

Infibeam Avenues Ltd.



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With major capex cycle behind, Infibeam is charting new growth trajectory

CMP INR 15.5	Target INR 28	Upside 80.6%	Market Cap (INRmn) INR 41,639.4	Recommendation BUY	Sector Internet Software & Services
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Result Highlights for Q3FY23

- For Q3FY23, on a consolidated basis, revenue grew by 4.5% YoY and declined by 13.0% QoQ to INR 4,147mn. The revenue decline was due to a shift in the transaction mix towards non-credit transactions versus credit transactions during the quarter. However, Net take rate (NTR) improved by 340 bps YoY/100 bps QoQ to 8.9 bps from 5.5 bps in Q3FY22 and 7.5 bps in Q2FY23.
- In 9MFY23, the company achieved TPV of 2754 lakh crore compared to full year TPV of 2759 lakh crore in FY22.
- EBITDA increased by 25.6% YoY/ 18.9% QoQ to INR 475mn. EBITDA margin improved by 193 bps YoY/307 bps QoQ to 11.5% on account of increase in volume from high margin credit transactions.
- PAT for the quarter stood at INR 353mn, an increase of 46.4% on a YoY basis; whereas it declined by 11.2% as a result of lower other income compared to the last quarter. PAT margins stood at 8.5% for the quarter, an improvement of 245 bps YoY and 17 bps QoQ.

MARKET DATA

Shares O/S (mn)	2,665
Mkt Cap (INRmn)	41639.4
52 Wk H/L (INR)	23.1/12.5
Volume Avg (3m K)	15124.9
Face Value (INR)	1
Bloomberg Code	INFIBEAM IN

KEY FINANCIALS

Particulars (INRmn)	FY20A	FY21A	FY22A	FY23E	FY 24E
Revenue	6,327	6,760	12,939	16,886	22,391
EBITDA	1,512	1,419	1,450	1,857	2,508
EPS (INR)	0.83	0.26	0.31	0.39	0.57
Adj. EPS (INR)	0.38	0.26	0.31	0.39	0.57
EBITDA Margin	23.9%	21.0%	11.2%	11.0%	11.2%
Adj. NPM	16.3%	10.4%	6.5%	6.2%	6.8%
P/E (x)	48.3	70.7	59.3	47.2	32.7

Source: Company, KRChoksey Research

Revenue growth driven by strong growth in TPVs and Net Take Rates (NTRs)

Revenue grew by 4.5% YoY and declined by 13.0% QoQ to INR 4,147mn in Q3FY23. The drop in revenue was mainly attributable to a shift in the transaction mix towards non-credit transactions, compared to credit transactions during the quarter. However, this resulted in an increase in NTR by 340 bps YoY/100 bps QoQ to 8.9 bps. In 9MFY23, the company achieved a TPV of 2754 lakh crore compared to a full year TPV of 2759 lakh crore in FY22 and expects to reach 4000 lakh crore in FY23 and 7000-7500 lakh crore by FY25. We believe that volume growth will be driven by a robust growth outlook in the Indian payment industry, an increase in orders in the GeM Portal and rise in volume from the international market. Moreover, the company is optimistic about the growth in volume from Tap Pay, where it anticipates to onboard up to 0.1mn and 1mn merchants by FY23 and FY24 respectively.

NTR is expected to grow by double digits ex-GEM due to increased revenue share from high take rate international business, volume ramping from offline mode via TapPay, and a focus on growing volume from high margin sectors.

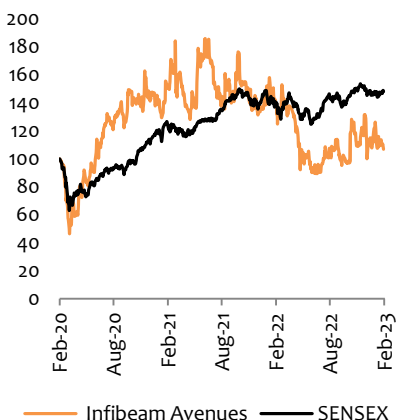
PAT declined on a sequential basis due to lower other income:

PAT for the quarter stood at INR 353mn, witnessing a robust growth of 46.4% YoY; however, it declined by 11.2% QoQ on account of lower other income compared to the last quarter. PAT margins stood at 8.5% for the quarter, an improvement of 245 bps YoY/17 bps QoQ.

Major developments during the quarter

Infibeam has deployed around 15,000 terminals with the CC Avenue TapPay solution in India. The company targets to reach 0.1mn by the end of FY23 and 1mn by FY24. During the quarter, Go Payment business turned EBITDA positive within 4 years of operation, and the company has raised its stake in the Go Payment platform to 54.80% from 52.38% earlier. Infibeam has commenced operation in the Saudi Arabia during the quarter. Besides this, the company is looking to launch products such as working capital financing and invoice discounting under the Trust Avenue platform and plans to add express settlement later.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	60,200
NIFTY	17,667

SHARE HOLDING PATTERN (%)

Particulars	Dec-22	Sep-22	June-22
Promoters	30.64	30.64	30.64
FIIIs	6.00	7.07	7.08
DIIIs	0.06	0.05	0.04
Others	63.30	62.24	62.24
Total	100.00	100.00	100.00

31.5%

Revenue CAGR between FY22 and FY24E

34.7%

PAT CAGR between FY22 and FY24E

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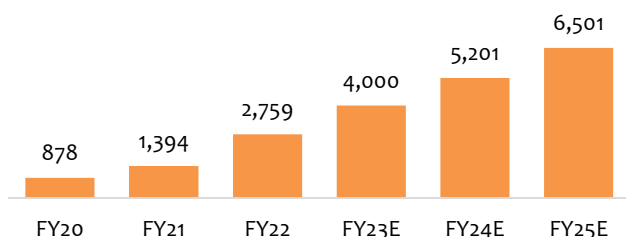
Key Concall Highlights

- Gross revenue declined during the quarter due to a change in the transaction mix towards non credit transactions. However, this led to a higher NTR as non credit transactions have a higher take rate compared to credit transaction. During the quarter, credit transactions account for approximately 33-35% of the TPV. Except for the GeM platform, the company expects NTR to reach double digits.
- The company added 1.1mn merchants during the quarter, which is most ever in a single quarter, reaching 8.4 million merchants. Daily merchant addition averaged 11700 for the last quarter, up from 7000 to 8000 in previous quarters.
- GeM Portal recorded the highest quarterly GMV. According to GeM, order value on the GeM procurement portal surpassed INR 1.5 lakh crore in the 10 months ending January 31, 2023, and was expected to touch INR 2 lakh crores.
- The company anticipated achieving TPV of 4 lakh crore in FY23 and 7-7.5 lakh crore in FY25. The GEM platform is expected to generate a TPV of 3.5 lakhs, with the remainder coming from the payment gateway.
- The company's payments brand, CCAvenue processed the first Digital Rupee (eRupee) transaction for online retail payments.
- The digital payment industry is expected to grow in the range of 30% to 40% annually during 2021-2026.
- The company's plans for expansion in the international market are on track. In Q3FY23, net revenue doubled in the UAE market, whereas the company commenced operations in the Saudi Arabia market. In the next two years, 20-30% of revenue will come from international markets.
- During the quarter, Go Payment turned EBITDA positive within 4 years of operation, despite various challenges.
- The company has increased its stake in Instant Global Paytech Pvt Ltd ("Go Payments" or "Go") to 54.80% from 52.38% earlier, with an additional investment of INR 160mn.
- The company anticipates a large opportunity from the Tap Pay platform and aims to board 0.1mn merchants in FY23 and 1mn merchants in FY24.
- The contract for the GeM platform is due for renewal in FY24 and the management expects a downward revision in the pricing on account of the rise in transaction volume on the portal. The contract's new framework will include a pre-deployment payment of INR 1350mn, followed by quarterly payments of fixed and variable components.
- The government recently increased subsidy incentives to INR 21370 million, up from INR 10400 million the previous year. However, the benefit has yet to be extended to Fintech and PG, which are currently only available to banks.
- Infibeam is planning to add new products such as working capital financing and Invoice discounting under Trust Avenue platform by Q1 or Q2 of FY24. Additionally, the company is also looking to add express settlements business later.

Valuation and View

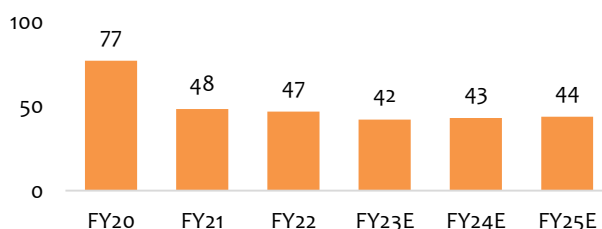
Infibeam has been reporting very robust growth in TPVs, GTRs, and NTRs on back of strong demand and favourable payments mix. With additional growth drivers like i) consistently converting EBITDA into free cash, ii) debt-free company and iii) a major capex cycle behind, Infibeam is charting a focused growth strategy for the next 3-5 years. Its new businesses are expected to drive gross margins over the long term once it reaches scale. **Infibeam is trading at 2.5x/1.8x its FY23E/FY24E Price/Sales (P/S) multiples, respectively. It is similarly trading at P/E multiples of 39.7x/27.2x on its FY23E/FY24E earnings. Given the strong growth witnessed in TPVs and NTRs, we now value the company on a Price/Sales multiple of 3x on FY24E sales. This yields a target price of INR 28 giving an upside potential of 80.6% from the CMP. Accordingly, we maintain our "BUY" rating on the shares of Infibeam Avenues.**

TPV in INR bn



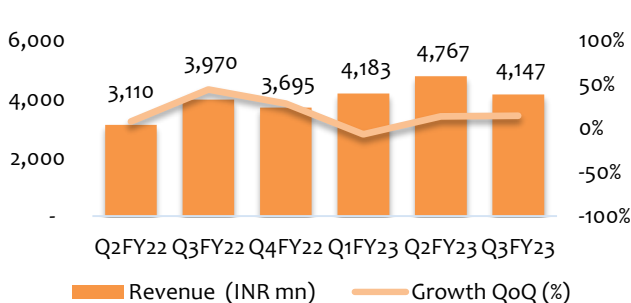
Source: Company, KRChoksey Research

Estimated Gross Take rate in BPS



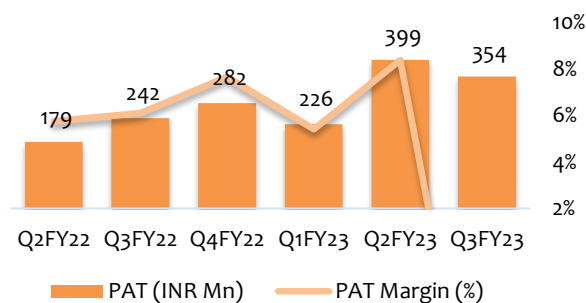
Source: Company, KRChoksey Research

Decline in Q3 revenue due to change in transaction mix



Source: Company, KRChoksey Research

PAT improved due to growth in TPV and Take Rate



Source: Company, KRChoksey Research

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Exhibit 1: Profit & Loss Statement

Particulars (INRmn)	FY 20	FY 21	FY 22A	FY 23E	FY 24E	FY 25E
Revenues	6,327	6,760	12,939	16,886	22,391	28,548
Cost of sales	3,964	4,427	10,346	13,762	18,024	22,696
Gross profit	2,363	2,333	2,594	3,124	4,366	5,852
Opex	852	915	1,144	1,266	1,858	2,569
Operating profit	638	668	823	1,223	1,846	2,668
D&A	873	751	626	635	662	615
EBITDA	1,512	1,419	1,450	1,857	2,508	3,283
Finance Cost	42	37	19	0	0	0
Other income, net	117	100	100	100	100	100
PBT before share of associates	712	732	904	1,323	1,946	2,768
Share of profit/loss of associates	528	86	80	80	80	80
Exceptional items	83	0	0	0	0	0
Pretax Income	1,323	818	983	1,402	2,025	2,848
Income tax expense	212	115	147	351	506	712
Net profit	1,111	703	837	1,052	1,519	2,136
Adjusted Net profit	1,029	703	837	1,052	1,519	2,136
EPS (INR)	0.83	0.26	0.31	0.39	0.57	0.80
Adjusted EPS (INR)	0.38	0.26	0.31	0.39	0.57	0.80

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

Particulars (INRmn)	FY 20A	FY 21A	FY 22A	FY 23E	FY 24E	FY25E
Net Cash Generated From Operations	184	1,551	1,220	2,958	2,580	3,203
Net Cash Flow from/(used in) Investing Activities	-367	-640	-550	-341	-478	-632
Net Cash Flow from Financing Activities	-260	-95	-358	-1,356	-268	-268
Net Inc/Dec in cash equivalents	-444	816	312	1,261	1,834	2,304
Opening Balance	1,317	863	1,774	2,088	3,349	5,183
Other Adjustments	-11	95	3	0	0	0
Closing Balance Cash and Cash Equivalents	863	1,774	2,088	3,349	5,183	7,487

Source: Company, KRChoksey Research

Exhibit 3: Ratio Analysis

Key Ratio	FY20A	FY21A	FY22A	FY23E	FY 24E	FY25E
Tax rate (%)	16.0%	14.1%	14.9%	25.0%	25.0%	25.0%
RoE (%)	3.9%	2.4%	2.8%	3.5%	4.8%	6.4%
RoE (%) - Adj for Goodwill	9.0%	5.5%	6.3%	7.5%	10.0%	12.5%
RoCE (%)	2.2%	2.3%	2.7%	3.9%	5.6%	7.7%
Current Ratio (x)	1.66x	1.45x	1.37x	1.30x	1.34x	1.38x
Book Value Per Share (INR)	10.63	10.79	11.05	11.31	11.77	12.47
OPM	10.1%	9.9%	6.4%	7.2%	8.2%	9.3%
EBITDA Margin	23.9%	21.0%	11.2%	11.0%	11.2%	11.5%
NPM	17.6%	10.4%	6.5%	6.2%	6.8%	7.5%
Adj. NPM	16.3%	10.4%	6.5%	6.2%	6.8%	7.5%

Source: Company, KRChoksey Research

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Exhibit 4: Balance Sheet

Particulars (INRmn)	FY 20A	FY 21A	FY 22A	FY 23E	FY 24E	FY 25E
Cash and Cash Equivalents	914	1,774	2,088	3,349	5,183	7,487
Other bank balances	125	8	7	7	7	7
Trade receivables	573	729	809	1,056	1,400	1,785
Loans	17	16	17	17	17	17
Other financial assets	745	1,670	2,068	2,068	2,068	2,068
Other current assets	2,252	4,630	5,712	5,066	6,717	8,564
Total current assets	4,625	8,825	10,701	11,563	15,393	19,929
Assets classified for sale	870	0	0	0	0	0
Non-current assets						
PPE	2,419	2,320	2,104	3,409	3,739	4,189
Capital WIP	0	0	0	0	0	0
Goodwill, net	16,144	16,198	16,295	16,295	16,295	16,295
Intangible assets	2,772	2,648	2,406	1,973	1,539	1,185
Intangible assets under development	0	0	1,463	1,463	1,463	1,463
Financial assets						
Investments	3,921	4,567	3,940	3,940	3,940	3,940
Other financial assets	472	85	206	206	206	206
Deferred tax assets (net)	7	0	1	1	1	1
Income tax assets (net)	206	271	1,043	1,043	1,043	1,043
Other noncurrent assets	340	582	386	503	667	851
Total non-current assets	26,282	26,671	27,843	28,832	28,892	29,172
Total Assets	31,777	35,496	38,543	40,395	44,285	49,100
Liabilities and equity						
Borrowings	88	88	2	0	0	0
Trade payables	313	216	392	521	682	859
Other financial liabilities	258	560	746	746	746	746
Other current liabilities	2,058	5,161	6,658	7,599	10,076	12,847
Provisions	13	14	18	18	18	18
Income tax liabilities	50	48	3	3	3	3
Total current liabilities	2,780	6,086	7,819	8,887	11,525	14,473
Long-Term Debt / Borrowings	176	110	0	0	0	0
Provisions and other financial liabilities	83	92	109	109	109	109
Deferred tax liabilities (net)	295	328	1,067	1,067	1,067	1,067
Total liabilities	3,333	6,617	8,995	10,062	12,701	15,649
Share Capital	665	1,331	2,676	2,676	2,676	2,676
Other equity	27,785	27,551	26,903	27,588	28,839	30,707
Total Equity holders of the company	28,450	28,882	29,579	30,264	31,515	33,383
Non-controlling interests	-6	-3	-31	-31	-31	-31
Total Equity	28,443	28,879	29,549	30,332	31,485	33,452
Total liabilities and equity	31,777	35,496	38,543	40,395	44,285	49,100

Source: Company, KRChoksey Research

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Infibeam Avenues Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
22-Feb-23	15.5	33.0	BUY	Buy	More than 15%
07-Nov-22	19.0	33.0	BUY		
05-Aug-22	16.0	28.0	BUY	Accumulate	5% – 15%
10-May-22	15.0	28.0	BUY		
03-Feb-22	43.0	86.0	BUY	Hold	0 – 5%
1-Nov-21	46.0	86.0	BUY	Reduce	-5% – 0
11-Aug-21	42.0	86.0	BUY		
28-May-21	46.0	86.0	BUY	Sell	Less than – 5%

ANALYST CERTIFICATION:

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