an interim dividend of 10% to our shareholders. We are one of the very few companies globally that are profitable in our industry. Our business model helps us in achieving scale with low-cost and low-capital expenditure.

I end my speech here. I would now like to hand over the call to the moderator to open up for the Q&A.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Het Choksey from KR Choksey Shares & Securities Private Limited. Please go ahead.

**Het Choksey:**

I had a question on the payments business. I think we heard on the news that probably PayU is keen to have a stake in Mobikwik. And as you rightly mentioned on the call that you are focused on delivering profitable payment solutions. How do you plan to counter these kind of moves, considering the consolidation, which is happening in the industry and wallets and companies, payment gateways trying to acquire merchants in the quest of gaining market share? So, considering the cash which we have in our balance sheet, do you see potential acquisitions in the play? And how would you address this kind of moves?

**Vishwas Patel:**

So, thanks, Het. Vishwas here. I'll address this in a way where you have to look at two scenarios. One scenario if you look it, it is a small limited market, and there are too many players and going after another and consolidating, But if I look at the second way here where if you see in the Indian market per se and you look at the latest RBI figures, the India digital market is only 12% of the overall economy right now. So, if you see the headwinds on what the other part, non-digital payments is around 88%, So, you see that we have the headwinds, and if you see the government's one initiative after the another to grow digital payments. So, we have the tailwinds backing at us. So, rather than going after existing small PGs and trying to consolidate and other things, we are making headways in a lot of other verticals and markets and merchants. As I said, 88% is still non-digital. So, when we see a lot of opportunity in education, where they're like millions of schools, thousands of colleges, universities, then we see a lot that we can do on the B2B platform for vendor payments and other things. We also see a big opportunity in healthcare payments and other things. So, rather than focusing on existing players who are already been there, done that and trying to acquire those and making it, our strategy is to open up new verticals and make headway in that other 88%, which is not there. That is one part.

Second thing, as far as consolidation is concerned, India as a payments market is now getting crystallized into four or five different companies from various parts across the world. So, if you have seen us being a public company, we are on our own. We have Billdesk, Indiaideas, which is basically funded by all American VCs, VISA, T-Associates and others. So, American Groups are there in Billdesk or Indiaideas. Then there is a South African Group, Naspers, which is into PayU, PayUmoney, Citrus Pay, and now Zaakpay has also happened. So, that consolidation is happening there. The French company, Ingenico, has taken over Tech-Process, EBS and have their own offline. So, that's where the French are. And last but not the least, RazorPay, other 4s are already there. So, they are the darling of the market right now. So, the VCs are putting into it. Our take here is that instead of competing on other things, there's a lot more growth. So, if you've seen some of the newer clients that we have onboarded in this quarter, there are a lot of big institutes, universities, certain big hospital chains and others. So, our focus right now is not getting into this market and compete on price, but go aggressively and open up new markets, new verticals within India and new markets abroad.

**Het Choksey:**

All right. So, I think we are more focused on delivering solutions, which we believe in organic growth, but at the same time, we will not chase inorganic growth at the cost of profitability.

**Vishwas Patel:**

Yes, that's right.

**Het Choksey:**

And just another question, which I had on my mind is when you saw some consolidation from PayU in India, i.e. with Citrus Pay and Wibmo, they acquired this year. How do you see this kind of small niche payment gateways? I mean, considering Wibmo being such only INR 500 crore in size, I think it's not have difficult for us to chase such kind of a small player, but at the same time, target quality merchants which they might have acquired. So, do you see such kind of smaller niche payment gateways, adding to your kitty in the future?

**Vishwas Patel:**

Frankly, if any good opportunity comes by, we are always keen, we always explore and we are always investing. But having said that, right now, I think the company focus is right now very clear, in opening up new verticals across the country and going fast in many geographies across the world.

**Moderator:**

Thank you. The next question is from the line of Shruti from ValueAdd Research and Analytics Solutions. Please go ahead.

**Shruti:**

Congratulations on a good set of numbers. My question is related to the BillAvenue. Sir, recently, RBI announced about the expansion of BBPS into different sectors. So, how do you see that affecting your topline? How much do you think that will contribute more to the topline through BillAvenue?

**Vishwas Patel:**

We are waiting for final clarifications from NPCI for us to get exactly which billing verticals they are going live with because, if you understand how the whole Bharat Bill Payment System works, the main switch is with NPCI, so, if they are enabling credit card payments, if they are enabling education, all are plans in this quarter, all are plans they are enabling, we can only then plans the growth we can yield and be able to quantify the kind of topline it will generate for us. But we are very excited on the overall the new kind of verticals that they are talking about. One we know is that they are getting gas cylinder online on the BBPS platform. And I think we are happy to announce that all the major gas companies will be onboarded via our platform. So, HPCL, Hindustan Petroleum, Bharatgas and IOCL, all mostly are already signed up with our company to be onboarded through on the Bharat Bill Payment platform through our BillAvenue platform.

**Shruti:**

Okay. Also recently, RBI made one more announcement regarding the on-tap authorisation, which they are providing for Bharat Bill Payment operating units and TReDS and white label ATMs. So, how do you think the competition over here, if added, will affect your revenue in BillAvenue?

**Vishwas Patel:**

If you have seen, the guidelines, when we had applied for, when the licensing norms were announced on the earlier stage last year when they had come in, they have not made any changes. So, the deterrent factors for anybody and everybody is still there. Like if you have read through the guidelines that have been given out, it still maintains INR 100 crores positive net worth. So, a lot of companies, specifically in tax-phase cannot maintain that. So, more or less, the rules criteria of companies having five years of bill payment experience, of companies having INR 100 crores of positive net worth and other things still remains, so, we don't see those who had qualified at earlier applied and had got it. So, I personally don't see too many players coming in with this kind of strict criteria that Reserve Bank of India continue to maintain, even in the new revised guidelines.

**Shruti:**

Thank you. That’s it from my side.

**Moderator:**

Thank you. The next question is from the line of Gunmeen Kohli from K.R. Choksey Investment Managers. Please go ahead.

**Gunmeen Kohli:**

My question was pertaining to the margin this quarter. So, could you walk us through some of the levers that contributed to the improvement in margins? And a word on the margins of the payment business?

**Vishal Mehta:**

Sure. Payments has always been a very competitive business. And last quarter, there were a few travel-related businesses, if you recollect, that did not do too well, in specific, there were merchants like Cox and Kings and many others. Travel is always a good, gross processing volume business. However, a few merchants were practically out of business. But, a lot of other merchants got added. So, if you look at several quarter of our volumes, Q2 is usually a slower quarter compared to Q3, where there is Diwali. But we actually ended up doing pretty well in terms of the overall processing volumes. So, as a result, I think, to answer your question, it's a matter of a mix, the mix slightly changed and updated, and that contributed to slight expansion in margins. We expect, for the remainder of the year, the margins will be consistent around this. We are not expanding our business at the expense of margins. But you should also know that we are not just focused and obsessed about profitability. Incrementally, if we can process more volumes and this is the approach we've taken, so, if you look at last year versus this year and even the year before, we have taken certain positioning where we said that incrementally if you are getting more volume and we are able to generate positive EBITDA, then we should take such businesses up. And that has been a governing philosophy, that we will not take businesses that are below interchange. So, that philosophy will continue on. So, in quarter-over-quarter, you'll see slight changes. Of course, we also streamlined, and we are working on productivity as well. So, the operational productivity also kicks in and with leverage hopefully, you will continue seeing some of these trends going forward.

**Gunmeen Kohli:**

Okay. So, if I normalize the travel business since the Q4 when you alluded there was some margin pressure, and we are looking at competing on volume since Q2 has the margins improved, if I normalize the travel sector?

**Vishal Mehta:**

Can't talk specifically about the travel sector, but yes, margins have improved, that is for sure. Specifically, I think, there were certain merchants who crossed certain sectors, they worked across sectors, so, it'd be very hard to comment on that. But given the mix change and given that I don't know how much you're aware, but lot of merchants who were driving volumes, OTAs who were also driving much volumes to such larger consolidated and package providers, a lot of that collapse happened in the prior quarter. So, that was some part of it. And then we've also built out a lot of tools that merchants can utilize so that the platform becomes very sticky. Its revenue-enhancing opportunities that typically, most of the companies, they provide a plain vanilla payment gateway, so, there was a question that was there earlier, where it was around how do you compete? The competition is just not on the price alone because we provide very cool analytics, very cool dashboards and a lot of revenue-enhancing opportunities for merchants, which is built in into the payment platform itself, which allows them to become more sticky and utilize us better. So, all of that contributes slightly, and we'll continue focusing on that. We cannot correlate the two right now or we cannot set up a causal at least, saying that what we have been doing is contributing to expansion of margin, but there's definitely a very strong correlation, if not a causal.

**Gunmeen Kohli:**

Okay. And just to build up on your last point, do you have any interaction with your merchants wherein they are saying that the analytics of the data you're providing them has improved their efficiency or improved their revenues or their profits?

**Vishal Mehta:**

So, there are certain feature sets and there are certain tools that we have been building out. And like I said, we have a stronger correlation. We are not able to establish causality because there is a combination of many, many factors that lead to causality. But you would imagine that our focus is going to be more on providing better analytics, better tools, better dashboards and better perspectives for merchants so that they can improve and provide better experience to their own customers.

**Gunmeen Kohli:**

Okay. And lastly, my question was on the Remit Online, the Avenues India payment platform. Could you tell us what about the unit economics over here and what is the form of remittance, is it outbound or inbound? And what is your visibility for the next two-three years of this platform?

**Vishwas Patel:**

So, if you see our remitonline.info platform that we have, these platforms are typically right now are in the B2B stage evolution of its growth. B2B means that they have deployed the entire remittance platform for various banks and financial institutions in India and around the world. So, if you see nine of the top 10 private sector banks in India are using the RemitGuru platform, which helps them to not only to do inward remittances from various jurisdictions around the world but also allows them to do outward remittances from India into many geographies. I am happy to report that almost USD 4.3 billion worth of remittances have gone through the platform in this financial year and hope to close this year with around USD 6 billion of remittances. So, if you see the Kotak Bank remittance platform, it is powered by our investee company, if you see the HDFC Bank’s platform, the Axis Bank platform that is called remitmoney.com which allows remittance from international into India as well as outward is powered by our platforms. Here, we make a flat charge on every transaction, every remittance received, and there are three other associated platforms, anti-money laundering, AML checks, negative database check and other check. It is one of the best technology, most advanced remittance platform globally. Even internationally, some of the biggest groups, the Bahrain Finance Corporation in the U.K., the Bangladesh's biggest bank, some banks in Kenya, all have moved on to the platform. The second stage of evolution in that will come in, when we have a B2C platform where people can in real time transfer money from international markets into India through our payment gateway platforms as well as swap directly from their international bank accounts on any of our Infibeam Avenues’ one million strong merchant base for products and services and pay through their local network, thereby bypassing the card networks and the associated fees. So, that is where the investee company is going. And the revenue right now is, per transaction, a subscription and a setup fee. Going forward it will be in bps.

**Gunmeen Kohli:**

Okay. So, for per transaction, what would it be if in terms of per transaction?

**Vishwas Patel:**

So, it depends on different platforms that have been given to different banks. The price is a little sensitive, so I can't disclose what banks are paying per transaction. But it is a flat fee model with setup fee as well. The percentage bps kind of earnings will come in when we launch our own B2C platform as well as other services that we provide.

**Gunmeen Kohli:**

Okay. Thank you so much.

**Moderator:**

Thank you. We'll move on to the next question that is from the line of Kunal Masrani, individual investor. Please go ahead.

**Kunal Masrani:**

Good evening, I see that the results and the financial performance of the company has been phenomenal. But over the last two quarters, we have seen a steady decline in promoter holdings. I think it has come down by around 2.5 percentage points. Could you please elaborate on the reasons why the promoter holding has been coming down?

**Vishal Mehta:**

Sure. So, if you look at the promoter holding and the pledge which was there the last year and the promoter holding and the pledge this year, you will see that there has also been, along with the reduction in promoter percentages, there's also been a reduction in the pledge, which is so important to note. So, net-net, I think, of course, these are promoter groups, so, I'm not able to comment on behalf of promoter group. But if you look at the overall scenario, promoters have always been long term. They have now been significant shareholders in the company. And in terms of value creation, today, only a very small single-digit percentage of promoter shares have been pledged. So, in other words, with the scenario which is there and the way markets have been reacting, the pledge percentage is really in a low-single-digit percentage. So, that is how to think in terms of the overall. And I think, from overall perspective that all promoters, promoter group as well as the employees of the company who have joined us, they are long-term into the company.

**Kunal Masrani:**

All right. And the other question is that Mr. Vishwas Patel and his family has a pretty good amount of holding in the company. So, have you guys thought about re-categorizing that stake into promoter category?

**Vishal Mehta:**

We have followed the right definitions of what was there in terms of the categorization. Vishwas, he's the Executive Director in the company, and so he would follow the same level of governance such that typically anyone else would follow. During the process of the merger also that we had followed the same definitions of how promoter or promoter group has been classified. Beyond that, we have not looked at that specifically. But however, as part of the merger, whatever we had followed the guidelines, we follow that. And beyond that, we've not relooked the same.

**Kunal Masrani:**

All right. Thank you.

**Vishal Mehta:**

Thank you.

**Moderator:**

Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

**Vishal Mehta:**

Thank you all for joining our second quarter FY20 earnings conference. We look forward to speaking to you again and wishing all of you a very happy Diwali and a prosperous New Year in advance. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, on behalf of KR Choksey Research, that concludes today’s conference. Thank you for joining us and you may now disconnect your lines. Thank you.