

November 07, 2022

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001  <b>Company Code No.: 539807</b>	<b>National Stock Exchange of India Limited</b> Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051  <b>Company Symbol: INFIBEAM</b>
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Dear Sir / Madam,

**Sub: Transcript of Earnings Conference Call for the quarter and half year ended September 30, 2022**

In compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investor/ Analyst conference call on financial performance of the Company for the quarter and half year ended September 30, 2022 conducted on Friday, November 04, 2022 after the meeting of Board of Directors, for your information and records.

This transcript is also available on the website of the Company i.e. [www.ia.ooo](http://www.ia.ooo).

Kindly take the same on your records.

Thanking you,

Yours faithfully,

**For Infibeam Avenues Limited**

**Shyamal Trivedi**  
**Sr. Vice President & Company Secretary**

**Encl.:** As above

**INFIBEAM AVENUES LIMITED**

*(Formerly known as Infibeam Incorporation Limited)*

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“Infibeam Avenue Limited  
Q2 FY ‘23 Earnings Conference Call”

November 04, 2022



**Management:**

- |                    |                              |
|--------------------|------------------------------|
| Mr. Vishal Mehta   | – Managing Director          |
| Mr. Vishwas Patel  | – Executive Director         |
| Mr. Sunil Bhagat   | – CFO                        |
| Mr. Purvesh Parekh | – Head of Investor Relations |
| Mr. B. Ravi        | – Consultant                 |

**Moderator:**

- |                 |                     |
|-----------------|---------------------|
| Mr. Rajat Gupta | – Go India Advisors |
|-----------------|---------------------|

**Moderator:** Ladies and gentlemen, good day and welcome to Q2 FY'23 Earnings Conference Call of Infibeam Avenues Limited hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance, during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajat Gupta from Go India Advisors. Thank you and over to you, sir.

**Rajat Gupta:** Thank you, Ruthija. Good afternoon, everyone, and welcome to Infibeam Avenues Limited earnings call to discuss the Q2 FY '23 results. We have on the call with us today Mr. Vishal Mehta, Managing Director; Mr. Vishwas Patel, Executive Director; Mr. Sunil Bhagat, Chief Financial Officer and Mr. Purvesh Parekh, Head Investor Relations. Also joining us on the call today is Mr. B. Ravi. Mr. Ravi was the CFO of Adani Ports for over 9 years and has a wide experience in corporate strategy and finance. He's also advising Infibeam on similar forms of corporate strategy and finance as an independent consultant. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces.

I now request the MD, Mr. Vishal Mehta, to take us through the company's business outlook and financial highlights. Subsequent to which, we'll open the floor for Q&A. Thank you and over to you, sir.

**Vishal Mehta:** Thanks, Rajat, and good afternoon to everyone. Thank you all for taking time to attend our earnings call today. I hope you've seen our earnings document, which has been uploaded on the exchanges as well as the company's website. To start with, the last few years your company has made investments in building an incredibly strong payment infrastructure, which focuses both on merchants as well as banks. And we've evolved to offer a very inclusive and scalable solution, which simplifies business operations and transaction processing for merchants, governments, enterprises as well as banks. The strength and scalability of our

business model can be seen from our performance and strong profitability and we are very excited to talk about the performance of this quarter as well as ongoing forward.

This quarter we've delivered superior operating and financial performance across the board and I'll discuss that in detail. Firstly, let me focus on a few strategic developments. The company has received in-principle approvals from RBI to operate as a Payment Aggregator. We now have two licenses from RBI, one for operating as a Payment Aggregator and the other one is for bill payments under the Bharat BillPay infrastructure.

RBI has issued a framework under which Payment Aggregators are mandated to obtain a license for acquiring merchants and providing them with the digital payment acceptance solutions to ensure safety of customers as well as for merchants. This development will give us a substantial boost to expand our reach of payment processing in online segment as well as in particularly offline segment. We've also applied for one more license, which is under the NUE umbrella entity license through our subsidiary in consortium with some of the reputed and experienced enterprises that will allow us to be at the center of all payment flows.

Continuing on with our omnichannel strategy after launching CCAvenue omnichannel mobile app, which is featuring India's first pin-on-glass solution, and we named it CCAvenue TapPay. The company has also made some strategic investment by picking up a 50% stake in a Gurgaon-based software startup called Vishko22 Products and Services, which is backed by the erstwhile founders of Yepme.com. The company is going to focus on omnichannel enterprise software products along with payments, which will make it a B2B e-commerce inclusive framework.

Since our company has launched CCAvenue TapPay in July of 2022, we have so far deployed CCAvenue TapPay across more than 15,000 terminals and we plan to take it to 1 lakh by end of this financial year FY '23 and we are targeting to reach 1 million merchants by the end of FY '24 on CCAvenue TapPay.

I will now briefly talk about our financial and operating highlights for the quarter. We achieved the highest ever quarterly and half yearly gross revenue as well as net revenue on both standalone and consolidated basis. This quarter our gross revenue and net revenue grew 53%

year-over-year and 25% year-over-year to INR 435 crores and INR 70 crores, respectively. Our India payments and platform business on consolidated levels also includes international payments, Go Payments and some of our other subsidiaries, each of them have shown substantial growth. We are confident of maintaining this growth momentum for the future as well.

On a standalone basis, our profit after tax was INR 47 crores, which includes DRC Systems take-sale impact. Consolidated profit after tax stood at INR 40 crores and we are confident in achieving our guidance of INR 110 crores to INR 125 crores in profit after tax in FY '23. Our transaction processing volume for this quarter crossed an all-time high of INR 1 lakh crore, including the non-MDR based payment transaction processing volume. Both payments and GeM and the platform business were an all-time high. This was primarily on account of increased contribution from COVID impacted sectors, which are travel, hospitality, entertainment, etcetera and a rise in digital transactions.

Strong tailwinds, customer adoption and support from RBI and government will help India digital payments industry grow at 30% or more for the next five years. Our gross take rates in India payments business were close to 90 basis points and net take rate came in at 7.2 basis points, which has been steadily improving since the last 4 to 5 quarters. You can refer to the Slide 6, which will give you some indication on how our net take rates have been improving in the past few quarters.

Higher contribution from credit cards, about 47% versus less than 40% year-over-year, has led to higher gross take rate. As the sectors; which we talked about which is travel, hospitality and entertainment grow; the credit card usage in these sectors is higher and hence, our gross take rate comes out to be higher. As you can see from our Slide 6 of the presentation, both our India and payments net take rates has been continuously increasing. We are committed to take this to a double digit in the next few years through several business initiative offerings, one of them being offline expansion where we have launched CCAvenue TapPay, our payment infrastructure services to bank as well as our international expansion.

We continue to build our merchant base as we continue to add more than 8,500 merchants on a daily basis. The number of merchants increased 77% to 7.3 million during Q2 '23. This is on backbone of our business and forms the base of all our future cross-sell opportunities. We are confident of growing this merchant base to over 10 million in the next two years.

Under our enterprise marketplace platform business, GeM continues to achieve record GMV quarter-over-quarter. In the first half, GeM GMV had crossed INR 75,000 crores and we are hopeful that it will double by the end of this financial year. Additionally, our interest in Vishko22 startup to develop omnichannel enterprise software products and services will also go a long way. This will allow us to scale our platform business.

Our balance sheet continues to remain strong. We had cash of INR 316 crores at the end of second quarter, up 50% in six months. Our capital expenses have reduced from INR 83 crores in '21 to INR 16 crores in the first half of this year.

A lot of capex cycle is behind us and we believe that the current business will continue to evaluate opportunities and look at additional capex and expansion. But we believe that whatever we have implemented so far, the capex cycle is behind us. We want to offer a very differentiated product offering in all of our other segments and we want to grow our market share in payments by targeting offline merchants and generating higher cash flows and returns for our shareholders.

Mind you all the merchants that we talked about are online payment processors with us and the entire base of merchants can potentially also use our offline solutions. So we have a significant merchant base with us where we can tap into to open up the offline payment solutions through CCAvenue TapPay. Our strong performance in the first half of this year gives us confidence of delivering higher than our stated revenue and operating guidance, which is mentioned in Slide 12.

Our confidence in this business can also be seen where we have continued to look at investing in our own company through preferential allotment on a friendly convertible basis. We have continued to evolve the business. The funds that we have, we will continue to look at it wisely in terms of where we can get the returns for our shareholders and do significant contributions

and investments in those areas going forward. I think that is all for now. I'd like to pass it on to Vishwas for his comments. Vishwas, over to you.

**Vishwas Patel:** Thanks, Vishal. Ladies and gentlemen, thank you for joining us today. This is an interesting time for our company and we are extremely excited with the way our business is progressing. Payments has to take a center stage across all businesses and it's a mission-critical subject in every aspect of life. This is where we want to solve the challenges across the economy to ensure smooth flow of funds. I would like to start by talking about TapPay. I'm extremely happy with the way this product has ramped up and just within three months of our launch. It's now present across 15,000 merchants who have started processing through the solution. The CCAvenue omnichannel mobile app is useful for both small merchants and vendors and to large corporates. The omnichannel app aims to address the challenges of inadequate payment acceptance infrastructure and eliminates various seamless digital adoptions. We're already testing it with a few large enterprises and we believe it will immensely help these large enterprises to have a single view of sales and settlements and a single point of contact for all resolutions. We are confident that by end of this year, we'll activate almost 100,000 terminals and eventually reach out to millions of merchants globally.

In our international markets, we are seeing increasing business in the UAE. By end of this financial year, we plan to start payment business in Saudi Arabia and Australia followed by USA and then proceed to multiple international destinations to offer digital payments and payment infrastructure services. We are targeting offline payments to contribute around 20%, 25% of our overall payments TPV by the end of financial year 2025. We'll be offering the solutions to merchants and banks globally. The Indian payment license will also help us in gaining trust among the merchants and banks, and which we believe will help us to penetrate into the helpful hands and will also help us to expand in international markets as it will instant trust in our partners. We are also participating in a similar license requirement in the UAE and also Saudi Arabia. Hence like India, UAE and Saudi Arabia will also be a regulated market.

We are focused on building frictionless financial technology and digital payments, which will provides a seamless and holistic digital payment solution to merchants across along with access to capital at the click of a button. Therefore, our comprehensive offerings including

platforms, payments and finance; we want to make the merchants digital, credible and hence bankable. Our principal focus has always been our merchants and we shall continue to develop differentiated sets of solutions for our audience.

Now with this, I'll open the floor for questions. Thank you, everybody.

**Moderator:** Thank you, very much. We will now begin the question-and-answer-session. Anyone, who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Gaurav Sharma from HSBC Securities and Capital Markets India Private Limited. Please go ahead.

**Gaurav Sharma:** So my first question is regarding to that that you mentioned that your payment net take rate is constantly improving both in India as well as the total payments and you mentioned that 47% is contributed by the credit card usage. So what are the take rates on credit card usage and also what are the payment models for the balance 53%, if you can mention? That is one. And sir, I also saw that the gap between the Indian payments and total payments is getting closer. So do you expect that Indian payment NTR will cross over or it will match the total payments NTR and if yes, then what will be the time frame would you like to give? These are my questions, sir.

**Vishwas Patel:** So first question I understood so I'll answer that first. I think the take rate is improving. You have seen this quarter, right, across credit and debit, both, across all options, 95% of the transaction we processed are credit and debit and only 4% or 5% accounts for UPI. So that take rate, as we said, that as more our kind of companies that is the travel, hospitality go online, the take rates are improving. So this quarter we have seen the take rate improving to 7.2% from 4.8%, which was year-on-year quarter. So that is increasing year-on-year. And as more merchants and as more as you go to the holiday season, we hope to keep bettering that take rate. The second part of the question, can you repeat it because I think we briefly lost your voice on the second question?



**Gaurav Sharma:** Sure, sir. So if you look at the Slide No. 6, as you mentioned that we can see that the Indian payments NTR and the gap between the total payment NTR is coming closer, it is reducing the gap. So just wanted to know do you see forward that Indian payments NTR crossing the total payments NTR and if yes, then what is the time frame? Also a small question on opex side. Since we say that the opex has sequentially increased significantly, so if you can just mention the factor. Like, one may be the like technological expenses and if you can also mention some other factors, it will be great?

**Vishal Mehta:** Sure. So this is Vishal here. Basically if you look at the first question, which is the net take rate, yes, it has been improving. India has shown a lot of improvement and this improvement is primarily because a lot of sectors that were hit by COVID, they have started coming up and as a result, I think we are also seeing some traction. Second is the expansion of our merchant base. As we expand into the merchant base and go into smaller merchants, our take rates are also improving through that. So earlier I'd mentioned that we are adding about 8,500-odd merchants every day and as a result when you go deeper into the ecosystem, I think it helps us.

The third is the offline payment mode, which is expected to help us and that's why we think that I had mentioned that we will go into a 2-digit take rate in India. The reason is because offline payments, the net take rates are better because the risk is lower, because the card is present compared to card not present. And as a result, actually this combination of factors will help us keep on improving the net take rates we believe in the coming quarters, which will help us get to a double digit hopefully in the next two years, maybe earlier and we are confident that we are going in the right direction there.

As far as the second question, also in parallel you had mentioned that the take rates international and overall in India is also coming up. I think when we deploy such solutions, internationally also our take rate should also improve there. So we think that the solutions that we build out while we will test and then scale them in India, we will also deploy them internationally in international regions. And that will help us in terms of expanding our overall rates both in domestic as well as in international markets. So to answer your question, I don't think that there would be map-to-map, but we'll keep on with some minimal latency, we'll

open up. For example CCAvenue TapPay, we are opening it up in international regions in UAE as well simultaneously as we are doing it in India. So we will keep on deploying all the platform and the frameworks for payment infrastructure that we build out, we are doing it at a global level not just at the India level. That's how we have been architected.

To your second point in terms of operating expense, we are continuously evolving. We will invest ahead of time in anticipation and I think that we are careful in terms of how we want to plan and project and we monitor how we are performing at a regular basis. So I think it's just ahead of our business expansion. We want to continuously evolve our frameworks and build out a very strong ecosystem and when we talk about ecosystem, it's platform, payments and finance. And that ecosystem will enable our merchants to be able to perform better, have more stickiness and get into very deep product-based approach so things like analytics, which potentially allow merchants to do a lot more than what they're doing today. And merchants across sectors will be able to utilize those kind of services, which will enable them to create more demand, generate more volume and through that, we will also get an improvement in terms of what we're working on.

**Moderator:** Thank you. The next question is from the line of Anuj Narula from JM Financial. Please go ahead.

**Anuj Narula:** So my question is how many Payment Aggregator licenses are already given and how many do you think RBI will give? As per some media reports, close to 200 applications have gone to RBI. So even if RBI gives license to 50%, will the competitive intensity remain high and the industry can never expect to be profitable?

**Vishwas Patel:** I'll take that, Vishwas here. So from what we -- the RBI has not officially put out the number of licenses given or the applications received. But from our industry sources and what we hear from the press, 150-odd licenses were applied for and there were many, many rejects. And what we know and what certain persons who have got in-principle approvals, the count last that we could get who have confirmed because they're very prestigious license.

There is something around eight to 10 parties only who have confirmed to have got the licenses, so out of the 150-odd who must have applied. So that is our sources not to be this thing. But I think formal announcement by RBI will clear the thing that is there. In any sense what you are looking at here is that we are not aiming at a small market. We are aiming at a \$2 trillion digital payments market.

Today only 27% of the market is digital. There's a long way of almost 73% which still have to be tapped. We're looking at millions of merchants like there are like 1 million schools in those four states, which are still not accepting online payments of fees online. So there's a huge takeaway. We are still battling INR 32 lakhs of cash that is there in the market. So going digital and with this is only eight, 10 people looking at such a broad-based opportunity to encourage digital payments. I think we are well-positioned and well-placed with our platform payments and finance business model.

**Moderator:** Thank you. The next question is from the line of Rahul from Lucky Investment Managers. Please go ahead.

**Rahul:** Just one. First question was on the substantial difference that is existing in the reported PAT in the consol and the standalone number. The standalone number is close to INR 47 crores, the consol number is about INR 40 crores. I just wanted to know this level of difference didn't exist before so just wanted to get a sense of what is this?

**Vishal Mehta:** So the expectation should be that it won't be so such a large difference. This particular quarter, we had a divestment and as a result, there is a slight differential that you will see. But typically, you will not see such a large difference going forward.

**Rahul:** So it's basically a function of the divestment and not much else?

**Vishal Mehta:** That's right. Correct.

**Rahul:** Sir, how much was the profit that we kind of booked due to this divestment?

**Vishal Mehta:** For the quarter, it was INR 25 crores.

**Rahul:** INR 25 crores. And sir, lastly, the question I had was the guidance that we have given, I'm assuming that doesn't include this divestment profit. We are purely talking about operational guidance there in terms of INR 125 crores?

**Vishal Mehta:** That's correct.

**Moderator:** Thank you. Next question is from the line of Vinod from ICICI Securities. Please go ahead.

**Vinod:** Sir, my question is what's the expected contribution from the offline in the next two years, three years? What's the current status since launch in July?

**Vishal Mehta:** So basically, we had launched this in July of '22 and in the last quarter, we have already deployed 15,000 implementations terminals in merchants. And our expectation is that we will get to at least 100,000 terminals by end of FY '23. So our expectation and this is for the India market. So, we think that our target for the offline merchant is at least 1 million by end of '24. And so, I think from a current state of 15,000, we want to reach 1 million merchants by end of '24. That's our guidance as far as what we'd like to accomplish in India.

The second thing is that in terms of the base, we have several million merchants who use us for the online payment. So that becomes a very ripe base to also offer offline solutions and payments to them and couple that with ready with our licenses of Payment Aggregation, it becomes a very credible solution for merchants to be able to utilize our solutioning across. So if that answers your question, I think that's our perspective going forward.

**Moderator:** Thank you. Participants who wishes to ask a question, may press star and one. The next question is from the line of Monami Manna from KRChoksey Shares and Securities. Please go ahead.

**Monami Manna:** I have few questions. Like you say that you are now having around 7.3 million of merchants under your belt, and it is growing at a rapid pace. In Q2 you have witnessed around 8,500 per day. And you were also saying that other than domestic market, you were also foraying into the international market especially UAE, which is a lucrative market. Sir, just wanted to get a sense, this net take rate, how will it differ from the domestic

market to international market? Whether in the international market the margins, the DPS basis points are higher? I'm not asking for the exact number, just to get a sense because here there is a delicate play on the volume against the and on the basis point. So as a company, we have to balance it quite well so that our margins also increase and at the same time, we also don't compromise on the volume. So is it possible from the international market to have a better margin from the domestic arena?

**Vishal Mehta:** So I'll tell our perspective and then Vishwas can add in. But international, typically the margins are better in the international markets compared to the domestic markets. It's a general statement. The competitive intensity of course is there both in international as well as domestic markets. But India is far more evolved in digital payments than many of the other markets. So the solutioning that we build out for India has finds a lot of propensity and applications for the international market. So talking about UAE, UAE is a very interesting market for us and we have kept on expanding in that market as well. The point is that we are only doing online payments there. Now with the offline solutioning that we have with TapPay, we expect to add tens of thousands of merchants in the international market. For example in UAE, I'm sure you're familiar, but a lot of merchants are offline in UAE. There's a lot of offline selling of products and services in UAE. Online has picked up with Amazon and Noon and many others. But the intensity and the diaspora there is a huge opportunity for offline payments in UAE and if we are able to deploy our solutioning with the omnichannel approach in that region, we think that there is a significant opportunity to build upon. So to answer your question, no one that we know of today offers the omnichannel solution for payments in UAE. People offer offline and online and they're two different solutioning. And so we are experimenting with large merchants and if we are able to tap into that large merchant base where the processing volumes are larger, I'm sure that we will find a lot of affinity even in the smaller base. And so I think even today our processing volume is significantly large in UAE and we expect that that will keep on growing. To give you an example, I think the net take rate for UAE business will be in the -- practically just shy of 10 bps, 10 basis points. So even today it is slightly higher than what India take rate is. But we expect that that will keep on updating and changing as we keep on building up in that region and just so that international net take rates -- and if you look at some of the other publicly

traded companies, you will find that take rates are better in some way. So we would want to get there and we think that we'll keep on scaling up our solutions, getting the cost advantages in some ways through scale and be able to offer the savings to our merchants to allow them to grow their business.

**Moderator:** Thank you. Participants who wishes to ask a question, may press star and one. The next question is from the line of Gautam Gosar from Perpetuity Ventures. Please go ahead.

**Gautam Gosar:** I basically have two questions. Firstly, on your international business. So you have recently ventured into Australia and launched the payment business there. So what sort of revenue or margins and growth you are expecting from there? And what are the other countries you are planning to enter this fiscal? And what are your expectations from the overall international business for FY '23 if you could?

**Vishal Mehta:** So international, UAE is our largest market at the moment and you're right, we've expanded into Australia. We are also into Saudi Arabia as well as in the US. With this approach of being able to offer payment infrastructure as a service, we are also giving it to Oman, Bank Oman, Bank Dhofar, they are all using our payment infrastructure. So you know that CCAvenue is a brand and then we also have a payment infrastructure that we open up for banks to be able to give to merchants. So in smaller geographies like Oman where we don't see an immediate value for us to go as CCAvenue brand, we will provide the entire payment infrastructure to a bank and allow them to acquire merchants and gain from that. So the approach that we have taken is that for certain countries where we don't find merit in going immediately there as a brand and set up offices and set up the infrastructure under CCAvenue brand, we will offer it as a payment infrastructure to such large banks. Just so that you know, 90% of the volume of Oman goes through our payment infrastructure.

We find in certain regions in MENA, which are attractive for us to go. UAE and Saudi will account for 60% of the volume. But what I talk about is Middle East and Africa, there are some opportunities because there's a lot of opportunity to evolve there and we think that those will be interesting for us to explore. And in Southeast Asia as well, we do want to explore

some of the countries. If we've taken up Australia, we'd also explore some of the other Southeast Asian countries to be able to build up our payment network. So I think that's pretty much. We haven't of course formally announced where else would go, but Southeast Asia and Middle East are interesting opportunities for us to explore going forward. In terms of countries and we'll go after larger countries where we see a lot of opportunities to build out our brand and go directly there. And in smaller countries, we'll offer it as a payment infrastructure much like we have done in Oman.

To answer your question about our volumes, I think we think that UAE is of course the largest at the moment. And we expect that in the next two years, international will contribute to 30% of our revenues. So I mean from less than 5% of revenue today, International should contribute to about 25%, 30% of our revenues.

**Gautam Gosar:** Secondly, though it might be our highest ever quarterly TPVs, but TPVs this quarter again hasn't seen a great sequential growth given the industry growth happening in the last couple of quarters. So is the competition taken the payments growth and what are your expectations in terms of overall GMV growth for FY '23?

**Vishal Mehta:** See, our expectation and we have communicated our guidance for this year where we said that we would accomplish transaction processing volume of INR 4 lakh crores, gross revenue of -- and if you go to Slide 12, you will have some indication of that. We've given guidance on gross revenue, EBITDA, PAT as well as transaction processing volume. I think we are sticking to our guidance and we think that we will of course have more information to talk about as we go through the quarters.

Typically, you will know that in the festival quarters the TPV we expect to continue building up because in Q3 is typically when we have the festival quarter. A lot of transactions we think happened in Q2 for festival quarter as well. So you'll see an effect where you will see Q2 to Q3, you won't have massive growth in Q3 because a lot of festival transactions took place in Q2 as well from our experiences. But yes, the TPV should continue to build up and grow.

And we think that going forward expect that with the strong economy and the sectors which we talked about where there is significant amount of traction especially in the entertainment

and hotels and many others, we expect that that should continue building up for us. And second is that our growth from an offline payment perspective, we are going after smaller merchants for acceptance.

We want that if you go to anywhere in the Northeast as well that you would be able to pay. Because of our payment solution which is CCAvenue TapPay not only accepts cards. It can accept any kind of payment instrument including UPI and others, including QR code through QR code or even LinkPay and many others. So I think that there's a lot of -- fundamentally we want that anyone who wants to make any kind of digital payment to any merchant across the country, they should be able to do it and not be limited by point-of-sale machines.

And the thesis comes from the fact that every merchant has a mobile phone, but every merchant does not have a point-of-sale device. So if you're able to convert the phone into a point-of-sale device without actually incrementally adding any expense to the merchant whatsoever, it becomes a huge opportunity. So you can talk about crores of kiranas being audience for potentially using such solutions. And we want to be able to go and deploy it across at least 100,000 implementations by this year and then scale it to one million or more next year.

**Gautam Gosar:** Got it. Thank you for that elaborative answer. Sir, one more question if I may ask. So EBITDA margins have declined sequentially so if you could tell us what will be the incremental cost coming from and what would be the margin range for FY '23 we should look at?

**Vishal Mehta:** So we're sticking to the guidance of what we have given. We expect EBITDA to come between INR 170 crore to INR 190 crores and a PAT of INR 110 crores to INR 125 crores

**Moderator:** Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

**Rahul Jain:** Just I wanted your...

**Moderator:** Sorry to interrupt you, Rahul, but your voice is coming muffled. We are unable to hear you clearly.



**Rahul Jain:** Is it better now?

**Moderator:** Yes.

**Rahul Jain:** Just wanted management's thought on this TapPay opportunity. Of course you shared lot of input in terms of your target touch point reach. Anything you could share in terms of what are the true revenue potential over the next two to three years?

**Vishal Mehta:** Sure. So in terms of our expectation, we think that a good 25%-odd should come from offline payments that is typically CCAvenue TapPay in the next two years. And so as we scale up our business, we talked about our merchant base that we'd like to reach one million merchants next year. We think that in the next two years of the total payment processing 30%, 25% minimum should come out of the CCAvenue TapPay which is the physical part of the physical payments and very likely there will be an overlap of merchants who uses both for online and offline both. But there's a massive opportunity in India to be able to go after merchants who don't accept digital payments.

UPI has created one evolution. But unfortunately, those ways don't work with cards. And so if you have a single solution and with the growth of 5G, which is expected also in the next two, three years, these kinds of solutions will potentially mean that practically every merchant will be able to utilize, obviously now today majority of the merchants have smartphones. So to download the app and starting to use it becomes very interesting. We have a total transaction processing volume guidance of \$100 billion by the end of FY24 and you can imagine that we expect that about 25% of that should come from CCAvenue TapPay. Does that answer your question?

**Rahul Jain:** Yes. So I was saying that why you think this TapPay could be far more revolutionary given the fact that UPI has already significantly reached both in terms of consumer acceptance, merchant acceptance and also in terms of ease of doing thing and lower cost of transaction?

**Vishwas Patel:** Okay. Let me take this. Vishwas here. So if you know UPI, UPI is a debit mechanism. Today UPI is cannibalizing bank transfer, check payments, NEFT, RTGS and other

things so any kind of a direct debit account if you have a balance in your account. So UPI is a debit mechanism that is there, right, and that is constrained to only people who have gone on to the UPI platform. Credit is a big market. The credit card spends if you have seen is more than INR 1,10,000 crore a month and it's growing very fast. The RBI numbers say that. So it (UPI) does not do credit, it does not do even a debit card.

So there are like more than 500 million RuPay debit cards in the market so if a person goes and wants to pay through his RuPay debit card, the payment cannot be accepted. If he wants to pay through his Master, Visa or any other credit card; it does not accept. So what this technology brings in is that today with a clunky \$100 point-of-sale terminal -- \$150 terminal, it's very difficult to deploy in Tier 3, Tier 4 cities. And in small merchants where like say a food cart in a village outside Guwahati in Assam. So if you have to give him \$150 or INR 10,000-INR 12,000 terminals; then there are battery problems, training that merchant and then you have to keep him sending printer rolls to print the charge slip and other things, right! So it becomes difficult, that's why the acceptance base is not there today. Even if a tuition teacher wants to accept payments through this, then they write a check or a draft or do all this stuff. So what it helps is that if any kind of payments you want to do, this is a very simple one.

You just go to the Play Store, download the CCAvenue app and on your own phone you start accepting payments. You just tap the card at the back of this thing. So ours is India first pin-on-glass certified solution where even for higher amounts of more than INR 5,000, the payments can be taken, it depends on the credit limit of the card. So this kind of a transformative technology, which can be marketed online and gone to merchant anywhere in the country just download and start accepting payments on credit card, debit cards, netbanking, wallets, cash card and UPI plus UPI QR code with payment links and all that stuff.

So it's a very transformational technology, the expenses of \$150 for a terminal versus a zero cost terminal, is huge for a merchant. And every merchant has a smartphone or any smartphone above INR 5,000, it should work. So that's why it's a very transformational technology, which will change how payments are accepted in the next three or four years in India. That's why we are very bullish. And we think that whatever the acceptance base, anybody can just do an online signing and start accepting payments through any kind of

payment options. We have 200 plus payment options and not just a UPI debit to a bank account, but even a credit card or lot of other functionalities also transaction enhancing like payment links and dynamic QR and all that stuff.

**Rahul Jain:** Just one more question. When you said that the capex intensity of the business is behind us. What I wanted to understand when you want to roll out to so many merchants and of course although the technology wise it is very transformative. For us to make people habitual and also in terms of reaching out to very, very large audience merchant base which we want to, don't you think there would be significant investment that would go to make it happen or you are seeing that as a more of an opex than capex and that's why you're saying it differentiates?

**Vishal Mehta:** Yes, you're right. It's more of an opex we believe will be there. We are also going to, in India we have realized that channels will work and so we'll tap into some large channels, channels that work with a lot of kiranas, channels that have potential to be able to reach out to the masses. So we will have a combination of direct and indirect approach. And direct meaning going directly to merchants, but indirect meaning going through channels to be able to offer solutioning. And so a combination of that will happen. It will involve some amount of capex, but not a whole lot. I think majority will be in operating expense.

**Vishwas Patel:** Also we have already an existing huge ecosystem of merchants already live on our platforms and payments. So those are the early adopters and it's like 22 years of merchant base that works with us. We already announced that we are onboarding more than 8,000 merchants every day. So those merchants will also be going in for this TapPay solution from my existing ecosystem.

**Rahul Jain:** I mean yes, I can understand the early adopters will, but still the real challenge comes to scale beyond a point. But I understand your context. And those are my questions. Thank you.

**Moderator:** The next question is from the line of Anil Nahata, an Individual Investor. Please go ahead.

**Anil Nahata:** My question to Vishwas is -- the first question is that the India payment TPV and while the NTR is sort a very smart improvement to 7.2%, but the growth in the TPV somewhat subdued at like a year-on-year growth of 18%. I believe the debit card plus credit card growth is also subdued, but it is still in the range of 30% year-on-year. So what is the reason for this rather subdued growth in the TPV volumes.

**Vishal Mehta:** So what we see is that there is already a good growth 30% year-on-year growth -- and 50% is year-on-year growth, right, and from what we had last year same quarter and I think it's growing very fast. And as I said that as we go into the holiday season, it will go even faster. So yes, I think we can still work harder and expedite the pace, but it's growing fantastically. I think if you see in the last three years, the TPV we are doubling year-on-year almost and we are already given guidance of \$100 billion by 2024, the processing value. So those things are keep growing and I think that's the normal place that it will keep growing. Of course we'll try our best with the new technology and innovations and this TapPay and others to even accelerate it further. But I think it's seen significantly good growth.

**Anil Nahata:** Okay. So you don't think there is something like that as a market share kind of shift that is happening. I mean in the end of last year, we were talking about an increase of market share from 8% to around 10% in the payments area. Are we on track to get that increase in the market share?

**Vishwas Patel:** It has increased. If you see the overall TPV, the numbers released by this thing, our market share has gone up. And as the other competitors also now looking at profitability with now the mindset also changing from earlier on those predatory pricing and cashbacks and other things. So now even those guys are completely coming and thinking of profitability, I think the share and everything will increase further.

**Anil Nahata:** Okay. So that is the first part. The second question is the tap on pay, you mentioned that 15,000 terminals have been done. But I don't think these have been done with the omnichannel lab that you are having. So when is TapPay going to be available on the omnichannel lab?

**Vishwas Patel:** It is available on the omnichannel app, but we are doing phase wise because all these merchants, there is a complete new diligence and what we call integration and MID creation required because this kind of acquiring is called merchant present scenario, customer present scenario. So there's a huge demand from our lots of our merchants and existing and other things. But we are strategically going step by step right now. So we have opened it up only for around 15,000, 20,000 merchants. And I think we've got a very healthy higher double-digit acceptance for whomever we did and slowly and steadily I think by the end of Q4, we should open up for everybody.

**Anil Nahata:** Basically -- and then the people could be able to just download the app and basically login, do my KYC kind of thing and be able to go live. Is that it?

**Vishwas Patel:** Yes. That you are already able to, but we are allowing only certain as an app to see all your existing data and your app transactions you can already do that. But the enablement of TapPay we are doing it strategically because it's a whole new process of MID generation and other things for a customer present scenario. So that we are working overnight with the banks and because of the overwhelming response, we're still in a phase of almost like last 35, 40 days we have enabled 15,000-odd merchants and I think around 100,000 we'll do it by end of this quarter.

**Anil Nahata:** So that's absolutely great news. And one further question on this TapPay. The solution that we have today, I think by and large it is like you can take it to any market. Is there a regulatory thing that drives you to take it to the other market or it's just your business plans?

**Vishwas Patel:** So yes, it's a global certification from the Master, Visa card companies and that's what we are launching in UAE also. But each market with a new acquiring bank, we need to do a Level 3 delta. It's a slight delta recertification in that market so that cross-border acquiring is not allowed for merchants. So sitting here I can't acquire merchants in UAE, I need to do it through my local entity. So slight recertification is there and step-by-step process. Hence we are very careful in the market that we are selecting. So as you said, UAE is the next

market for TapPay launch and then Saudi and then Australia and of course US also will work simultaneously together.

**Anil Nahata:** That's wonderful. And just if I may ask one more question. On this 15,000 kind of terminals that we are having right now, would it be possible for you to give a rough kind of TPV we are doing on a monthly basis or something like that?

**Vishwas Patel:** I think too early to disclose right now because these are going on in the last 30, 35 days, these all activations going on and the things. Too early to disclose. But I think the -- will start doing about right now.

**Moderator:** Thank you. The next question is from the line of Ashish Kacholia from Lucky Investments. Please go ahead.

**Ashish Kacholia:** And congratulations on a good set of numbers. My question is basically can you talk a little bit about the recent announcement that you made regarding some payment gateway? I couldn't understand the importance of that. Could you just talk a little bit about that?

**Vishwas Patel:** You're talking about the Payment Aggregator license?

**Ashish Kacholia:** Yes, that's the one. What is the significance of that?

**Vishwas Patel:** Okay. The significance. There are three coveted licenses that we need from RBI. One is the Bharat BillPay. Second was this aggregator. Aggregator license in the sense that earlier anybody can just start work with a bank and launch a payment system in India. Today it becomes -- with this license, there are a lot of restrictions, positive network and lot of other things that are put in by RBI to get this license. So what happens is that nobody can come in the country, either a new start-up or an international guy, and just launch a payment gateway in the country. So it's like a moat, but it also gives a lot of confidence to the people and it's given to only experienced guys who have done this business with a positive network and other things. So what it helps is that any kind of a payment infrastructure or a payment gateway business we can do in the country, where the money can be settled into our account of all the merchants and then we can do the payment. That means we can handle the money.

So for doing any kind of payment business, this license is required. Otherwise, other players will have to work with licensed players like us if they want to do payment business. So right now what we understand is that only 8 or 10 licenses given.

**Ashish Kacholia:** 8 or 10, these are the existing major payment gateway operators today who have been given this license?

**Vishwas Patel:** Yes.

**Ashish Kacholia:** Okay. So as of now, there won't be any major shift of market share? I understand that the 100% of the payment gateway market would be...

**Vishwas Patel:** But lot of smaller ones will be closing down because lot of smaller ones, the payment gateways who are there might have to shut shop or move merchant to this line. Say a large player's license is rejected, right, or many other PGs are rejected. So what happens is that those merchants who are already there on their payment gateway, there will be a radical shift. And going forward also it gives us lot of certainty, it gives us lot of seat on the table with RBI and it gives us a lot of power to work with different banks. It's a very coveted license to do payment business in the country.

**Ashish Kacholia:** How much -- what is the market share of the players whose payment gateway license has been rejected?

**Vishwas Patel:** We don't know because those final -- as we said earlier, those licenses and other things are not announced yet formally by the RBI. So we don't know how many applied. But from the market sources, those who got the license have been tom-toming and saying it out that we've got it. What we've done the whole math is only 8 or 9 guys who have said that they have got the license and 150-odd had applied.

**Ashish Kacholia:** So 8 or 9 guys would control what percentage of the payment gateway market then, the guys who have got the license?

**Vishwas Patel:** Yes. So almost they are the ones who will be powering all the payments.

**Ashish Kacholia:** Existing market share I'm saying?

**Vishwas Patel:** Existing market share if you're looking at 100% so all will be divided into different parts. That is how we do it. So different kind of numbers come out. So there is no authentic source because how much they process some of the startups report even the payouts that they do. So even if they are like -- they give a payout service so they call that as a processing. We don't count all that stuff. So real payment collection through e-commerce is counted. So those are the things that are there. But overall, what we judge is I think we have reached double-digit market share, 10% plus of the overall rate.

**Ashish Kacholia:** You have said 10%, 12% market share in your estimate, okay? I'm just trying to get some sense. And the other seven, eight players also who have announced that they have been given a RBI payment gateway license. So these eight, nine players put together, would you guys be controlling 40%, 50%, 60% of the market or you would be controlling 80% or 90% of the market already?

**Vishwas Patel:** No, we all work with the banks. If you're not counting the banks, then we all control around 100% of the market.

**Ashish Kacholia:** These 8, 9 players who are given the licenses.

**Vishwas Patel:** Yes.

**Ashish Kacholia:** So now the market share will switch between these players, is it?

**Vishwas Patel:** Could be. Let's see when the formal announcement of RBI comes in, who comes in, who is going away. So lot of things will happen going forward. Let's see how it evolves when the announcements come in. As I said, this is the second of the third licensing. We applied for three licenses. So Bharat BillPay and this Payment Aggregator license is in place. Last is the NUE part so NUE we are keenly awaiting from RBI.

**Ashish Kacholia:** So NUE, what has been our thing? We have submitted our application. What is the contents of the license application that we have made out there? Can you share a little bit on that?



**Vishwas Patel:** That's a network license like NPCI kind of work that we can do. We can have our own brand of MasterCard, Visa this thing and let's see, it's too premature. But it's a network license like a Master, Visa through which we can go global. We can have our own kind of UPI that we can launch through our brand and this is a consortium of 4 players that we have announced earlier that we have applied for.

**Moderator:** Thank you. The next question is from the line of Ayushi Shah, an Individual Investor. Please go ahead.

**Ayushi Shah:** Congratulations on a strong set of numbers. Sir, just two questions. One continuing from the question that Mr. Anil had asked guidance before me. Sir, one is on TapPay and the second is on ONDC. I'd like to take my first question on TapPay. So your press release states that we have deployed around 15,000 TapPay terminals. But considering that we only have like 1,000 downloads of the TapPay app on the Google Play Store, does this mean we have tied up with a big retail merchant or is it divided across certain merchants? And continuing with that, like are these terminals the same as the CCAvenue card readers? And are there any updates about the patent that we have filed for consumers to tap their own phones with their card to make online payments?

**Vishwas Patel:** For TapPay, we have given our SDK at certain places, not necessarily through our CCAvenue app. One example I can give you quickly is the "Chalo" app that is there in India. So if you are going for a BEST bus ticket and few other things, an SDK has been given that is integrated into the "Chalo" app where when you are buying the ticket when you enter the BEST bus in Mumbai, you just tap there. That is our solution. So all this kind of SDK implementation certainly I can't say because of confidence in the integrations that are going on with merchants, but these are the kinds of integrations we have done.

**Ayushi Shah:** All right. And sir, with respect to TapPay, what kind of income profit are we expecting like what kind of margin numbers you would think that they will probably achieve on....

**Vishwas Patel:** We have already given guidance on the entire thing of processing volume of around \$100 billion. The gross revenue has already been given. So it's there on slide 12 of our presentation. So you can go by that forward-looking guidance.

**Ayushi Shah:** And your guidance about the payments on the same?

**Vishwas Patel:** Right now, no. I think it's too early. I think next quarter we will get those numbers.

**Ayushi Shah:** All right. And sir, my second question is on ONDC. So it's very interesting as we forge into the field right now. So sir, I wanted to understand that was the business order is for ONDC and like will payments in this segment be a percentage based thing or a fee-based model? And like what kind of revenue do we expect from this segment going down the line? And sir, like what percentage of our already strong 7.3 million merchant base do you think that we'll be able to employ for this ONDC venture and are we looking at other venues as well?

**Vishal Mehta:** See basically -- I'll take this. ONDC is a framework and it is evolving. The pilot happened in Bangalore and there's a lot of encouragement for merchants to be able to start selling products and for buyers to be able to start offering these products on their own portal. And so ONDCs basically, you'll have a buyer app and a seller app. And you essentially enable sellers to be able to control their inventory products and orders using that app. And think of ONDC as basically a framework that enables catalog and products to be pushed in and orders to be pushed out.

And stand-alone we can also join in as a payment gateway to be able to offer to merchants and we can also offer software frameworks and applications for existing merchants to be able to push their inventory into ONDC with other APIs. So there's again protocol, which has been set up and that back-end protocol will enable you to integrate with ONDC, which is public information. So the whole idea is that given that we have a very large merchant base and the potential, we would like to offer them an opportunity with a single click to be able to join ONDC which is the understanding that we've communicated in the call today.

And if you look at the number of seller apps, there are 5 or 8 or 10 seller apps that have been integrated with ONDC. And in terms of buyer apps, there are not many today. But the expectation is that the number of seller apps and buyer apps will grow tremendously once the framework is established and scaled up and that is where we will offer all our merchants to be able to -- enable them at a single click to join ONDC as and when the evolution happens. And I think it's happening on a daily basis by the way. So we see an opportunity for us to offer the same solutioning to merchants where payments will be integrated as part of it.

**Ayushi Shah:** Right. And sir, just that was a very comprehensive answer. But I didn't receive an answer for my question about the update about the patent we have filed and what the situation is like?

**Vishal Mehta:** Sorry, I didn't catch that. What is the question on that?

**Ayushi Shah:** The patent. You had mentioned in the last earnings we have filed for the first patent where basically consumers could tap their own phone with their cards to make online payments.

**Vishal Mehta:** Vishwas, you want to talk about the patent on the TapPay solution?

**Vishwas Patel:** What we are doing is a unique one in the sense that this tap-on-glass or pin-on-glass where we can do any kind of amounts and there are certain new functionalities that we have worked, which is not there in the world. So we applied for patent. The patent application was filed -- I don't have the current status right now. It's something unique that we have done within the ecosystem of tap and pay on phone.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Vishal Mehta:** Thank you all for joining the call and we look forward to interacting with you during the next earnings call. Thanks for being part of this call.

**Moderator:** Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.