

# Infibeam Incorporation Ltd.



# Infibeam Incorporation Ltd.

**Robust Performance Driven by Service Segment**

CMP <b>INR 1435</b>	Target <b>INR 2090</b>	Potential Upside <b>45.6%</b>	Market Cap (INR Mn) <b>77,629</b>	Recommendation <b>BUY</b>	Sector <b>E-Commerce</b>
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## Result highlights

Infibeam reported revenue of INR 1846.8 Mn in Q1 FY18, up 79.1% yoy and above our estimate of INR 1,300 Mn. The significant increase in revenues was primarily due to merger of CCAvenue, and integration of DRC Systems with Infibeam Web Service (IWS). Services revenue was robust and stood at INR 1,121.2 Mn, up 108.1% qoq and recorded a PBT margin of 33%. Product revenue stood at INR 725.4 Mn, up 8.3% qoq, indicating a strong revival due to increase in consumer spending after demonetization. EBITDA stood at INR 328.7 Mn, up 63.5% qoq, which is improved on the back of lower opex and higher realization in IWS. The company reported an EBITDA margin of 17.8% in Q1 FY18, a huge improvement compared to 12.3% in Q1 FY17. Number of active merchants stood at 76,829, an increase of 7.7% qoq, and the number of active users stood at 8.1 Mn in Q1 FY18.

## MARKET DATA

Shares outs (Mn)	54
EquityCap (INR Mn)	543
Mkt Cap (INR Mn)	77629
52 Wk H/L (INR)	1504/770
Volume Avg (3m K)	1059.3
Face Value (INR)	10
Bloomberg Code	INFIBEAM IN

## KEY FINANCIALS

Particulars (INR Mn)	FY15	FY16	FY17	FY18E
Net Sales	3,370	4,404	8,676	12,392
EBITDA	218	658	3,685	5,355
PAT	93	435	3,045	4,534
EPS	1.7	8.2	21.0	33.5
EBITDA Margin	6.5%	14.9%	20.2%	21.0%
NPM	2.8%	9.9%	12.8%	14.4%

Source: Company, KRChoksey Research

### Infibeam Web Service (IWS) contributes 61% to overall revenues

Services revenue stood at INR 1,121.2 Mn, up 108.1% qoq. The service segment includes revenues generated from Infibeam Web Service (IWS), and newly merged entity CCAvenue, which provides online payment solution for merchants. Going ahead, we expect the service segment to broaden its revenue stream on the back of replicating BuildaBazaar (BaB) platform globally with low-cost infrastructure, and scaling CCAvenue's online payment services to international market while leveraging Remit Guru. Merchant count stood at 76,829 in Q1 FY18 vs 71,341 merchants in Q4 FY17. We expect the number of merchants to improve further by offering its platforms and services to CCAvenue's existing merchants, which is estimated to have more than 1 lakh merchants.

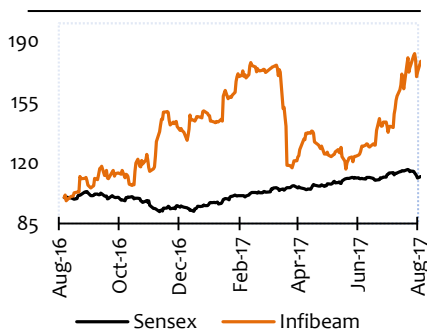
In other developments, Infibeam has tied-up with Indian Government to design, build, and manage unique marketplace (Government E-Marketplace) that would allow central and state government purchase goods and services online. The five-year contract is expected to be worth of ~INR 10 Bn, and it is also estimated that the government procures goods worth of around INR 5 trillion every year.

**Key Concall Highlights:** (i) Revenue contribution for CCAvenue to Service Segment stood within a range of 400-500 million in 1Q FY18 (iii) Transactions processed by CCAvenue during Q1 FY18 is INR 45.0 Bn. (ii) The company is expected to invest in logistics services during FY18, and improve its last-mile delivery to improve consumers' experience (iii) Infibeam is planning to draw its attention towards building unique platform for Education and Entertainment. Currently, its E-learning platform has approximate ~100 clients. (iv) The company's five-year contract with Indian government is expected to earn 0.5% commission from every transaction done on GeM portal.

### Valuation and view

We expect the merger deal between Infibeam and CCAvenue to be value accretive, which already contributes approximately ~25% to its overall revenues in Q1 FY18, and its overall impact is yet to be seen in the upcoming quarters. We believe, the companies investment in payment portal, and its strategy to invest in logistics services augur well to provide one-stop solution for merchants. Going ahead, we expect the company's Service segment to grow at an exponential rate on the back of integration of lucrative businesses, and there ability to generate better margin driven by low-cost infrastructure model. We have a BUY rating on the stock to arrive at a target price of INR 2,090 after conducting an SOTP based valuation on Products, IWS and CCAvenue businesses.

## SHARE PRICE PERFORMANCE

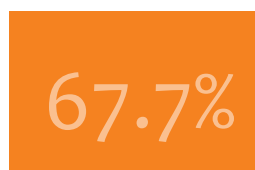


## MARKET INFO

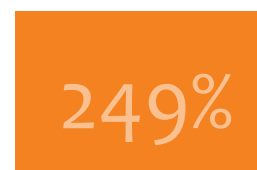
SENSEX	31771
NIFTY	9897

## SHARE HOLDING PATTERN (%)

Particulars	Jun 17	Mar 17	Dec 16
Promoters	44.52	44.84	45.27
FIIIs	6.23	7.11	7.32
DIIIs	1.82	2.37	2.35
Others	47.44	45.68	45.06
Total	100	100	100



Revenue CAGR between FY 17 and FY 19E



Revenue growth of IWS between Q1 FY17 and Q1 FY18

## ANALYST

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## Q1FY18 Result Snapshot

### Exhibit 1 Quarterly Income Statement

YE March (Rs mn)	Q1 FY18	Q4 FY17	Q-o-Q change %	Q1 FY17	Y-o-Y change %	Q1 FY18 Estimates	Deviation %
<b>Revenues</b>	<b>1,847</b>	<b>1,209</b>	52.8%	<b>1,031</b>	79.1%	1,300	42.1%
Direct Cost	837	715	17.2%	750	11.7%	902	(7.2%)
Gross Profit	1,009	494	104.4%	281	259.0%	398	153.6%
SG&A	681	293	132.5%	155	340.5%	189	261.1%
<b>EBITDA</b>	<b>329</b>	<b>201</b>	63.5%	<b>127</b>	159.6%	210	56.9%
Depreciation & Amortisation	99	65	51.3%	50	96.7%	49	99.8%
EBIT	230	136	69.4%	76	200.9%	160	43.6%
Interest Cost	23	14	58.1%	2	1119.3%	14	
Other Income, net	35	35	(0.8%)	42	(17.2%)	52	
PreTax Income	242	157	54.6%	117	107.2%	198	22.6%
Adjusted Pretax Income	242	157	54.6%	117	107.2%	198	
Tax	45	21	115.5%	21	116.2%	45	(0.8%)
Share of Minority Interest	(34)	0		3	(1408.9%)	0	
<b>Net Profit</b>	<b>163</b>	<b>136</b>	19.8%	<b>99</b>	65.5%	152	7.3%
Adjusted Net Profit	163	136	19.8%	99	65.5%	152	7.3%
Diluted EPS (Rs)	3.0	2.5	19.0%	1.9	61.9%	2.8	
Adjusted Diluted EPS	3.0	2.5	19.0%	1.9	61.9%	2.8	6.5%
No.of Shares (mn) - Diluted	54	54		53		54	
<b>Margin Analysis (%)</b>			<b>Change in bps</b>		<b>Change in bps</b>		
Gross Profit Margin (%)	54.7%	40.9%	1380	27.3%	2739	30.6%	2404
Operating Profit Margin (%)	12.5%	11.2%	122	7.4%	504	12.3%	14
EBITDA Margin (%)	17.8%	16.6%	117	12.3%	552	16.1%	168
Net Profit Margin (%)	8.8%	11.3%	(243)	9.6%	(73)	11.7%	(287)
Adjusted NPM (%)	8.8%	11.3%	(243)	9.6%	(73)	11.7%	(287)
Effective Tax rate (%)	18.6%	13.4%	526	17.8%	78	23.0%	(439)
<b>Cost Analysis (%)</b>			<b>Change in bps</b>		<b>Change in bps</b>		
Direct cost as % of Sales	45.3%	59.1%	(1380)	72.7%	(2739)	69.4%	(2404)
SG&A as % of Sales	36.9%	24.2%	1263	15.0%	2187	14.5%	2236

Source: Company, KRChoksey Research

- The Tax rate for the quarter stood 18.6% , an increase of 526 bps.
- Operating margins improved from 11.2% in Q4 FY17 to 12.5% in Q1 FY18 due to improvement in inventory cost percentage of revenue.
- Net Profit in Q1 FY18 stood at INR 163 Mn vs INR 136 Mn in Q4 FY17, whereas Net Profit Margin in Q1 FY18 stood at 8.8% vs 11.3% in Q4 FY17, the decline in margin came due to increase in effective tax rate and minority interest.
- EPS was recorded at INR 3.0 in Q1 FY18 vs INR 2.5 in Q4 FY17.

#### ANALYST

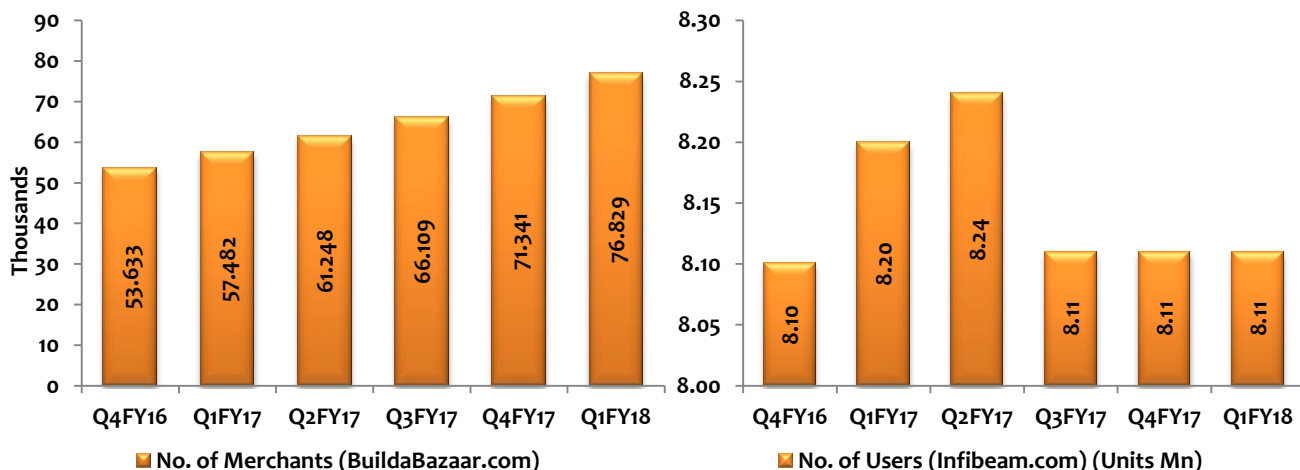
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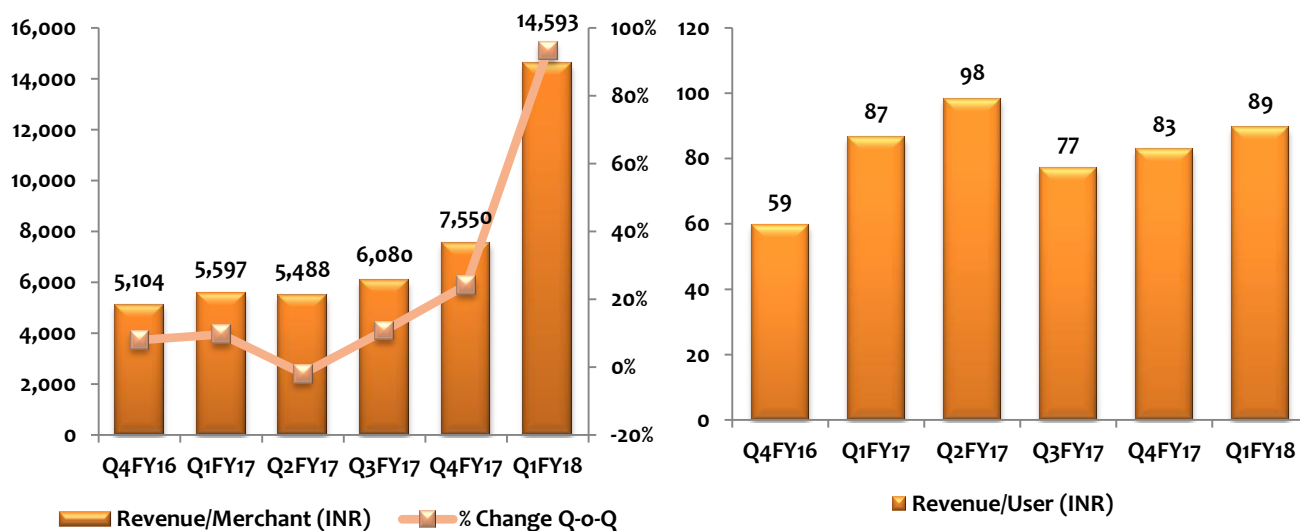
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**Exhibit 2 Revenues and Margin Movement (INR. Bn)**


Source: Company, KRChoksey Research

Number of Merchants for BuildaBazaar.com was reported at 76,829, a growth of 7.7% qoq. We expect the number of merchants to increase at a higher pace on the back of Infibeam's initiative to integrate value accretive businesses with IWS, and target CCAvenue's large merchant base. We expect the Number of Merchants to increase at a CAGR of 26% between FY17 - FY19E. Number of users on Infibeam.com stood at 8.1 Mn in Q1 FY18, which remained flat compared to Q4 FY17. The company's merger with CCAvenue has strengthened its value chain for delivering end-to-end e-commerce services. We expect Infibeam.com's user base to increase to 8.5 Mn by FY19E.

**Exhibit 3 Revenue Per Merchant and Revenues Per User Analysis**


Source: Company, KRChoksey Research

In Q1 FY18, revenue/merchant for Infibeam Web Service (IWS) stood at INR 14,593, up 93.3% qoq whereas revenue/user for Infibeam.com stood at INR 89, up 8.3% qoq. The significant increase in revenues/merchant came due to revenue contribution from newly merged entity, and improvement in realization in acquiring offshore merchants. Moreover, the new investment in RemitGuru would help conduct cross-border transaction by leveraging CC Avenue, which is expected to drive further growth for revenue per merchant. The revenue per user for product segment has increased by 8.3% YoY on the back of recovery from demonetization, however, the number of users remained flat at 8.1 Mn.

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## Exhibit 4 Q1 FY18: Profit & Loss Statement

INR Mn	FY16	FY17	FY18E	FY19E
<b>Net Sales</b>	<b>3,370</b>	<b>4,404</b>	<b>8,676</b>	<b>12,392</b>
Growth %	16.9%	30.7%	97.0%	42.8%
<b>Total Revenue</b>	<b>3,370</b>	<b>4,404</b>	<b>8,676</b>	<b>12,392</b>
<b>Less:</b>				
Increase/Decrease in Stock	115	144	(191)	(248)
Cost of Services & Raw Materials	2,437	2,585	2,818	3,718
Employee Cost & Related Expenses	277	291	728	1,584
Miscellaneous Expenses	552	727	1,637	1,983
<b>Total Operating Expenditure</b>	<b>3,151</b>	<b>3,747</b>	<b>4,992</b>	<b>7,037</b>
<b>EBIDTA</b>	<b>218</b>	<b>658</b>	<b>3,685</b>	<b>5,355</b>
Growth %	N.A.	201.5%	460.3%	45.3%
Less: Depreciation	175	225	465	446
<b>EBIT</b>	<b>43</b>	<b>433</b>	<b>3,220</b>	<b>4,909</b>
Growth %	N.A.	913.4%	7438.7%	1034.2%
Interest Paid	11	43	91	91
Non-operating Income	55	173	171	248
<b>Profit Before tax</b>	<b>86</b>	<b>563</b>	<b>3,299</b>	<b>5,066</b>
Tax	(1)	128	255	531
<b>Net Profit before Minority</b>	<b>87</b>	<b>435</b>	<b>3,045</b>	<b>4,534</b>
Profit/Loss of Associate Company	(6)	-	-	-
<b>Net Profit</b>	<b>93</b>	<b>435</b>	<b>3,045</b>	<b>4,534</b>
<b>Adjusted Profit</b>	<b>93</b>	<b>435</b>	<b>1,114</b>	<b>1,779</b>
<b>Reported Diluted EPS Rs</b>	<b>1.7</b>	<b>8.2</b>	<b>21.0</b>	<b>33.5</b>
Growth %	N.A.	N.A.	155.9%	59.7%

Source: Company, KRChoksey Research

## Exhibit 5 Q1 FY18: Balance Sheet

INR Mn	FY16	FY17	FY18E	FY19E
<b>Liabilities</b>				
Equity Capital	531	531	531	531
Reserves & Surplus	5,992	6,428	7,542	9,320
<b>Equity</b>	<b>6,523</b>	<b>6,959</b>	<b>8,073</b>	<b>9,851</b>
<b>Net Worth</b>	<b>6,523</b>	<b>6,959</b>	<b>8,073</b>	<b>9,851</b>
Net Deferred tax liability/(Asset)	17	13	26	25
<b>Total Loans</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital Employed</b>	<b>6,540</b>	<b>6,972</b>	<b>8,099</b>	<b>9,876</b>
<b>Assets</b>				
Gross Block	1,091	1,229	1,366	1,436
Less: Depreciation	479	704	1,169	1,615
<b>Net Block</b>	<b>612</b>	<b>525</b>	<b>197</b>	<b>(179)</b>
Capital WIP	254	331	653	932
<b>Current Assets</b>				
Sundry Debtors	452	543	1,070	1,528
Cash and Bank Balance	5,182	5,961	6,815	8,476
Loans and Advances	346	452	890	1,271
<b>Total Current Assets</b>	<b>6,218</b>	<b>7,132</b>	<b>9,122</b>	<b>11,770</b>
<b>Less:Current Liabilities &amp; Provisions</b>				
Sundry Creditors	850	1,011	1,868	2,642
Provisions	6	6	6	6
<b>Total Current Liabilities &amp; Provisions</b>	<b>856</b>	<b>1,017</b>	<b>1,874</b>	<b>2,648</b>
<b>Capital Applied</b>	<b>6,540</b>	<b>6,972</b>	<b>8,099</b>	<b>9,876</b>

Source: Company, KRChoksey Research

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## Exhibit 6 Q1 FY18: Free Cash Flow Analysis

INR Mn	FY16	FY17	FY18E	FY19E
<b>PAT</b>	<b>92.7</b>	<b>435.3</b>	<b>1,114.0</b>	<b>1,778.7</b>
Less: Non Operating Income	(55.0)	(172.7)	(170.9)	(247.8)
Add: Depreciation	175.4	224.8	465.1	446.1
Add: Interest Paid	11.5	42.6	91.2	91.2
<b>Operating Profit before Working Capital Changes</b>	<b>224.6</b>	<b>530.1</b>	<b>1,499.4</b>	<b>2,068.2</b>
(Inc)/Dec in Current Assets	(310.8)	(196.7)	(965.0)	(839.2)
Inc/(Dec) in Current Liabilities	365.0	160.6	856.8	774.4
Changes in Inventory	(115.0)	61.6	(170.9)	(148.6)
<b>Net Cash Generated From Operations</b>	<b>163.9</b>	<b>555.6</b>	<b>1,220.3</b>	<b>1,854.7</b>
<b>Cash Flow from Investing Activities</b>				
(Inc)/Dec in Fixed Assets	(275.8)	(137.6)	(137.6)	(70.0)
(Inc)/Dec in Capital Work In Progress	8.6	(77.9)	(321.5)	(279.6)
Add: Non Operating Income	55.0	172.7	170.9	247.8
(Inc)/Dec in Intangible Assets	383.1	313.2	0.0	0.0
<b>Net Cash Flow from/(used in) Investing Activities</b>	<b>170.9</b>	<b>270.3</b>	<b>(288.2)</b>	<b>(101.7)</b>
<b>Cash Flow from Financing Activities</b>				
Inc/(Dec) in Total Loans	(45.6)	(3.7)	12.8	(1.2)
Inc/(Dec) in Reserves & Surplus	4,198.2	-	-	-
Inc/(Dec) in Equity	105.3	-	-	-
Less: Interest Paid	(11.5)	(42.6)	(91.2)	(91.2)
<b>Net Cash Flow from Financing Activities</b>	<b>4,245.3</b>	<b>(46.3)</b>	<b>(78.4)</b>	<b>(92.4)</b>
<b>Net Inc/Dec in cash equivalents</b>	<b>4,580.0</b>	<b>779.6</b>	<b>853.7</b>	<b>1,660.5</b>
<b>Opening Balance</b>	<b>601.7</b>	<b>5,181.7</b>	<b>5,961.3</b>	<b>6,815.0</b>
<b>Closing Balance Cash and Cash Equivalents</b>	<b>5,181.7</b>	<b>5,961.3</b>	<b>6,815.0</b>	<b>8,475.5</b>

Source: Company, KRChoksey Research

## Exhibit 7 Q1 FY18: Ratio Analysis

INR Mn	FY16	FY17	FY18	FY19E
<b>Key Operating Ratios</b>				
EBITDA Margin (%)	6.5%	14.9%	20.2%	21.0%
Net Profit Margin (%)	2.8%	9.9%	12.8%	14.4%
RoE (%)	2.1%	6.5%	14.8%	19.8%
RoCE (%)	2.4%	6.9%	15.8%	20.6%
Current Ratio (x)	7.3x	7.0x	4.9x	4.4x
Book Value Per Share (Rs.)	122.9	131.1	152.1	185.6
<b>Financial Leverage Ratios</b>				
Debt/ Equity (x)	0.0x	0.0x	0.0x	0.0x
Interest Coverage (x)	19.0x	15.4x	19.2x	28.5x
<b>Growth Indicators %</b>				
Sales Growth (%)	16.9%	30.7%	97.0%	42.8%
EBITDA Growth (%)	N.A.	201.5%	166.7%	48.2%
Net Profit Growth (%)	N.A.	369.8%	155.9%	59.7%
Diluted EPS Growth (%)	N.A.	369.8%	1102.1%	308.6%
<b>Turnover Ratios</b>				
Debtors (Days of net sales)	42	41	32	30
Creditors (Days of Raw Materials)	127	140	121	117

Source: Company, KRChoksey Research

### ANALYST

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Infibeam Incorporation Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
16-Aug-17	1,435	2,090	BUY	<b>Buy</b>	More than 15%
31-May-17	963	1530	BUY	<b>Accumulate</b>	5% – 15%
14-Feb-17	1,386	1,461	ACCUMULATE	<b>Hold</b>	0 – 5%
12-Dec-16	1,119	1,333	BUY		
21-Nov-16	1,045	1,333	BUY	<b>Reduce</b>	-5% – 0
22-Sep-16	936	1,062	BUY	<b>Sell</b>	Less than – 5%

**ANALYST CERTIFICATION:**

I, Mayank Babla (MCom & BSc Economics & Management), research analyst, and Pritesh Thakkar (MBA, Bcom), research associate, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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