

Infibeam Avenues Ltd.



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Strong growth in TPVs besides secured lending merchant additions to drive growth

CMP INR 42.9	Target INR 86	Potential Upside: 100%	Market Cap (INR Mn) INR 57,140	Recommendation BUY	Sector Internet Software & Services
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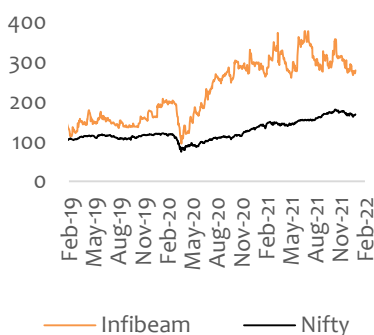
Result highlights

- Consolidated revenue for Q3FY22 came at INR 3,970 mn, up 74.3% YoY (+27.7% QoQ) (vs. our estimate of INR 3,537 mn) and adjusted PAT increased by 88.8% YoY (+35.3% QoQ) to INR 241.7 mn (vs. our estimate of INR 239.2 mn) for Q3FY22.
- The revenue growth was driven by Transaction Processed Value (TPV) increasing at 89.7% YoY (+17.3% QoQ) to INR 754 bn (vs. our estimate of INR 731 bn) in Q3FY22 (vs. INR 398 bn in Q3FY21 vs. INR 643 bn in Q2FY22) and estimated gross take rate (GTR) (including gross transaction and non transaction services revenue) declining by 4.7 bps YoY (+ 4.3 bps QoQ) to 52.63 bps for Q3FY22. The reported Net Take Rate (NTR, based on transaction-based net revenue, 65.7% of consolidated net revenue) declined 36.5% YoY (+0.5% QoQ) to INR 6.1 bps
- The company has been beating its annualized TPV guidance due to strong merchant sign ups and growth in GeM platform volumes. However, EBITDA has come lower than estimate due to lower GPMs and higher other expenses vs. estimates.

MARKET DATA

Shares O/S (Mn)	1,332.0
Equity Cap (INR Mn)	29,320
Mkt Cap (INR Mn)	57,140
52 Wk H/L (INR)	58.4/36.7
Volume Avg (3m K)	4,230
Face Value (INR)	1
Bloomberg Code	INFIBEAM IN

SHARE PRICE PERFORMANCE



KEY FINANCIALS

Particulars (INR Mn)	FY20A	FY21A	FY22E	FY23E	FY 24E
Revenue	6,327	6,760	13,267	20,701	28,981
EBITDA	1,512	1,419	1,387	2,269	3,235
EPS (INR)	0.83	0.53	0.51	1.16	1.72
Adj. EPS (INR)	1.55	0.53	0.51	1.16	1.72
EBITDA Margin	23.9%	21.0%	10.5%	11.0%	11.2%
Adj. NPM	16.26%	10.39%	5.08%	7.48%	7.91%
PE (x)	27.7	81.3	84.7	36.9	24.91

Gross Profits increased at 14.6% YoY and 14.4% QoQ to INR 700 mn: On a consolidated basis, Infibeam's gross revenue grew at 74.3% YoY (+27.7% QoQ) to INR 3,970 mn. The growth in gross revenue was driven by 89.7% YoY (+17.3% QoQ) rise in TPV to INR 754 bn in Q3FY22. However, as cost of sales rose at a faster pace of 96.1% YoY (+30.9% QoQ), the Net Revenue (gross profits) increased at a slower pace of 14.6% YoY (+14.4% QoQ) to INR 700 mn (vs. our estimate of INR 707 mn) and Gross Profits Margin (GPM) declined by 900 bps YoY and by 204 bps QoQ to 17.6% for Q3FY22. As a result, and due to increase in employee costs by 34.8% YoY (+2.5% QoQ) and 92.4% YoY (+79.2% QoQ) rise in the other expenses, the company's EBITDA declined at 4.7% YoY (+9.7% QoQ) to INR 378 mn (vs. our estimate of INR 424 mn). The EBITDA margin declined 789 bps YoY/156 bps QoQ to 9.5% in Q3FY22. After decline in depreciation and finance costs by 21.1% YoY/19.5% QoQ and 43% YoY (+19.5% QoQ), respectively, partially offset by decline in income from share of associates by 247.1% YoY/6.8% QoQ but 48.3% YoY/53.6% QoQ rise in other income, the company's adjusted net income increased by 88.8% YoY/35.3% QoQ to INR 241.7 mn against our estimate of INR 239.2 mn for Q3FY22. We have toned down our CAGR EBITDA estimates to 10.9% from 12.5% earlier and NPMs estimates to 6.8% from 8.0% earlier over FY22E-FY24E.

Gross Take Rate (GTR) improving QoQ since Q1FY22: The GTR is improving QoQ (consecutively) since Q1FY22 due to strong growth in TPVs. TPVs grew at 14.0% CQGR over Q4FY21 – Q3FY22 and at 89.7% YoY/17.3% QoQ to INR 754 bn in Q3FY22. The company attributes the strong growth in TPVs to increased credit card transaction volumes, uptick in travel and hospitality sector and discretionary spend in the economy. Also, strong adoption of expressed lending, CPGS and B2Biz Payments services among its merchant and financial institutions and corporate customers, respectively, helped. We believe this is finally reflecting in the Net Take Rate (NTR) also. NTR has stabilized in Q3FY22 at 6.1 bps QoQ (-350 bps YoY). Secured lending stands at USD 175 mn (INR 13 bn) as of Q3FY22 and is running at an annualized run rate of USD 700 mn (INR 52.50 bn).

MARKET INFO

SENSEX	59,788
NIFTY	17,560

SHARE HOLDING PATTERN (%)

Particulars	Dec-21	Sep-21	June-21
Promoters	31.07	31.07	31.09
FIIIs	7.59	7.13	7.05
DIIIs	0.03	0.03	0.03
Others	61.31	61.77	61.83
Total	100.00	100.00	100.00

62.4%

Revenue CAGR between FY21 and FY24E

48.4%

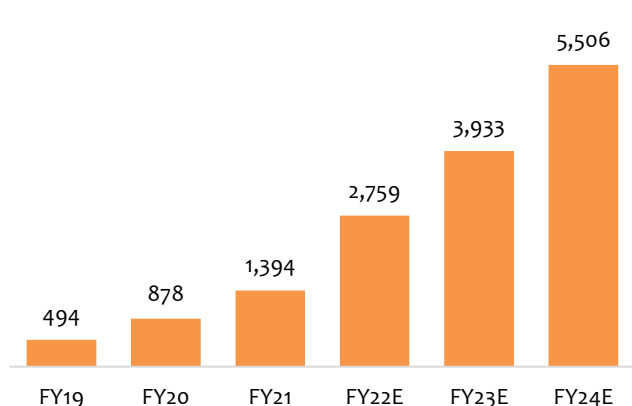
PAT CAGR between FY21 and FY24E

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Key Concall Highlights: (i) The company believes that government's vision to make India cash less economy will accelerate business growth of digital ecosystem (ii) GeM's transacted Gross Merchandise Value (GMV) is expected to reach approximately INR 1 tn in FY22E and can double upto INR 2.0 tn in FY23E and GeM take rate has no pass through costs involved, leading to higher EBITDA accretion per transaction value processed (iii) Merchant adoption is very high on GeM platform (iv) The company added 8,000 merchants across services every day, totaling 800,000 merchants added in Q3FY22 (v) Secured lending is at USD 170.0 mn in Q3FY22 vs. USD 150.0 mn in Q2FY22 and is going at an annualized rate of USD 700 mn (far ahead of FY22E guidance of USD 200 mn) and is expected to reach an annualized rate of USD 1.0 bn by the end of FY22 (vi) The company has been offering Buy Now Pay Later (BNPL) options under the payment gateway, where it earns upfront Merchant Discount Rate (MDR) without any credit risk and also has launched Trust Avenue, a lending aggregation platform for connecting merchants and corporates with banks and NBFCs, which can be margin accretive (vii) The company intends to continue to grow its market share with an eye on profitability (viii) The company has entered into offline payment services as well with the acquisition of Uvik Technologies, whose payment platform enables a smartphone to turn into payment terminal (ix) The company has received an expression of interest from Royal Family of Qatar, Althani Group to form a JV in Qatar to set up a payments business (x) The company has announced a 1:1 bonus and a 5% interim dividend

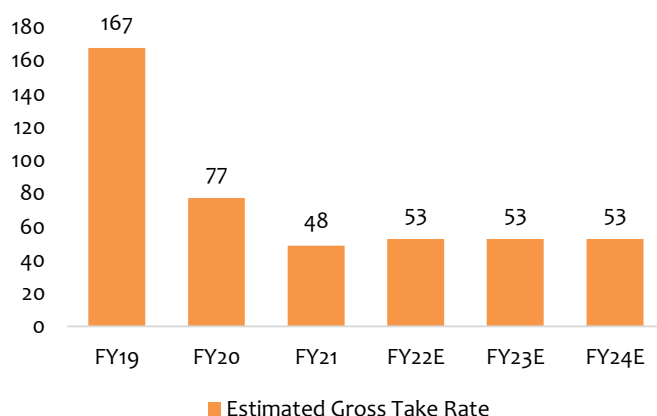
Valuation and view: The company has been seeing an uptick in traditional sectors' volumes such as hospitality and entertainment, recovery in discretionary spending in the economy and strong volumes on GeM and Bill Avenues platforms. Also, the company's additional lines of new businesses such as express lending, CPGS, B2Biz are experiencing strong traction. To complement it further, the company has launched lending aggregating platform (Trust Avenue) and acquired a technology company (Uvik) to be able to offer offline payment services as well. We believe the government's digitization initiatives (Budget 2022) will 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 (at a slower pace, however, than anticipated before, over the same period, as Q3FY22 EBITDA margins have been below our estimates). **Infibeam is trading at 2.7x/1.9x its FY23E/FY24E EV/sales. Despite the recent meltdown witnessed in loss making high valued technology stocks like PayTM, Zomato etc. we are bullish on Infibeam and expect the company's revenue and earnings to grow at 62.4% and 48.4% CAGR respectively over FY21-FY24E. We value the company at EV/sales multiple of 3.9x on FY24E sales (4x price to sales FY24E) to arrive at a target price of INR 86 (unchanged). Accordingly, we maintain our "BUY" rating on the Infibeam stock which has an upside potential of 100% over the CMP.**

TPV in INR bn



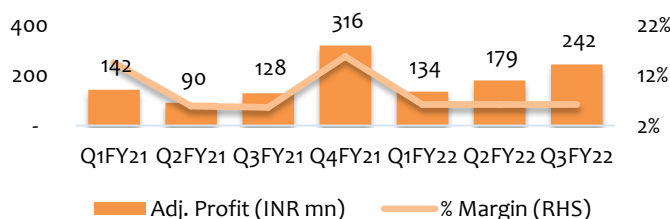
Source: Company, KRChoksey Research

Estimated Gross Take rate in BPS



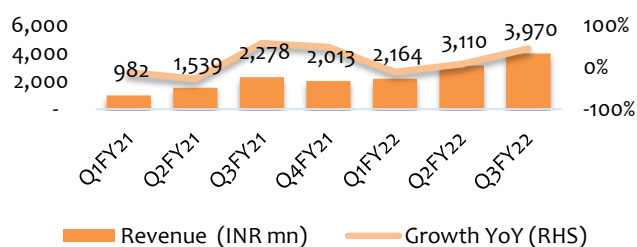
Source: Company, GeM, KRChoksey Research

Profitability improved due to growth in TPV, improvement in GTR, increased other income and reduced depreciation QoQ



Source: Company, KRChoksey Research

Revenue increase with increase in GTR and TPV QoQ



Source: Company, KRChoksey Research

Infibeam Avenues Ltd.

KEY FINANCIALS

Exhibit 1: Balance Sheet

Particulars (INR Mn)	FY 20A	FY 21A	FY 22E	FY 23E	FY 24E
Cash and Cash Equivalents	914	1,774	2,574	2,355	4,573
Other bank balances	125	8	8	8	8
Trade receivables	573	729	1,431	2,233	3,126
Loans	17	16	16	16	16
Other financial assets	745	1,670	1,670	1,670	1,670
Other current assets	2,252	4,630	1,592	2,484	3,478
Total current assets	4,625	8,825	7,290	8,765	12,869
Assets classified for sale	870	0	0	0	0
Non-current assets					
PPE	2,419	2,320	2,740	3,497	4,552
Capital WIP	0	0	0	0	0
Goodwill, net	16,144	16,198	16,198	16,198	16,198
Intangible assets	2,772	2,648	2,105	1,674	1,331
Intangible assets under development	0	0	0	0	0
Financial assets					
Investments	3,921	4,567	4,567	4,567	4,567
Other financial assets	472	85	85	85	85
Deferred tax assets (net)	7	0	0	0	0
Income tax assets (net)	206	271	271	271	271
Other non current assets	340	582	4,594	7,169	10,036
Total non-current assets	26,282	26,671	30,561	33,460	37,039
Total Assets	31,777	35,496	37,850	42,225	49,908
Liabilities and equity					
Borrowings	88	88	0	0	0
Trade payables	313	216	522	806	1,126
Other financial liabilities	258	560	560	560	560
Other current liabilities	2,058	5,161	6,633	5,175	7,245
Provisions	13	14	14	14	14
Income tax liabilities	50	48	48	48	48
Total current liabilities	2,780	6,086	7,777	6,603	8,993
Long-Term Debt / Borrowings	176	110	0	4,000	7,000
Provisions and other financial liabilities	83	92	92	92	92
Deferred tax liabilities (net)	295	328	328	328	328
Total liabilities	3,333	6,617	8,198	11,024	16,414
Share Capital	665	1,331	1,331	1,331	1,331
Other equity	27,785	27,551	28,324	29,774	32,068
Total Equity holders of the company	28,450	28,882	29,655	31,105	33,399
Non-controlling interests	-6	-3	-3	-3	-3
Total Equity	28,443	28,879	29,653	31,201	33,396
Total liabilities and equity	31,777	35,496	37,850	42,225	49,908

Source: Company, KRChoksey Research

Infibeam Avenues Ltd.

KEY FINANCIALS

Exhibit 2: Profit & Loss Statement

Particulars (INR Mn)	FY 20	FY 21	FY 22E	FY 23E	FY 24E
Revenues (INR)	6,327	6,760	13,267	20,701	28,981
Cost of sales	3,964	4,427	10,724	16,568	23,138
Gross profit	2,363	2,333	2,543	4,132	5,843
Opex	852	915	1,155	1,863	2,608
Operating profit	638	668	635	1,767	2,788
D&A	873	751	753	503	447
EBITDA	1,512	1,419	1,387	2,269	3,235
Finance Cost	42	37	21	46	126
Other income, net	117	100	104	100	100
PBT before share of associates	712	732	718	1,821	2,762
Share of profit/loss of associates	528	86	134	134	134
Exceptional items	83	0	0	0	0
Pretax Income	1,323	818	851	1,954	2,895
Income tax expense	212	115	177	406	602
Net profit	1,111	703	675	1,548	2,294
Adjusted Net profit	1,029	703	675	1,548	2,294
Diluted EPS (Rs)	0.83	0.53	0.51	1.16	1.72
Adjusted EPS (Rs)	1.55	0.53	0.51	1.16	1.72
No. of Shares (mn) - Diluted	665	1,331	1,332	1,332	1,332

Source: Company, KRChoksey Research

Exhibit 3: Free Cash Flow Analysis

Particulars (INR Mn)	FY 20A	FY 21A	FY 22E	FY 23E	FY 24E
Net Cash Generated From Operations	184	1,551	1,396	-3,524	243
Net Cash Flow from/(used in) Investing Activities	-367	-640	-397	-694	-1,025
Net Cash Flow from Financing Activities	-260	-95	-198	4,000	3,000
Net Inc/Dec in cash equivalents	-444	816	800	-219	2,218
Opening Balance	1,317	863	1,774	2,574	2,355
Other Adjustments	-11	95	0	0	0
Closing Balance Cash and Cash Equivalents	863	1,774	2,574	2,355	4,573

Source: Company, KRChoksey Research

Exhibit 4: Ratio Analysis

Key Ratio	FY20A	FY21A	FY22E	FY23E	FY 24E
Tax rate (%)	16.0%	14.1%	20.8%	20.8%	20.8%
RoE (%)	3.9%	2.4%	2.3%	5.0%	6.9%
RoE (%) - Adj for Goodwill	9.0%	5.5%	5.0%	10.4%	13.3%
RoCE (%)	2.2%	2.3%	2.1%	5.0%	6.8%
Current Ratio (x)	1.66x	1.45x	0.94x	1.33x	1.43x
Book Value Per Share (INR)	42.80	21.70	22.26	23.35	25.07
OPM	10.1%	9.9%	4.8%	8.5%	9.6%
EBITDA Margin	23.9%	21.0%	10.5%	11.0%	11.2%
NPM	17.6%	10.4%	5.1%	7.5%	7.9%
Adj. NPM	16.3%	10.4%	5.1%	7.5%	7.9%

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
04-Feb-22	43	86	BUY	Buy	More than 15%
1-Nov-21	46	86	BUY		
11-Aug-21	42	86	BUY	Accumulate	5% – 15%
28-May-21	46	86	BUY		
12-Feb-21	91	110	BUY	Hold	0 – 5%
13-Nov-20	82	105	BUY		
19-Oct-20	87	105	BUY	Reduce	-5% – 0
03-Sep-20	57	72	BUY		
				Sell	Less than – 5%

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