

# Infibeam Avenues Limited.



# Infibeam Avenues Ltd.

**TPVs and NTRs drive profits growth but new business margins dilutive due to low scale**

CMP <b>INR 16</b>	Target <b>INR 28</b>	Potential <b>Upside: 77%</b>	Market Cap (INR Mn) <b>INR 42,150</b>	Recommendation <b>BUY</b>	Sector <b>Internet Software &amp; Services</b>
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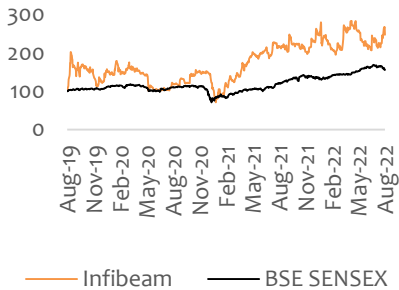
## Result highlights for Q1FY23:

- The company's consolidated revenue increased 93.3% YoY (+13.2% QoQ) to INR 4.18 bn in Q1FY23. This has been driven by a strong rise in TPVs, which grew at 72.2% YoY (+2.0% QoQ) to INR 872.18 bn in Q1FY23 and 27.8% YoY (+3.0% QoQ) rise in Net Take Rate (NTR) to 6.90 paise in Q1FY23.
- The fall in the GeM platform TPVs (which have higher gross margins) QoQ due to seasonality and international CC avenues including the Issuance business (GoPayments), which have lower margins, as they are recent start-ups, led to consolidated GPM declining 650 bps YoY (-299 bps QoQ) to 17.6% in Q1FY23.
- The company's consolidated net income rose by 68.8% YoY (-20.0% QoQ) to INR 225.9 mn but NPM declined by 78 bps YoY (-224 bps QoQ) to 5.4% in Q1FY23.

## MARKET DATA

Shares O/S (Mn)	2,676
Equity Cap (INR Mn)	29,579
Mkt Cap (INR Mn)	42,150
52 Wk H/L (INR)	26.5/12.5
Volume Avg (3m K)	3,347
Face Value (INR)	1
Bloomberg Code	INFIBEAM IN Equity

## SHARE PRICE PERFORMANCE



## KEY FINANCIALS

Particulars (INR Mn)	FY20A	FY21A	FY22A	FY23E	FY 24E
Revenue	6,327	6,760	12,939	21,696	24,508
EBITDA	1,512	1,419	1,450	2,126	2,402
EPS (INR)	0.83	0.26	0.31	0.45	0.58
Adj. EPS (INR)	0.38	0.26	0.31	0.45	0.58
EBITDA Margin	23.9%	21.0%	11.2%	9.8%	9.8%
Adj. NPM	16.26%	10.39%	6.46%	5.55%	6.35%
PE (x)	41.0	60.0	50.4	35.0	27.1

**Revenue growth driven by strong growth in TPVs and Net Take Rates (NTRs):** The company's consolidated revenue increased 93.3% YoY (+13.2% QoQ) to INR 4.18 bn in Q1FY23. This has been driven by a strong rise in TPVs, which grew at 72.2% YoY (+2.0% QoQ) to INR 872.18 bn in Q1FY23 and 27.8% YoY (+3.0% QoQ) rise in Net Take Rate (NTR) to 6.90 paise in Q1FY23. The strong growth in consolidated TPVs is driven by a 50.7% YoY (+7.7% QoQ) rise in India payments business TPVs (50.0% of consolidated TPVs), a 103.5% YoY (-5.9% QoQ) increase in the platform (GeM) TPVs (42.0% of consolidated TPV) and an 89.2% YoY (+13.5% QoQ) rise in GoPayments and International CC Avenue TPVs (8.0% of TPVs) in Q1FY23. The NTR growth has been driven by sectoral mix improvement with the opening of the economy and a higher share of platform TPVs, while it was offset, partially, by a reduction in Platforms TPVs (GeM) QoQ in Q1FY23.

**Gross Profit Margins (GPM) volatile due to change in the revenue mix:** The fall in the GeM platform TPVs (which have higher gross margins) QoQ due to seasonality and international CC avenues including the Issuance business (GoPayments), which have lower margins, as they are recent start-ups, led to consolidated GPM declining 650 bps YoY (-299 bps QoQ) to 17.6% in Q1FY23. The company believes that the new businesses such as GoPayments, the international CC avenue business, Express settlement (take rate of around 1-2 basis per value of the transaction), merchant lending, besides offline PoS business once become 20-30% of the revenue from less than 5.0% of the revenue as of Q1FY23, over a period, will further enhance the company's GPMs, as all these businesses have higher take rates than India business.

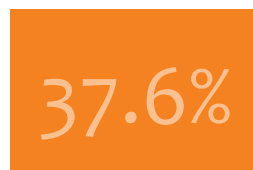
**EBITDA and Net Margins decline due to a fall in GPMs:** The company's EBITDA margins declined 282 bps YoY (-189 bps QoQ) to 10.2% in Q1FY23 due to a rise in employee costs by 20.5% YoY (+8.8% QoQ) and in other expenses by 60.5% YoY (-22.3% QoQ) in Q1FY23. However, with a 47.4% YoY (+44.0% QoQ) increase in other income and a 47.9% YoY (+26.7% QoQ) decline in finance costs, the company's consolidated net income rose by 68.8% YoY (-20.0% QoQ) to INR 225.9 mn but NPM declined by 78 bps YoY (-224 bps QoQ) to 5.4% in Q1FY23.

## MARKET INFO

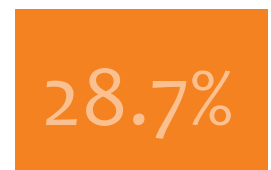
SENSEX	58,388
NIFTY	17,398

## SHARE HOLDING PATTERN (%)

Particulars	June-22	Mar-22	Dec-21
Promoters	30.64	30.64	31.07
FIIIs	7.08	7.05	7.59
DIIIs	0.04	0.04	0.03
Others	62.24	62.4	61.31
Total	100.00	100.00	100.00



Revenue CAGR between FY22 and FY24E



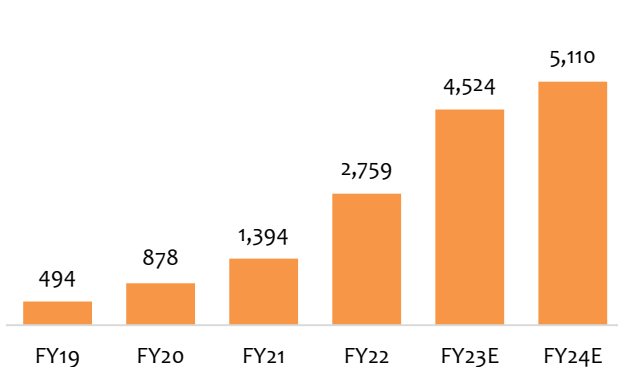
PAT CAGR between FY22 and FY24E

# Infibeam Avenues Ltd.

**Key Concall Highlights:** (i) The company’s focus has always been on catering to merchants and banks (ii) The company recently launched CC Avenue tap-on-pay in July 22 (iii) TPV which comprises TPV processed for merchants and also for transactions processed on Government GeM platform (excluding UPI transactions which is a single digit contributor to the total TPVs) was at a record high at INR 872.18 bn or USD 11.6 bn in Q1FY23 (iv) This is the 5<sup>th</sup> consecutive quarter of the increase in Gross Take Rate (GTR) and Net Take Rate (NTR) for India payments business through payment processing alone (v) GTR in India payment business was at 78 paise and NTR was at 6.90 paise and improving since Q2FY22 when it was 4.80 paise. (vi) Both the favorable payments and industry mix helped NTRs. (vii) Credit options-based transactions with one of the highest MDRs continue to be contributing 45.0% of the TPVs since Q4FY22 (viii) The company has been able to constrict the zero MDR transaction volume to a single-digit contribution to the total TPVs (ix) GeM crossed INR 500.00 bn on 1<sup>st</sup> Aug 2022, which is growing at double the rate of growth in FY22 (x) RBI Payment visions 2025 report states that the RBI aims to triple the digital payments volumes in India by 2025 (xi) Credit Card and prepaid based transactions grew at 35.0% YoY to INR 20.0 tn and including UPI payments PtoM payments, grew at 70.0% YoY to INR 36.0 tn in Q1FY23 and is likely to cross INR 50.0 tn in FY23E with the PoS and e-commerce to drive the growth equally

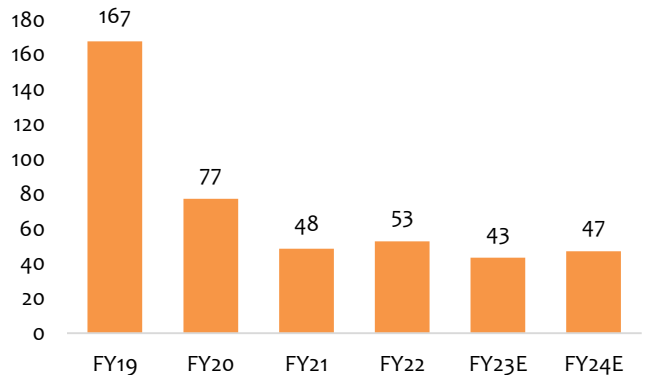
**Valuation and view:** The company, as expected, has been clocking in very strong growth in TPVs, GTRs, and NTRs due to a strong recovery in revenue and payments mix. Also, new businesses are expected to drive gross margins over the long term once it reaches scale. **However, as the new businesses are margin dilutive currently, we lower the earnings CAGR over FY22-FY24E. With the 5.23 paisa rise in consolidated GTRs YoY and 4.75 paise rise in its QoQ in Q1FY23 and strong rise in TPVs we revise up the revenue CAGR to 37.6% (vs. 36.1% CAGR over FY22-FY24E) but lower the EBITDA CAGR estimate to 28.7% CAGR (vs. 36.1% CAGR, each, expected earlier over FY22-FY24E) as the company’s margins remain under pressure due to new businesses. Infibeam is trading at 1.9x/1.7x/1.2x its FY23E/FY24E/FY25E Price/Sales (P/S) multiples, respectively. It is similarly trading at 35.0x/27.1x/17.6x its FY22/FY23E/FY24E PE multiples. Given the strong growth witnessed in TPVs and NTRs at around an average 100.0% growth YoY and at around 30.0% YoY, respectively, over the last few quarters, we continue to value the company on a P/S multiple of 3.0x on FY24E sales. As such, we arrive at the same TP of INR 28.0 and maintain “BUY” on the shares, as it indicates an upside potential of 77.0% over the CMP of INR 16.0.**

TPV in INR bn



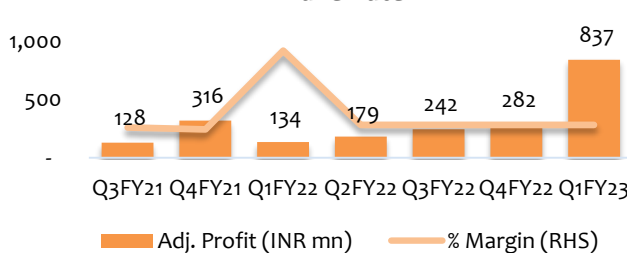
Source: Company, KRChoksey Research

Estimated Gross Take rate (GTR) in BPS



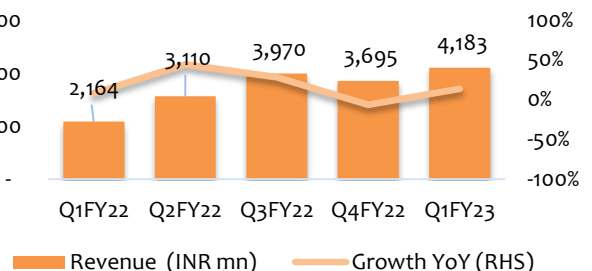
Source: Company, GeM, KRChoksey Research

Profits improved due to growth in TPV and Take Rate



Source: Company, KRChoksey Research

Revenue increase with increase in TPV and NTRs



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	958	4,543
Other bank balances	125	8	7	7	7
Trade receivables	573	729	809	809	914
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	2,604	2,941
<b>Total current assets</b>	<b>4,625</b>	<b>8,825</b>	<b>10,701</b>	<b>6,462</b>	<b>10,490</b>
Assets classified for sale	870	0	0	0	0
<b>Non-current assets</b>					
PPE	2,419	2,320	2,104	3,409	3,842
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 noncurrent assets	340	582	386	7,513	8,487
<b>Total non-current assets</b>	<b>26,282</b>	<b>26,671</b>	<b>27,843</b>	<b>35,782</b>	<b>36,797</b>
<b>Total Assets</b>	<b>31,777</b>	<b>35,496</b>	<b>38,543</b>	<b>42,244</b>	<b>47,286</b>
<b>Liabilities and equity</b>					
Borrowings	88	88	2	0	0
Trade payables	313	216	392	392	442
Other financial liabilities	258	560	746	746	746
Other current liabilities	2,058	5,161	6,658	5,424	6,127
Provisions	13	14	18	18	18
Income tax liabilities	50	48	3	3	3
<b>Total current liabilities</b>	<b>2,780</b>	<b>6,086</b>	<b>7,819</b>	<b>6,583</b>	<b>7,337</b>
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
<b>Total liabilities</b>	<b>3,333</b>	<b>6,617</b>	<b>8,995</b>	<b>11,759</b>	<b>15,512</b>
Share Capital	665	1,331	2,676	2,676	2,676
Other equity	27,785	27,551	26,903	27,741	29,030
<b>Total Equity holders of the company</b>	<b>28,450</b>	<b>28,882</b>	<b>29,579</b>	<b>30,417</b>	<b>31,706</b>
Non-controlling interests	-6	-3	-31	-31	-31
<b>Total Equity</b>	<b>28,443</b>	<b>28,879</b>	<b>29,549</b>	<b>30,486</b>	<b>31,675</b>
<b>Total liabilities and equity</b>	<b>31,777</b>	<b>35,496</b>	<b>38,543</b>	<b>42,244</b>	<b>47,286</b>

Source: Company, KRChoksey Research

# Infibeam Avenues Ltd.

## KEY FINANCIALS

### Exhibit 2: Profit & Loss Statement

Particulars (INR Mn)	FY 20	FY 21	FY 22A	FY 23E	FY 24E
<b>Revenues (INR)</b>	<b>6,327</b>	<b>6,760</b>	<b>12,939</b>	<b>21,696</b>	<b>24,508</b>
Cost of sales	3,964	4,427	10,346	17,878	20,194
<b>Gross profit</b>	<b>2,363</b>	<b>2,333</b>	<b>2,594</b>	<b>3,819</b>	<b>4,313</b>
Opex	852	915	1,144	1,692	1,912
<b>Operating profit</b>	<b>638</b>	<b>668</b>	<b>823</b>	<b>1,431</b>	<b>1,968</b>
D&A	873	751	626	695	434
<b>EBITDA</b>	<b>1,512</b>	<b>1,419</b>	<b>1,450</b>	<b>2,126</b>	<b>2,402</b>
Finance Cost	42	37	19	46	126
Other income, net	117	100	100	100	100
<b>PBT before share of associates</b>	<b>712</b>	<b>732</b>	<b>904</b>	<b>1,485</b>	<b>1,941</b>
Share of profit/loss of associates	528	86	80	80	80
Exceptional items	83	0	0	0	0
<b>Pretax Income</b>	<b>1,323</b>	<b>818</b>	<b>983</b>	<b>1,565</b>	<b>2,021</b>
Income tax expense	212	115	147	360	465
<b>Net profit</b>	<b>1,111</b>	<b>703</b>	<b>837</b>	<b>1,205</b>	<b>1,556</b>
<b>Adjusted Net profit</b>	<b>1,029</b>	<b>703</b>	<b>837</b>	<b>1,205</b>	<b>1,556</b>
<b>Diluted EPS (Rs)</b>	<b>0.83</b>	<b>0.26</b>	<b>0.31</b>	<b>0.45</b>	<b>0.58</b>
<b>Adjusted EPS (Rs)</b>	<b>0.38</b>	<b>0.26</b>	<b>0.31</b>	<b>0.45</b>	<b>0.58</b>
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	-3,433	1,249
Net Cash Flow from/(used in) Investing Activities	-367	-640	-550	-341	-396
Net Cash Flow from Financing Activities	-260	-95	-358	2,644	2,732
Net Inc/Dec in cash equivalents	-444	816	312	-1,131	3,585
Opening Balance	1,317	863	1,774	2,088	958
Other Adjustments	-11	95	3	0	0
Closing Balance Cash and Cash Equivalents	863	1,774	2,088	958	4,543

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%	4.0%	4.9%
RoE (%) - Adj for Goodwill	9.0%	5.5%	6.3%	8.5%	10.1%
RoCE (%)	2.2%	2.3%	2.7%	4.0%	4.9%
Current Ratio (x)	1.66x	1.45x	1.37x	0.98x	1.43x
Book Value Per Share (INR)	10.63	10.79	11.05	11.37	11.85
OPM	10.1%	9.9%	6.4%	6.6%	8.0%
EBITDA Margin	23.9%	21.0%	11.2%	9.8%	9.8%
NPM	17.6%	10.4%	6.5%	5.6%	6.3%
Adj. NPM	16.3%	10.4%	6.5%	5.6%	6.3%

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
05-Aug-22	16	28	BUY	Buy	More than 15%
10-May-22	15*	28	BUY		
03-Feb-22	43	86	BUY	Accumulate	5% – 15%
1-Nov-21	46	86	BUY		
11-Aug-21	42	86	BUY	Hold	0 – 5%
28-May-21	46	86	BUY		
12-Feb-21	91	110	BUY	Reduce	-5% – 0
13-Nov-20	82	105	BUY		
				Sell	Less than – 5%

## ANALYST CERTIFICATION:

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