

Infibeam Avenues Ltd.



Infibeam Avenues Ltd.

New business vertical and geography to accelerate growth

CMP INR 82	Target INR 105	Potential Upside 27.4%	Market Cap (INR Mn) INR 53,942	Recommendation BUY	Sector Internet Software & Services
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Result highlights

- On standalone basis, for Q2FY21, revenue came to be INR 1,305 mn down 13.9% YoY (up 51.1% QoQ) and standalone PAT also declined 49.9% YoY (up 57.2% QoQ) to INR 50 mn.
- For Q2FY21 on consolidated basis, Revenue declined 8.6% YoY (up 49.9% QoQ) to INR 1,539 mn.
- EBITDA declined 13.9% YoY (up 11.7% QoQ) to INR 346 mn. EBITDA margin contracted 138 bps YoY / 769 bps QoQ to 22.5%. Operating margin contracted 493 bps YoY / 115 bps QoQ to 6.1% in Q2FY21.
- Net profit came at INR 90 mn for Q2FY21; down 65.1% YoY / 23.1% QoQ. Consequently, PAT margin contracted 953 bps YoY / 557 bps QoQ to 5.9%.

MARKET DATA

Shares O/S (Mn)	664.7
Equity Cap (INR Mn)	28,689
Mkt Cap (INR Mn)	53,942
52 Wk H/L (INR)	94.0/26.4
Volume Avg (3m K)	1,028
Face Value (INR)	1
Bloomberg Code	INFIBEAM IN

KEY FINANCIALS

Particulars (INR Mn)	FY18A	FY19A	FY20A	FY21E	FY 22E
Revenue	8,393	11,591	6,481	6,096	10,026
EBITDA	1,567	1,762	1,533	1,876	3,148
PAT	881	1,263	1,081	987	2,325
Adj. PAT	881	791	998	987	2,325
EPS (INR)	1.33	1.89	1.62	1.48	3.50
Adj. EPS (INR)	1.33	1.19	1.50	1.48	3.50
EBITDA Margin	18.7%	15.2%	23.7%	30.8%	31.4%
NPM	10.5%	10.9%	16.7%	16.2%	23.2%
Adj. NPM	10.5%	6.8%	15.4%	16.2%	23.2%

Source: Company, KRChoksey Research

Recorded highest ever payment volume growth during the quarter:

For Q2FY21 consolidated revenue declined 8.6% YoY (up 49.9% QoQ) to INR 1,539 mn. Revenue was affected due to the low contribution from sectors like aviation, travel & tourism, hotel, and entertainment. The payment volume saw a growth of 23% QoQ to 44 mn payment processed during Q2FY21. The growth in payments volume was led by Retail & Education industry as well as increasing participation of professionals like doctors, advisors, consultants etc. Grocery is new addition in this segment and is expected to build up in coming quarters. The TPV (Total Processing Value) grew 56% YoY / 61% QoQ to INR 22,780 cr.

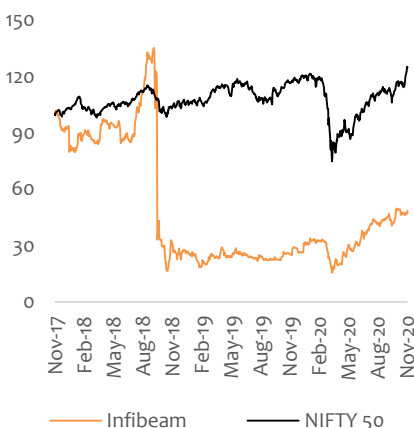
Bill payment grew on account of sharp rise in Digital adoption for utility payment:

BillAvenue witnessed a sharp growth ~3x in volume for the period of Apr'20 to Sep'20, on account of increasing digital adoption for utility payment during Covi-19 pandemic. On QoQ basis, the bill payment volume grew 89% to 4.9 mn in Q2FY21. The company is the exclusive processor of IOCL, BPCL and HPCL for LPG cylinder. Company has been focusing to add multiple educational institutions on this platform which will further boost the volume growth. At Industry level number of billers on BBPS has increased from 190 in April 2020 to 1,172 in September 2020, while the monthly volume has increased from 12.8 mn to 23.2 mn, respectively.

New business vertical and geography to accelerate growth for company:

Company's business vertical Express Settlement (ES) went live in India from Sep 2020. Company targets 20% of daily India TPV as ES in next 12-18 months. The current funding cost is nil for the company as it is funded from company's own fund. Currently, it is serviced only to large clients, will be extended to SME's too in the coming months. Other new business vertical which the company entered is Neo Banking, through its platform Grit. It offers various payment and expenses management services to clients at one platform, like the issue of physical and virtual credit card with pre-defined expenses management, instant opening of bank account, multiple bank a/c management & real-time interbank transfer, etc. Company enjoys early mover advantage in this vertical with no other competitor currently prevailing in the domestic market. It also entered into Oman (3rd market for company in GCC) to offer the CPGS (Card Payment Gateway Services) to BankDhofar the second largest bank in region.

SHARE PRICE PERFORMANCE

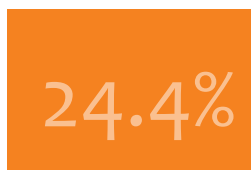


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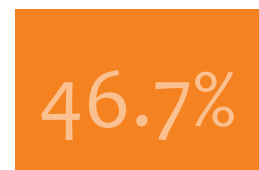
SENSEX	43,443
NIFTY	12,720

SHARE HOLDING PATTERN (%)

Particulars	Sep-20	Jun-20	Mar-20
Promoters	32.33	32.33	32.33
FII's	7.05	7.01	7.2
DII's	0.43	0.32	0.28
Others	60.19	60.34	60.19
Total	100	100	100



Revenue CAGR between FY20 and FY22E



PAT CAGR between FY20 and FY22E

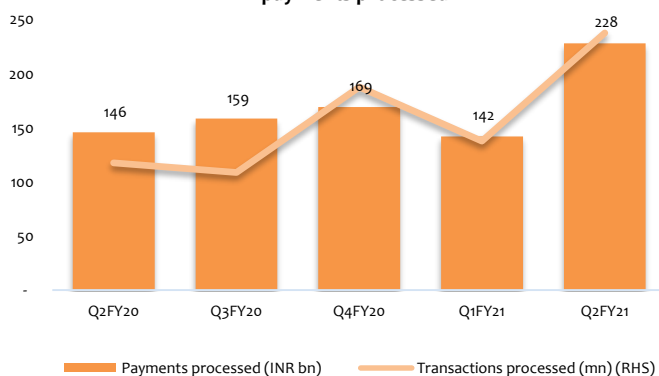
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Key Concall Highlights: (i) Company has witnessed highest ever payment processing volume in Q2FY21 and expects the momentum to continue with gradual opening of other sectors in Q3FY21 like aviation, hospitality, travel etc. post COVID-19. (ii) Daily GTV in month of September stood at INR 275 cr, which was 2.5x and 1.5x of April and March daily GTV. Hence GTV in month of September crossed INR 8,000 cr, despite many sectors (airlines, hospitality, etc.) that have not yet recovered post COVID-19. Company expects to have GTV in the range of INR 10,000-12,000 Cr a month in coming few months with this sector opening. (iii) Company entered into an agreement with Reliance Industries’ Jio Platform Ltd and its affiliates (JPL) to license, customize, maintain and access IAL’s enterprise E-commerce software and payment platform for business use. The agreement was signed at end of September and revenue is expected to start from Q3FY21. Revenue includes a combination of license fee and revenue customization scheme and is working with parallel revenue stream with JPL. (iv) Entered definitive agreement with JPMorgan Chase Bank India, to offer IAL’s flagship payment platform, CCAvenue, for processing transactions of JPMC enterprise clients. (v) Entered in Oman a developing e-commerce market to offer CPGS (payment gateway services) BankDhofar the second largest bank in region, to process card payment. (vi) Oman is company’s third market in GCC country after UAE (entered in 2018) and Saudi Arabia (entered in 2019). It has also gone live in USA for payment solution. (viii) In Q2FY21 company entered Express Settlement (ES) and company targets to capture 20% of daily India TPV in 12-18 months. (ix) Company entered new vertical Neo banking, for big corporates and SME, which will act a single stop solution for corporates to look after the expenses and payments. This solution is provided through Cardpay Technologies (acquired in Q1FY21) platform Grit. It is one of a kind of solution provided by the company with no competition as of day in domestic market. (x) Company along with consortium partner will apply for RBI license for New Umbrella Entity (NUE) for retail payment giving huge opportunities in retail payment field. Company will invest up to ~INR 18 Cr for 1/3 stake in So Hum (So Hum Bharat Digital Payments Pvt. Ltd.) (xi) Company witnessed registration of ~150 merchants each day and continues to see traction to offer online services.

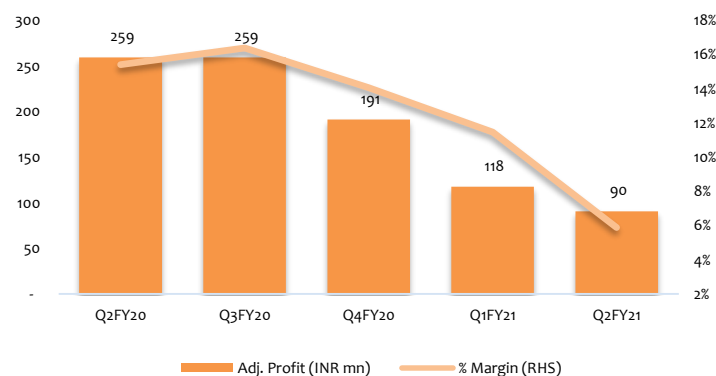
Valuation and view

Infibeam is currently witnessing a steep volume increase in its payment service business as well as bill payment business. Despite volume being low in aviation, travel& tourism, hotel and entertainment, company witnessed a robust payment volume growth in Q2FY21 led by retail and educational sector and increasing use of payment services by professionals. While Bill payment too saw a sharp rise in volume in last few months on account of increase in the adoption of digital service for utility payment. Going forward, Payments are the long-term positives for the company and we expect digital payments to continue an exponential growth trajectory. Company has signed certain strategic deals like 1) agreement with Reliance Industries’ Jio Platform ltd to license, customize, maintain and access IAL’s Enterprise E-commerce Software and Payments Platform for their business use 2) agreement with JPMorgan Chase Bank India to offer IAL’s flagship payment platform CCAvenue for processing transaction of JPMC enterprise clients etc. in last few months, and we expect this will help company to accelerate revenue and margins growth in coming period. **Share of Infibeam is currently trading at a P/E multiple of 55.5x/23.5x on FY21E/FY22E earnings. We expect topline and earnings estimates to grow at CAGR of 24.4% and 46.7% respectively between FY20 to FY22E and apply a P/E multiple of 30x to the FY22 estimated EPS of INR 3.24 and maintain our previous target price of INR 105 per share, an upside of 27.4% over the CMP. Accordingly, we reiterate the “BUY” rating to the shares of Infibeam.**

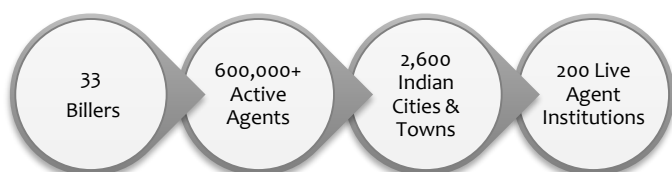
With the digital penetration, there is steady rise in the payments processed



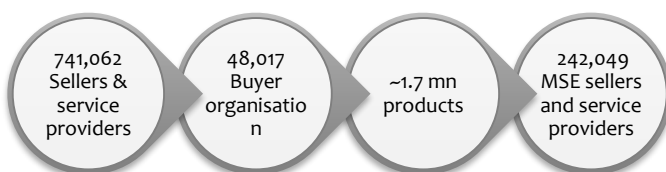
Profitability impacted due to poor operational efficiency



BillAvenue Platform Statistics



GeM platform statistics



Source: Company, KRChoksey Research

Source: Company, GeM, KRChoksey Research

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KEY FINANCIALS

Exhibit 1: Balance Sheet

Particulars (INR Mn)	FY 18A	FY 19A	FY 20A	FY 21E	FY 22E
Cash and Cash Equivalents	1,583	1,317	914	2,628	4,118
Other bank balances	247	11	125	125	125
Inventories	116	0	0	0	0
Trade receivables	1,107	245	573	539	886
Investments	2	0	0	0	0
Loans	6	6	17	17	17
Other financial assets	687	767	745	745	745
Other current assets	2,122	2,727	2,252	853	1,203
Total current assets	5,869	5,071	4,625	4,907	7,093
Assets classified for sale	0	3,181	870	870	870
Non-current assets					
Property, plant and equipment, net	1,688	1,938	2,419	2,752	3,433
Capital WIP	237	217	0	0	0
Goodwill, net	16,191	16,144	16,144	16,144	16,144
Intangible assets	3,267	2,935	2,772	2,081	1,603
Intangible assets under development	358	107	0	0	0
Financial assets					
Investments	264	1,017	3,921	3,921	3,921
Loans	0	0	0	0	0
Other financial assets	235	94	472	472	472
Deferred tax assets (net)	5	8	7	7	7
Income tax assets (net)	122	138	206	206	206
Other non current assets	1,453	894	340	320	526
Total non-current assets	23,819	23,491	26,282	25,904	26,312
Total Assets	29,688	31,744	31,777	31,681	34,275
Liabilities and equity					
Borrowings	317	138	88	68	48
Trade payables	252	184	313	257	428
Other financial liabilities	179	350	258	258	258
Other current liabilities	2,128	3,139	2,058	1,219	1,504
Provisions	9	5	13	13	13
Income tax liabilities	48	48	50	50	50
Total current liabilities	2,934	3,863	2,780	1,864	2,300
Long-Term Debt / Borrowings	353	265	211	123	36
Provisions	42	47	48	48	48
Deferred tax liabilities (net)	97	199	295	295	295
Total liabilities	3,426	4,374	3,333	2,330	2,679
Share Capital	543	663	665	665	665
Other equity	25,716	26,713	27,785	28,692	30,937
Total Equity holders of the company	26,259	27,376	28,450	29,357	31,602
Non-controlling interests	4	-7	-6	-6	-6
Total Equity	26,262	27,370	28,443	29,351	31,596
Total liabilities and equity	29,688	31,744	31,777	31,681	34,275

Source: Company, KRChoksey Research

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KEY FINANCIALS

Exhibit 2: Profit & Loss Statement

Particulars (INR Mn)	FY 18A	FY 19A	FY 20A	FY 21E	FY 22E
Revenues (INR)	8,393	11,591	6,481	6,096	10,026
Cost of sales	4,664	5,955	3,964	3,253	5,414
Gross profit	3,729	5,636	2,517	2,844	4,612
Opex	2,162	3,874	984	967	1,464
Operating profit	903	940	619	902	2,327
D&A	664	822	914	975	821
EBITDA	1,567	1,762	1,533	1,876	3,148
Finance Cost	57	65	44	36	12
Other income, net	313	111	124	128	180
PBT before share of associates	1,159	986	700	993	2,495
Share of profit/loss of associates	-7	76	510	205	340
Exceptional items	0	472	83	0	0
Pretax Income	1,152	1,535	1,293	1,198	2,835
Income tax expense	271	272	212	211	510
Net profit	881	1,263	1,081	987	2,325
Adjusted Net profit	881	791	998	987	2,325
Diluted EPS (Rs)	1.33	1.89	1.62	1.48	3.50
Adjusted EPS (Rs)	1.33	1.19	1.50	1.48	3.50
No. of Shares (mn) - Diluted	663	663	665	665	665

Source: Company, KRChoksey Research

Exhibit 3: Free Cash Flow Analysis

Particulars (INR Mn)	FY 18A	FY 19A	FY 20A	FY 21E	FY 22E
Net Cash Generated From Operations	973	3,081	224	2,314	2,358
Net Cash Flow from Investing Activities	-159	-2,220	-367	-411	-683
Net Cash Flow from Financing Activities	-968	-543	-260	-189	-186
Net Inc/Dec in cash equivalents	-154	318	-403	1,715	1,490
Opening Balance	1,379	1,583	1,317	914	2,628
Other Adjustments	358	0	0	0	0
Closing Balance Cash and Cash Equivalents	1,583	1,317	914	2,628	4,118

Source: Company, KRChoksey Research

Exhibit 4: Ratio Analysis

Key Ratio	FY18A	FY19A	FY20A	FY21E	FY 22E
Tax rate (%)	23.5%	17.7%	16.4%	17.6%	18.0%
RoE (%)	3.4%	4.6%	3.8%	3.4%	7.4%
RoE (%) - Adj for Goodwill	8.8%	11.2%	8.8%	7.5%	15.0%
RoCE (%)	3.4%	3.4%	2.1%	3.0%	7.3%
Current Ratio (x)	2.00x	1.31x	1.66x	2.63x	3.08x
Book Value Per Share (INR)	39.58	41.27	42.80	44.17	47.54
OPM	10.8%	8.1%	9.6%	14.8%	23.2%
EBITDA Margin	18.7%	15.2%	23.7%	30.8%	31.4%
NPM	10.5%	10.9%	16.7%	16.2%	23.2%
Adj. NPM	10.5%	6.8%	15.4%	16.2%	23.2%

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
13-Nov-20	82	105	BUY	Buy	More than 15%
19-Oct-20	87	105	BUY		
03-Sep-20	57	72	BUY	Accumulate	5% – 15%
15-Apr-20	35	55	BUY		
29-Jan-20	60	72	BUY	Hold	0 – 5%
25-Oct-19	47	72	BUY	Reduce	-5% – 0
27-Sep-19	40	72	BUY		
26-Aug-19	40	72	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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