

Infibeam Avenues Ltd.



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Strong growth in TPVs besides favorable business mix to drive margins

CMP INR 15	Target INR 28	Potential Upside: 83%	Market Cap (INR Mn) INR 40,410	Recommendation BUY	Sector Internet Software & Services
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Result highlights for Q4FY22:

- On a consolidated basis, Infibeam’s gross revenue grew 83.6% YoY (-6.9% QoQ) to INR 3,695.0 mn. This was driven by sharp jump in transaction processed value (TPV) and Net Take Rates (NTRs). Transaction Processed Value (TPV) increased 69.7% YoY (+13.4% QoQ) to INR 855.00 bn in Q4FY22. Net revenue (NTR), which accrues to the company, improved 15.2% YoY (+8.6% QoQ) to INR 760.0 mn or 6.7 paisa in Q4FY22.
- However, EBITDA margins declined 628 bps YoY (+253 bps QoQ) to 12.1% in Q4FY22 due to 21.4% YoY (+1.0% QoQ) rise in employee expense in Q4FY22.
- The net profit came at INR 282.4 mn for Q4FY22, down 10.6% YoY (+16.8% QoQ) due to sharp rise in depreciation costs besides YoY fall in EBITDA margins. Depreciation rose 44.6% YoY and 23.5% QoQ to INR 163.0 mn. Also, PAT margin declined by 802 bps YoY (+155 bps QoQ) to 7.6%.

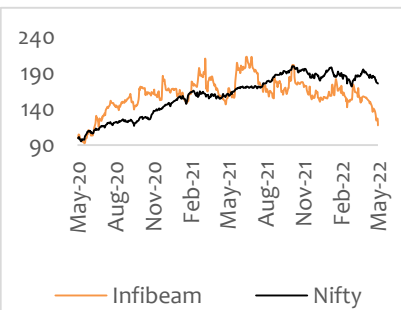
MARKET DATA

Shares O/S (Mn)	2,676
Equity Cap (INR Mn)	29,579
Mkt Cap (INR Mn)	40,410
52 Wk H/L (INR)	29.2/15.1
Volume Avg (3m K)	5,587
Face Value (INR)	1
Bloomberg Code	INFIBEAM IN Equity

KEY FINANCIALS

Particulars (INR Mn)	FY20A	FY21A	FY22E	FY23E	FY 24E
Revenue	6,327	6,760	12,939	17,118	23,965
EBITDA	1,512	1,419	1,450	1,917	2,684
EPS (INR)	0.83	0.26	0.31	0.39	0.66
Adj. EPS (INR)	0.38	0.26	0.31	0.39	0.66
EBITDA Margin	23.9%	21.0%	11.2%	11.2%	11.2%
Adj. NPM	16.26%	10.39%	6.46%	6.10%	7.38%
PE (x)	39.3	57.5	48.3	38.7	22.8

SHARE PRICE PERFORMANCE



Margins growing QoQ due to strong TPV growth besides favorable business mix: On a consolidated basis, Infibeam’s gross revenue grew at 83.6% YoY (-6.9% QoQ) to INR 3,695.0 mn. The growth in gross revenue was driven by 69.7% YoY (+13.4% QoQ) rise in TPV to INR 855.00 bn in Q4FY22. However, as cost of sales rose at a faster pace of 116.7% YoY (-10.2% QoQ), the Net Revenue (gross profits) increased at a slower pace of 15.3% YoY (+8.6% QoQ) to INR 760.0 mn (vs. our estimate of INR 709.2 mn) and Gross Profits Margin (GPM) declined by 12.2 percentage points YoY and rose by 293 bps QoQ to 20.6% for Q4FY22. As a result, and partially offset by increase in other expenses by 11.0% YoY (-8.4% QoQ), the company’s EBITDA increased at 20.7% YoY (+17.7% QoQ) to INR 445.0 mn (vs. our estimate of INR 383.3 mn). The EBITDA margin declined 628 bps YoY (+253 bps QoQ) to 12.1% in Q4FY22. After increase in depreciation costs by 44.6% YoY (+23.5% QoQ) and decline in finance costs by 67.4% YoY (-38.8% QoQ), the company’s adjusted net income declined at 10.6% YoY (+16.8% QoQ) to INR 282.4 mn against our estimate of INR 120.5 mn for Q4FY22. We believe EBITDA to grow at a CAR of 36.1% during FY22-FY24E.

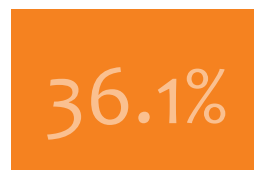
Gross Take Rate (GTR) rising QoQ since Q1FY22: The GTR is improving QoQ (consecutively) since Q1FY22 due to strong growth in TPVs with favorable trending of business and payments mix. TPVs grew at 14.1% CQGR over Q4FY21 – Q4FY22 and at 69.7% YoY (+13.4% QoQ) to INR 855.00 bn in Q4FY22. At the same time, NTR has improved 140 bps YoY/60 bps QoQ to 6.7 bps in Q4FY22. The company attributes the strong growth in net take rates to increased credit card transaction volumes (credit card transaction being 45.0% of TPVs including BNPL, 5.0% being UPI and remaining being Dr, Cr, wallets, and net banking etc. of TPVs for FY22) Recovery in traditional business segments and strong uptick in express secured lending have been impacting the take rates positively. Secured lending to merchants stands at INR 42,500 Mn as of FY22 and is running at an annualized run rate of USD 800.0 mn (INR 60.80 bn).

MARKET INFO

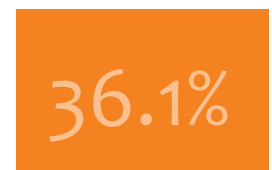
SENSEX	54,365
NIFTY	16,240

SHARE HOLDING PATTERN (%)

Particulars	Mar-22	Dec-21	Sep-21
Promoters	30.64	31.07	31.07
FIIIs	7.05	7.59	7.13
DIIIs	0.04	0.03	0.03
Others	62.4	61.31	61.77
Total	100.00	100.00	100.00



Revenue CAGR between FY22 and FY24E

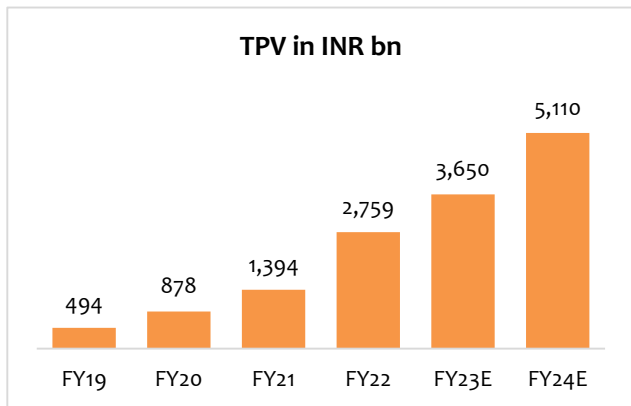


PAT CAGR between FY22 and FY24E

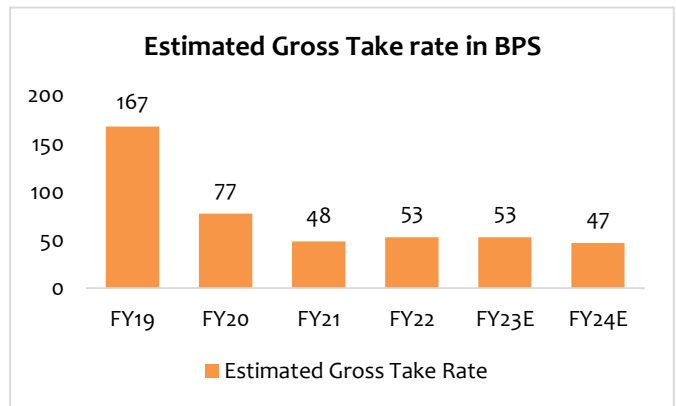
Infibeam Avenues Ltd.

Key Concall Highlights: (i) The company has new business initiatives such as Uvik soft Point of Sale (PoS) terminal technology product and lending aggregator platform, Trust Avenues, which are expected to help it grow its TPVs and margins (ii) The Indian market is hugely underpenetrated for digital payments (iii) The company is awaiting RBI’s nod on payment gateway license applied in Sep 21, which is mandatory for all payments companies in India. Licensing will ensure customer safety in payment transactions (iv) The company is also waiting for a nod from RBI on New Umbrella Entity (Payment Network) for which license was applied in Sep 21 in consortium with one large India conglomerate and two other internet companies (v) GeM – achieved significant milestone last year by crossing INR 1 Tn in GMV in FY22 and the company expects even higher GMV in FY23 with the integration of railways, public works and other initiatives to bring more business on GeM portal to enhance transparency, efficiency and savings (vi) The company plans to launch its payments solutions in Saudi Arabia and USA in FY23 and is evaluating other geographies to launch in the coming time (vii) for FY22, the payments methods mix was 45% Cr cards (including BNPL) 5% UPI and remaining were Dr Cards, wallets, and net banking etc. Also, lower UPI and bill payments, express settlement and infrastructure services are contributing to the increase in net take rates. (viii) The company targets to process INR 4.0 Tn in FY23 and TPV of INR 5.0 Tn by the beginning of FY24E (ix) The company guides to reach revenue of INR 16.00 – INR 17.00 bn during FY23 and clock in EBITDA in the range of INR 1.70-1.90 Bn and Net Income in the range of INR 1.10 – 1.20 Bn for FY23

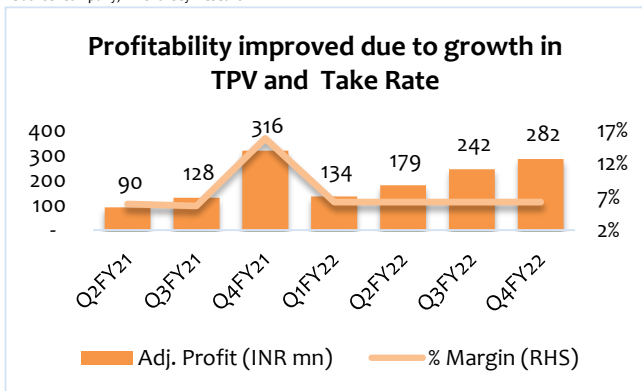
Valuation and view: The company has been seeing a consistent growth in GTRs and uptick in NTRs due to strong growth in TPVs with favorable business and payments mix emerging with traditional sectors’ recovery. Also, the company’s additional lines of new businesses such as express lending are experiencing strong traction. To complement it further, the company is to launch lending aggregating platform (Trust Avenue) and a soft PoS technology product (Uvik), which can augment TPVs and margins further. We believe the government’s digitization initiatives (Budget 2022) will continue to greatly influence volumes on GeM platform. Overall, the company is likely to see strong growth in TPVs and thereby in gross revenue over medium – long term. As a result, EBITDA margins are also expected to follow suit with improved business and payments mix. **We expect the company’s revenue and EBITDA to grow at 36.1% CAGR, each, over FY22-FY24E (vs. 62.4% CAGR expected in revenue during FY21-FY24E, before). Infibeam is trading at 3.0x/2.3x/1.6x its FY22/FY23E/FY24E Price/Revenue multiples, respectively. It is similarly trading at 48.3x/38.7x/22.8x its FY22/FY23E/FY24E PE multiples vs. industry peer trading at an average FY24E PE of 30.0x, indicating attractiveness for Infibeam’s shares at current levels. *The company has had a 1:1 bonus issued in March 22. Given the tighter monetary conditions prevailing in the economy, we value the company on a lower price to sales multiple (P/S) of 3.0x than before (earlier 3.9x FY24E sales). As such, we lower the TP (from post bonus implied TP of INR 43.0 or INR 86.0 before bonus) to INR 28.0 and maintain “BUY” on the shares as it indicates an upside potential of 83.0% over the CMP of INR 15.**



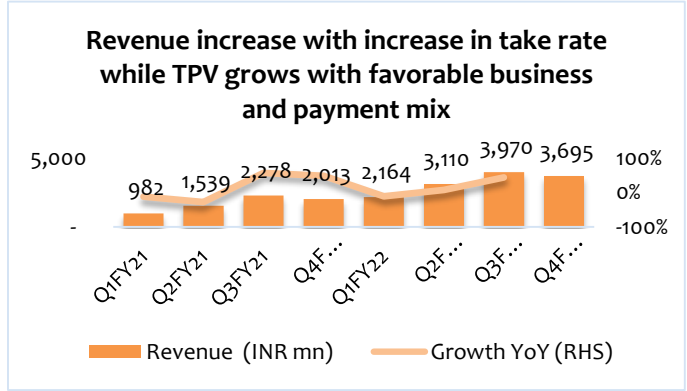
Source: Company, KRChoksey Research



Source: Company, GeM, KRChoksey Research



Source: Company, KRChoksey Research



Source: Company, KRChoksey Research

Infibeam Avenues Ltd.

KEY FINANCIALS

Exhibit 1: Balance Sheet

Particulars (INR Mn)	FY 20A	FY 21A	FY 22A	FY 23E	FY 24E
Cash and Cash Equivalents	914	1,774	2,088	1,787	4,491
Other bank balances	125	8	7	7	7
Trade receivables	573	729	809	809	1,133
Loans	17	16	17	17	17
Other financial assets	745	1,670	2,068	2,068	2,068
Other current assets	2,252	4,630	5,712	2,054	2,876
Total current assets	4,625	8,825	10,701	6,742	10,592
Assets classified for sale	870	0	0	0	0
Non-current assets					
PPE	2,419	2,320	2,104	3,409	3,951
Capital WIP	0	0	0	0	0
Goodwill, net	16,144	16,198	16,295	16,295	16,295
Intangible assets	2,772	2,648	2,406	1,913	1,521
Intangible assets under development	0	0	1,463	1,463	1,463
Financial assets					
Investments	3,921	4,567	3,940	3,940	3,940
Other financial assets	472	85	206	206	206
Deferred tax assets (net)	7	0	1	1	1
Income tax assets (net)	206	271	1,043	1,043	1,043
Other non current assets	340	582	386	5,928	8,299
Total non-current assets	26,282	26,671	27,843	34,197	36,717
Total Assets	31,777	35,496	38,543	40,939	47,309
Liabilities and equity					
Borrowings	88	88	2	0	0
Trade payables	313	216	392	392	548
Other financial liabilities	258	560	746	746	746
Other current liabilities	2,058	5,161	6,658	4,280	5,991
Provisions	13	14	18	18	18
Income tax liabilities	50	48	3	3	3
Total current liabilities	2,780	6,086	7,819	5,438	7,307
Long-Term Debt / Borrowings	176	110	0	4,000	7,000
Provisions and other financial liabilities	83	92	109	109	109
Deferred tax liabilities (net)	295	328	1,067	1,067	1,067
Total liabilities	3,333	6,617	8,995	10,614	15,483
Share Capital	665	1,331	2,676	2,676	2,676
Other equity	27,785	27,551	26,903	27,580	29,082
Total Equity holders of the company	28,450	28,882	29,579	30,256	31,758
Non-controlling interests	-6	-3	-31	-31	-31
Total Equity	28,443	28,879	29,549	30,325	31,728
Total liabilities and equity	31,777	35,496	38,543	40,939	47,309

Source: Company, KRChoksey Research

Infibeam Avenues Ltd.

KEY FINANCIALS

Exhibit 2: Profit & Loss Statement

Particulars (INR Mn)	FY 20	FY 21	FY 22	FY 23E	FY 24E
Revenues (INR)	6,327	6,760	12,939	17,118	23,965
Cost of sales	3,964	4,427	10,346	13,866	19,412
Gross profit	2,363	2,333	2,594	3,252	4,553
Opex	852	915	1,144	1,335	1,869
Operating profit	638	668	823	1,222	2,245
D&A	873	751	626	695	439
EBITDA	1,512	1,419	1,450	1,917	2,684
Finance Cost	42	37	19	46	126
Other income, net	117	100	100	100	100
PBT before share of associates	712	732	904	1,276	2,219
Share of profit/loss of associates	528	86	80	80	80
Exceptional items	83	0	0	0	0
Pretax Income	1,323	818	983	1,356	2,298
Income tax expense	212	115	147	312	529
Net profit	1,111	703	837	1,044	1,770
Adjusted Net profit	1,029	703	837	1,044	1,770
Diluted EPS (Rs)	0.83	0.26	0.31	0.39	0.66
Adjusted EPS (Rs)	0.38	0.26	0.31	0.39	0.66
No. of Shares (mn) - Diluted	2,676	2,676	2,676	2,676	2,676

Source: Company, KRChoksey Research

Exhibit 3: Free Cash Flow Analysis

Particulars (INR Mn)	FY 20A	FY 21A	FY 22A	FY 23E	FY 24E
Net Cash Generated From Operations	184	1,551	1,220	-2,604	481
Net Cash Flow from/(used in) Investing Activities	-367	-640	-550	-341	-509
Net Cash Flow from Financing Activities	-260	-95	-358	2,644	2,732
Net Inc/Dec in cash equivalents	-444	816	312	-302	2,704
Opening Balance	1,317	863	1,774	2,088	1,787
Other Adjustments	-11	95	3	0	0
Closing Balance Cash and Cash Equivalents	863	1,774	2,088	1,787	4,491

Source: Company, KRChoksey Research

Exhibit 4: Ratio Analysis

Key Ratio	FY20A	FY21A	FY22A	FY23E	FY 24E
Tax rate (%)	16.0%	14.1%	14.9%	23.0%	23.0%
RoE (%)	3.9%	2.4%	2.8%	3.5%	5.6%
RoE (%) - Adj for Goodwill	9.0%	5.5%	6.3%	7.5%	11.4%
RoCE (%)	2.2%	2.3%	2.7%	3.4%	5.6%
Current Ratio (x)	1.66x	1.45x	1.37x	1.24x	1.45x
Book Value Per Share (INR)	10.63	10.79	11.05	11.31	11.87
OPM	10.1%	9.9%	6.4%	7.1%	9.4%
EBITDA Margin	23.9%	21.0%	11.2%	11.2%	11.2%
NPM	17.6%	10.4%	6.5%	6.1%	7.4%
Adj. NPM	16.3%	10.4%	6.5%	6.1%	7.4%

Source: Company, KRChoksey Research

Infibeam Avenues Ltd.

Infibeam Avenues Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
11-May-22	15*	21	BUY	Buy	More than 15%
03-Feb-22	43	86	BUY		
1-Nov-21	46	86	BUY	Accumulate	5% – 15%
11-Aug-21	42	86	BUY		
28-May-21	46	86	BUY	Hold	0 – 5%
12-Feb-21	91	110	BUY	Reduce	-5% – 0
13-Nov-20	82	105	BUY		
19-Oct-20	87	105	BUY	Sell	Less than – 5%

ANALYST CERTIFICATION:

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KR Choksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

ANALYST

Parvati Rai, head-research@krchoksey.com, +91-22-6696 5413

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Phone: +91-22-6696 5555, Fax: +91-22-6691 9576

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