

Infibeam Avenues Ltd.



Infibeam Avenues Ltd.

Strong Growth in payment processing continues for another qtr

CMP INR 223	Target INR 256	Potential Upside 14.8%	Market Cap (INR Mn) 147,771	Recommendation ACCUMULATE	Sector E-Commerce
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Result Highlights

- Infibeam Avenues reported standalone revenues of INR 913.4mn (+5.7% QoQ, +26.6% YoY). The growth was led by both platform and payment business.
- The company has recorded significant increase in the number of active merchants on web service platform from around 400,000+ in Q4FY18 to 500,000+ in Q1FY19.
- CCAvenues registered a growth of 128% YoY in payment processing to INR 102.45bn. Total number of transactions processed volume stands at 27mn translating into ticket value of INR 3,795/transaction.
- Adjusting the exception items to the tune of INR 75mn, EBITDA for the qtr remained at INR 45.9mn (-78% QoQ, -69% YoY). Adjusted OPM for the qtr stands at ~5%, which was dropped by 1557bps YoY. The drop is largely attributable to management's strong focus of improving the transaction size resulting into higher payment processing charges along with delay in recovering MDR charges for transactions below INR 2000 had impacted financial performance during the qtr.
- Adjusting exceptional item to the tune of INR 107mn (INR 32mn impairment on investments, INR 50mn stamp duty impairment, INR 25mn MDR related charges), adjusted PAT for the qtr remained in loss at INR 31.8mn against a profit of INR 58mn in Q4FY18 & INR 127.2mn in Q1FY18.

MARKET DATA

Shares outs (Mn)	663
EquityCap (INR Mn)	663
Mkt Cap (INR Mn)	147771
52 Wk H/L (INR)	224/87
Volume Avg (3m K)	7567.2
Face Value (INR)	1
Bloomberg Code	INFIBEAM IN

KEY FINANCIALS

Particulars (INR Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	3,370	4,413	8,393	14,716	23,477
EBITDA	218	667	1,818*	3,381	6,108
PAT	93	441	1,111 *	2,020	4,054
EPS	0.2	0.8	2.1 *	3.0	6.1
OPM	6.5%	15.1%	21.3%*	23.0%	26.0%
NPM	2.8%	10.0%	12.8%*	13.7%	17.3%

Source: Company, KRChoksey Research

* - FY18 numbers are adjusting the merger cost.

Reason for disclosing only standalone financials

During the qtr, Infibeam Avenues Ltd has changed practice of disclosing financials from consolidated to standalone. The management explained the reason for disclosing standalone is primarily on account of adoption of IND AS115, which would have taken longer time to adjust the impact of consolidation of Vavian (recently acquired UAE Company) in Q1FY19. For FY19, the company would report standalone for the first three quarters and announce audited consolidated results for Q4 and full year FY19.

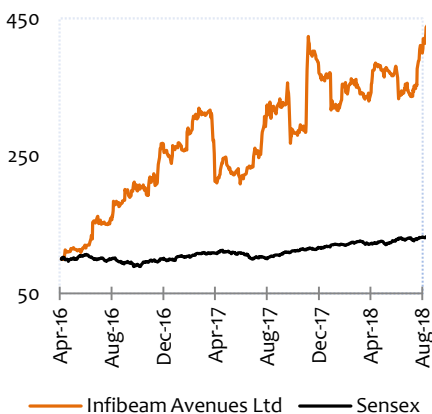
Financial performance analysis

Standalone business performance:

Infibeam Avenues reported standalone revenues of INR 913.4mn (+5.8% QoQ, +26.6% YoY). The company reports domestic (India) revenue in standalone comprising e-commerce solutions business (largely BuildaBazaar), revenue from payment solution (largely CCAvenues) and income from website development & maintenance. We believe, given the company has more than 100,000 merchants on the BuildaBazaar platform and assuming the company receives average INR 1000-1500/qtr for platform charges. Platform revenues could be to the tune of INR 100-150mn. In terms of CCAvenues, non-receipt of waived MDR charges for transaction below INR 2000 along with changes in the strategy to lower revenue share largely to capture the potential payment processing market had impacted revenue growth to some extent during the qtr.

In terms of operational performance, Adjusting the exception items to the tune of INR 75mn, EBITDA for the qtr remained at INR 45.9mn (-78% QoQ, -69% YoY). Adjusted OPM for the qtr stands at ~5%, which was dropped by 1557bps YoY. The drop is largely attributable to management's strong focus of improving the transaction size resulting into higher payment processing charges along with delay in recovering MDR charges for transactions below INR 2000 had impacted financial performance during the qtr.

SHARE PRICE PERFORMANCE

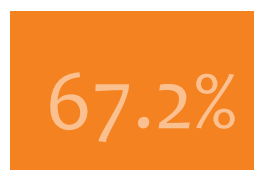


MARKET INFO

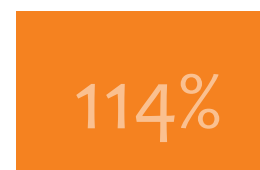
SENSEX	38252
NIFTY	11557

SHARE HOLDING PATTERN (%)

Particulars	Jun 18	Mar 18	Dec 17
Promoters	37.9	37.9	36.47
FIIIs	8.67	8.67	11.1
DIIIs	3.38	3.38	2.47
Others	50.05	50.05	49.96
Total	100	100	100



Revenue CAGR between FY 18 and FY 20E



PAT CAGR between FY18 and FY20E

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Consolidated business performance:

Infibeam reports BuildaBazaar fulfillment revenue, B2C Online Marketplace revenue, revenue from International operations etc. in its subsidiaries. The company reported a subsidiaries revenue growth of -9% QoQ and 24% YoY to INR 1.39bn. We believe that lower growth on QoQ basis is due to fall in the product business revenue. We expect given the fulfillment revenues could be around INR 700-750mn assuming INR 7000—7500/qtr fulfillment charges. The rest has been dispersed between other services like product business, E-commerce etc. Adjusting the exceptional other cost to the tune of ~INR 22cr into subsidiaries accounts for Q4FY18, adjusted OPM expanded by ~20bps QoQ to 31.5 %.

The estimated consolidated revenue for the qtr stands at INR 2.3bn (-18.8% QoQ, +24.7% YoY), while adjusted OPM for consolidated business fell by ~780bps QoQ to 21% resulting into EBITDA to stand at INR 484.1mn (-29.9% QoQ, +47.3% YoY).

Investment thesis:

Marking another success in terms of overall processed volumes during qtr:

CAvenues has processed around INR 100bn worth of transactions in Q1FY19, registered a growth of 45% QoQ & 128% YoY. We expect, the company could process around INR 400bn worth of transactions this fiscal from domestic market. Change in the strategy to reduce overall charges largely on account of capturing potential market size of payment processing can translate into little lower growth than the processed volumes; however we expect the same could materially increase in the medium to long run. As per industry reports, it is expected that digital payments size in India could increase to US\$ 1 trillion by 2023 from US\$ 200bn presently, CAGR of ~38%. Apart from this, the company also has bill avenues under payment solutions, which provides digital infrastructure to accept bill payments from customers by online or offline. The company has around 500,000 merchants registered across 1200 cities in India. As per RBI, it is expected that more than 100 million bills were generated everyday in India in 2016. With increasing mobile penetration, DTH connection and utility connection, the same could increase by at least 2x in the medium to long run. Despite, the country as a whole generates more than 100 million bills per day, mere 1 million transactions were generated on BBPS in Mar'18 representing a market share of 1%. Going ahead, increasing traction towards BBPS can improve the financial profile for players like Infibeam. The company works on flat fee model and charge around INR 5/transaction and hence more transactions could translate into strong revenue growth for the overall group in medium to long run.

Increasing size of Affiliates on .OOO domain:

Infibeam Avenues Ltd has launched advertisement platform on .OOO domain, which has around 85,000 affiliates as on date. The company has also partnered with Moneycontrol during the qtr, which will be launching Moneycontrol Hindi on .OOO platform. The rational for launching channel in Hindi is due to rising demand of local content. We expect any further collaboration would result into increase in the overall traffic to the platform, which in turn can help company to gain more on advertisement revenue. We expect this platform can provide significant growth opportunities given the company has been providing web services along with payment solutions and hence, affiliates can get complete solutions under single roof resulting into strong growth outlook of the overall business in the long run.

GEM project updates:

The country has witnessed overall transactions of INR 42bn for YTD'FY18. Management expects that the cumulative size could increase to INR 500bn by the end of this fiscal from INR 60bn in FY18. While the same is expected to reach INR 2 trillion in FY22E and INR 6 trillion in long run. The no of sellers registered on platform has been increased by 10x over H1FY17-YTD'FY18 to 132,666. Going ahead, management expects that integration of payment solutions on GEM along with cross-sell of various web services to sellers can provide more synergies to the overall group.

Valuations:

The transaction on GeM is still at its nascent stage, however the same is expected to increase to INR 5-7 trillion in medium to long run from around INR 60bn in FY18. This could translate into strong revenue visibility for Infibeam, which we expect to stand at INR 1,020/1,800 Mn in FY19E/FY20E respectively. Further, we expect that CCAvenue (excluding BBPS) to report a revenue growth of ~98%/68% in FY19E/FY20E on the back of strong adoption of digital payments by SMEs. This can be ascertained from the fact that ticket size has been increased from ~INR 3,246 in Q4FY18 to INR 3,794 in Q1FY19. Going ahead, impetus focus to increase the ticket size and the number of transaction can improve growth outlook for the business in medium to long run.

Going ahead, we expect that further inching up revenue share from service vertical primarily on account of GEM, BBPS to aid group margins in medium to long run. We have envisaged the company to report OPM of 23%/26% in FY19E/FY20E from 21.3% in FY18 owing to leveraging low-cost infrastructure model and strong revenue contribution from GeM, BBPS, and other projects. This could also translate into better return ratios. We expect ROE to expand from 6.5% in FY18 to 13.5% in FY20E. In addition to this, we also expect, Cash as % of MCAP to improve to ~10% by FY20 from ~2% in FY18, which could assist company to finance any inorganic growth opportunities in the years to come or to improve dividend payout.

Considering the factors above, we have valued Infibeam on an SOTP basis and we have come up at a target price of INR 256.

Infibeam Avenues Ltd.

Q1FY19 Result Snapshot

Exhibit 1: Quarterly Income Statement

Particulars (INR Mn)	Q1FY19	Q4FY18	Q-o-Q (%)	Q1FY18	Y-o-Y (%)
Revenue from operations	913	864	5.7%	721	26.6%
Payment gateway processing charges	750	505	48.5%	411	82.7%
Employee benefit expense	76	73	5.0%	62	23.7%
Other expenses	116	155	-24.9%	101	15.6%
EBITDA	-29	131	NM	149	NM
Adjusted EBITDA	45.90	211.4	-78.3%	148.6	-69.1%
Depreciation and Amortization Expense	111	118	-5.4%	96	16.6%
EBIT	-141	14	NM	53	NM
Finance Cost	12	11	8.8%	13	-6.8%
Other Income	32	19	64.1%	202	-84.4%
PBT before exceptional items	-121	21	NM	242	NM
Exceptional Items	-32	0	NM	0	NM
Profit before Tax (PBT)	-153	21	NM	242	NM
Tax Expense	-14	43	NM	115	NM
Reported PAT	-139	-22	NM	127	NM
Adjusted (PAT)	-32	58.0	NM	127	NM
Adjusted EPS Basic (INR)	-0.05	0.09	NM	0.19	NM
Margin Analysis (%)					
Adj. EBITDA Margin (%)	5.0%	24.5%	-1945	20.6%	-1,558
Adj. PAT Margin (%)	-3.5%	6.7%	-1020	17.6%	-2110
Effective Tax Rate (%)	9.2%	202.8%	NM	47.5%	-3,824
Cost Analysis (%)					
Payment Gateway charges as a % of revenues	82.1%	58.5%	2,366	56.9%	2,519
Employee costs as a % of revenues	8.3%	8.4%	(6)	8.5%	(19)
Other expenses as a % of revenues	12.7%	17.9%	(520)	13.9%	(121)

Source: Company, KRChoksey Research

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Exhibit 2: Profit & Loss Statement

INR Mn	FY16	FY17	FY18	FY19E	FY20E
Net Sales	3,370	4,413	8,393	14,716	23,477
Growth %	16.9%	31.0%	90.2%	75.3%	59.5%
Total Revenue	3,370	4,413	8,393	14,716	23,477
Less:					
Increase/Decrease in Stock	115	(144)	22	(198)	(409)
Cost of Services & Raw Materials	2,437	2,586	2,901	4,462	6,850
Employee Cost & Related Expenses	277	569	559	625	638
Payment Gateway Processing Charges	0	0	1,785	3,443	5,628
Miscellaneous Expenses	552	449	1,603	3,002	4,661
Total Operating Expenditure	3,151	3,747	6,826	11,335	17,369
EBIDTA	218	667	1,567	3,381	6,108
Growth %	N.A.	205.7%	135.1%	115.7%	80.7%
Adjusted EBIDTA*	218	667	1,818	3,381	6,108
Growth %	N.A.	205.7%	172.5%	85.9%	80.7%
Less: Depreciation	175	225	664	817	991
EBIT	43	442	903	2,563	5,117
Growth %	N.A.	934.7%	104.3%	183.9%	99.6%
Interest Paid	11	43	57	37	37
Non-operating Income	55	164	313	71	125
Profit Before tax	86	563	1,159	2,597	5,205
Tax	(1)	128	271	571	1,145
Net Profit before Minority	87	435	888	2,026	4,060
Profit/Loss of Associate Company	(6)	0	(7)	0	0
Net Profit	93	441	882	2,020	4,054
Adjusted Net Profit*	93	441	1,111	2,020	4,054
Reported Diluted EPS Rs	0.2	0.8	2.0	3.0	6.1
Growth %	N.A.	N.A.	100.0%	50.0%	100.7%

Source: Company, KRChoksey Research

* - FY18 numbers are adjusting the merger cost.

Exhibit 3: Balance Sheet

INR Mn	FY16	FY17	FY18	FY19E	FY20E
Liabilities					
Equity Capital	530.9	538.9	542.8	664.8	664.8
Reserves & Surplus	6,099.5	7,288.3	25,715.9	27,575.7	31,469.8
Equity	6,630.4	7,827.3	26,258.7	28,240.5	32,134.6
Net Worth	6,630.4	7,827.3	26,258.7	28,240.5	32,134.6
Net Deferred tax liability/(Asset)	13.5	4.6	142.4	142.4	142.4
Total Loans	36.9	1,362.3	670.2	370.2	370.2
Capital Employed	6,680.9	9,194.1	27,071.3	28,753.1	32,647.2
Gross Block	1,090.9	1,548.9	5,773.0	6,010.3	7,076.3
Less: Depreciation	478.9	703.7	818.3	1,635.7	2,626.4
Net Block	612.0	845.2	4,954.7	4,374.6	4,449.9
Capital WIP	192.5	1,205.8	237.3	533.0	0.0
Investments	0.0	600.0	263.7	263.7	263.7
Goodwill on consolidation			16,190.7	16,190.7	16,190.7
Current Assets					
Inventories	237.8	94.2	116.1	282.2	450.2
Sundry Debtors	479.7	555.0	1,107.0	1,411.1	2,058.2
Cash and Bank Balance	5,330.9	3,238.7	2,192.7	5,120.7	9,138.5
Loans and Advances	334.3	2,655.0	2,816.4	806.3	1,286.4
Total Current Assets	6,382.6	6,542.9	6,232.2	7,620.3	12,933.4
Less: Current Liabilities & Provisions					
Sundry Creditors	813.3	1,172.0	2,559.2	2,015.8	2,894.4
Provisions	6.0	69.2	57.7	22.9	105.7
Total Current Liabilities & Provisions	819.3	1,241.3	2,616.9	2,038.8	3,000.1
Miscellaneous Assets	313.1	1,241.5	1,809.6	1,809.6	1,809.6
Capital Applied	6,680.9	9,194.1	27,071.3	28,753.2	32,647.2

Source: Company, KRChoksey Research

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Exhibit 4: Cash Flow Analysis

INR Mn	FY16	FY17	FY18	FY19E	FY20E
PAT	92.7	441.1	882.2	2,019.9	4,054.1
Less: Non Operating Income	(46.2)	(161.4)	(313.3)	(71.1)	(125.1)
Add: Depreciation	175.4	224.8	664.3	817.4	990.7
Add: Interest Paid	11.5	42.6	57.3	37.0	37.0
Operating Profit before Working Capital Changes	311.7	633.1	1,290.5	2,803.2	4,956.7
(Inc)/Dec in Current Assets	13.4	(845.8)	(713.4)	1,706.0	(1,127.2)
Inc/(Dec) in Current Liabilities	72.2	591.4	1,375.6	(578.1)	961.3
Changes in Inventory	(115.0)	143.6	(21.9)	(166.1)	(168.0)
Net Cash Generated From Operations	282.3	522.3	1,930.8	3,764.9	4,622.8
Cash Flow from Investing Activities					
(Inc)/Dec in Fixed Assets	(119.0)	(2,299.2)	(4,224.1)	(237.3)	(1,066.0)
(Inc)/Dec in Capital Work In Progress	0.0	0.0	968.5	(295.7)	533.0
(Inc)/Dec in Investment (Strategic)	0.0	0.0	(15,854.4)	0.0	0.0
(Inc)/Dec in Investment (Others)	35.0	(3,423.5)	0.0	0.0	0.0
Add: Non Operating Income	50.2	138.7	313.3	71.1	125.1
(Inc)/Dec in Intangible Assets	4.0	0.0	(568.2)	0.0	0.0
Net Cash Flow from/(used in) Investing Activities	(29.8)	(5,584.0)	(19,364.9)	(461.9)	(407.9)
Cash Flow from Financing Activities					
Inc/(Dec) in Total Loans	6.8	1,305.4	(692.1)	(300.0)	0.0
Proceeds from issue of shares to CCAvenue	0.00	0.00	17610.72	0.0	0.0
Inc/(Dec) in Equity	4,500.0	600.00	3.86	122.0	0.0
Dividend Paid	0.0	0.0	(54.3)	(133.0)	(133.0)
Tax Paid on Dividend	0.0	0.0	(11.1)	(27.1)	(27.1)
Less: Interest Paid	(9.9)	(44.0)	(57.3)	(37.0)	(37.0)
Exceptional Item	(30.9)	(168.5)	(658.3)	0.0	0.0
Net Cash Flow from Financing Activities	4,466.0	1,692.9	16,141.6	(375.0)	(197.0)
Net Inc/Dec in cash equivalents	4,718.6	(3,368.8)	(1,292.5)	2,928.0	4,017.8
Opening Cash and Bank Balance	662.1	5,330.9	3,238.7	2,192.7	5,120.7
Closing Bank Balance	402.7	1,679.4	246.5	0.0	0.0
Closing Cash and Bank Balance	5,330.9	3,238.7	2,192.7	5,120.7	9,138.5

Source: Company, KRChoksey Research

Exhibit 5: Ratio Analysis

INR Mn	FY16	FY17	FY18	FY19E	FY20E
Key Operating Ratios					
EBITDA Margin (%)	6.5%	15.1%	21.3%*	23.0%	26.0%
Net Profit Margin (%)	2.8%	10.0%	12.8%*	13.7%	17.3%
RoE (%)	2.1%	5.9%	6.5%*	7.5%	13.5%
RoCE (%)	2.4%	5.8%	6.2%*	7.4%	13.3%
Current Ratio (x)	7.8x	5.3x	2.4x	3.7x	4.3x
Book Value Per Share (Rs.)	12.2	14.4	48.4	42.5	48.3
Financial Leverage Ratios					
Debt/ Equity (x)	0.0x	0.2x	0.0x	0.0x	0.0x
Interest Coverage (x)	3.7x	10.4x	25.3x*	69.2x	138.2x
Growth Indicators %					
Sales Growth (%)	16.9%	31.0%	90.2%	75.3%	59.5%
EBITDA Growth (%)	N.A.	205.7%	172.5%*	85.9%	80.7%
Net Profit Growth (%)	N.A.	376.0%	152.0%*	81.8%	100.7%
Diluted EPS Growth (%)	N.A.	376.0%	156.0%*	50.0%	103.3%
Turnover Ratios					
Debtors (Days of net sales)	44	43	35	24	25
Creditors (Days of Raw Materials)	122	154	159	84	88

Source: Company, KRChoksey Research

* - FY18 numbers are adjusting the merger cost.

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Infibeam Incorporation Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
27-Aug-18	223	256	ACCUMULATE	Buy	More than 15%
1-Jun-18	168	256	BUY	Accumulate	5% – 15%
15-Feb-18	162	248	BUY	Hold	0 – 5%
15-Nov-17	176	209	BUY	Reduce	-5% – 0
16-Aug-17	1,435	2,090	BUY	Sell	Less than – 5%
31-May-17	963	1530	BUY		
14-Feb-17	1,386	1,461	ACCUMULATE		
12-Dec-16	1,119	1,333	BUY		
21-Nov-16	1,045	1,333	BUY		
22-Sep-16	936	1,062	BUY		

ANALYST CERTIFICATION:

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