

December 30, 2022

Infibeam Avenues Limited: Long-term rating reaffirmed at [ICRA]A-(Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term: Fund-based term loan	27.00	-	-
Long term: Unallocated limits	-	27.00	[ICRA]A-(Stable); reaffirmed
Total	27.00	27.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the extensive experience of the management in the e-commerce and IT services industries for about two decades as well as the advantages accruing to Infibeam Avenues Limited (IAL/the company) as an integrated e-commerce service provider and financial technology company, with CCAvenue being one of the leading payment gateway processing platforms in India.

The rating action also considers the continued growth in the company's transaction processing volumes (TPV) for its payment gateway services (CCAvenue) and services platforms (BillAvenue, ResAvenue and GeM). ICRA notes the expected geographic diversification through scaling up in the UAE and entry into newer markets. Further, addition of new customers in the services platform and growth in transaction volumes of existing customers like Jio Platforms Limited should aid growth and diversification. Further, ICRA notes the receipt of an in-principle approval from the RBI for the payment aggregator licence in October 2022 and new segments such as CCAvenue TapPay, which should support future growth prospects.

The rating also factors in the asset-light scalable business model resulting in a comfortable capital structure and adequate liquidity profile. The company had prepaid its term debt in FY2022 and is debt free as on September 30, 2022.

The rating, however, remains constrained by intense competition in the payment processing business, which is the largest profit contributing segment of the company. Further, while there has been a healthy growth in the company's total transaction processing volumes, the net take rates have been modest due to competitive pressure and reduced business from certain segments such as travel and leisure that were impacted by the pandemic, resulting in a moderate growth in net revenue and operating profits. However, there has been some improvement in the net take rates in the current fiscal and the improvement in profitability will be monitored. ICRA also notes that the operations remain vulnerable to changing technologies, competition as well as regulatory changes and exposure to risks related to data security that could impact the business risk profile of the company.

The Stable outlook on the [ICRA]A- rating reflects ICRA's expectation that IAL's credit profile will be sustained in the medium term, aided by growth in TPV. The same will be supported by new customers, geographic diversification and improvement in profit margin, aided by recovery in the tourism segment, while maintaining adequate liquidity.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and qualified management - Infibeam was founded by Mr. Vishal Mehta, a Cornell and MIT Sloan alumnus. After working for leading technology companies in the US for five years, Mr. Mehta returned to India in 2007 and launched Infibeam. Mr. Mehta and his management team have an experience of over two decades in the ecommerce business. Infibeam's operations are spread across India, the UAE and Saudi Arabia, including personnel working under the

merged payment gateway service provider, CCAvenue, which was founded by Mr. Vishwas Patel who is also the chairman of the Payments Council of India.

Integrated fintech player - Infibeam is an integrated fintech player with payment gateway services (CCAvenue) and various operating platforms, such as bill processing (BillAvenue), hospitality solutions (ResAvenue) and a Government e-marketing (GeM) platform. The company operates as a payment processor for online merchants, websites and commercial users for which it charges a fee on successful transactions. IAL's payment system, also called CCAvenue, provides nearly 250 unique payment options in India, processing payments across 27 international currencies that enables online and mobile payments for merchants. Infibeam has been able to scale up its business across service categories. However, contribution from the payment processing segment remains high.

Asset-light and scalable business segments - Infibeam currently uses technology to support a diverse range of products and services along with complex and customisable e-commerce solutions on a scalable platform capable of implementing large transaction volumes with minimal downtime. The technology enables Infibeam to offer services across multiple media, channels and customer interfaces, including digital downloading and streaming services, as well as application framework solutions for supply chain and inventory management. The hosting and technology platform incorporates mobile applications, digital product catalogue, content management, promotion handling, access to payment gateways, as well as inventory and logistics management. It is also capable of being integrated into the customer's IT infrastructure and third-party configurable software. Further, addition of new customers in the services platform and growth in transaction volumes of existing customers like Jio Platforms Limited, tie-up with private banks for offering a white label payment platform, launching of CCAvenue TapPay as well as expansion of its international operations should aid growth and diversification.

Comfortable financial risk profile and capital structure – On a consolidated basis, the successful transactions increased to Rs. 275,891 crore in FY2022 from Rs. 139,406 crore in FY2021. During H1 FY2023, the TPV stood at Rs. 179,830 crore. Infibeam's financial risk profile remains strong, marked by sizeable scale of operations, healthy cash accruals, comfortable liquidity profile and capital structure with healthy debt protection metrics and high profitability and return indicators. Further, as on September 30, 2022, the company is debt free.

Credit challenges

Intense competition in payment processing business - Infibeam competes with payment processing gateways such as BillDesk, PayU, Razorpay etc along with various other services platforms. Though CCAvenue is a key player in the payment processing industry, other players have funding support from large venture capital firms, private equity firms and international technology companies, enabling them to burn cash for client acquisition and gain market share. This results in pricing pressure for Infibeam, impacting its profitability. In FY2022, while the total revenue witnessed substantial improvement, growth in net revenue and operating profits remained subdued. Further, there is always a risk of new entrants with better service offerings, which can create disruptions in the market and impact the performance of Infibeam's business segments. However, the company's established track record in the payment processing business has enabled the company to acquire new customers.

Vulnerability to changing technologies and consumer trends - As operations grow in scale and complexity, Infibeam will need to continuously improve, upgrade, adapt and expand its technology systems and infrastructure to offer its existing and prospective merchants and customers enhanced services, features and functionality amid rapidly evolving consumer demands, while maintaining the reliability and integrity of the systems and infrastructure in a cost-efficient and competitive manner. Inability to adapt to changing consumer needs and technological developments remains an inherent risk for the company. Moreover, Infibeam is also exposed to regulatory changes as well as to risks related to data security that could impact the business risk profile of the company.

Liquidity position: Adequate

Infibeam had unencumbered cash and cash equivalents of Rs. 175.5 crore as on September 30, 2022, which increased from Rs. 130.3 crore as on March 31, 2022, aided by healthy cash accruals and no repayment obligations. Currently, there are no

repayment obligations. However, it would continue to upgrade its software systems, data centres and other IT infrastructure, which would involve a cost of Rs. 25-30 crore annually. Further, the company continues to explore various acquisition and investment opportunities in the evolving and dynamic fintech space, for which it continues to maintain a surplus cash position.

Rating sensitivities

Positive factors – Improvement in the return and credit metrics while maintaining healthy growth in the operating income and profitability on a sustained basis could lead to an upgrade.

Negative factors – Pressure on Infibeam’s rating could arise if there is a significant decline in the operating revenue and profitability on a sustained basis, or if any major debt-funded capex plan/acquisition weakens the liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of Infibeam Avenues Limited. As on September 30, 2022, the company had twelve subsidiaries and two associates that are all enlisted in Annexure-2.

About the company

Infibeam Avenues Limited (Infibeam) was established in 2007 by Mr. Vishal Mehta, headquartered in GIFT City, Gandhinagar. Infibeam operates an online payment system with technology platform solutions across industry verticals. The company operates as a payment processor for online merchants, websites and commercial users for which it charges a fee on successful transactions. Infibeam’s payment system, CCAvenue, provides nearly 250 unique payment options in India, processing payments across 27 international currencies that enable online and mobile payments for merchants. Infibeam also provides services of various platforms, such as the Government e-Marketplace (GeM), Bharat Bill payment services (BillAvenue) and hospitality solutions (ResAvenue), among others.

Infibeam expanded its operations to the Middle East payments market (the UAE) by acquiring the payment gateway company in June 2018. It launched payment gateway in Saudi Arabia in September 2019, followed by the US in February 2020, and further expanded into Oman in June 2020. The company has recently set up a wholly-owned subsidiary in Australia to offer digital payments across the country

Key financial indicators (audited)

Consolidated	FY2021	FY2022
Operating income	676.0	1293.9
PAT	61.6	75.7
OPBDIT/OI	21.2%	11.2%
PAT/OI	9.1%	5.9%
Total outside liabilities/Tangible net worth (times)	0.2	0.3
Total debt/OPBDIT (times)	0.1	0.0
Interest coverage (times)	35.4	63.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Dec 30, 2022	Oct 07, 2021	Nov 27, 2020	Sep 27, 2019
1	Term loans	Long term	-	-	[ICRA]A-(Stable)	[ICRA]A- (Negative)	[ICRA]A-(Negative)
2	Unallocated	Long term	27.0	[ICRA]A-(Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term – Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Unallocated limits	NA	NA	NA	27.0	[ICRA]A- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Infibeam Ownership	Consolidation Approach
Infibeam Avenues Limited	100.00% (rated entity)	Full Consolidation
Infibeam Digital Entertainment Private Limited	74.00%	Full Consolidation
Odigma Consultancy Solutions Private Limited	100.00%	Full Consolidation
Infibeam Logistics Private Limited	100.00%	Full Consolidation
Avenues Infinite Private Limited	100.00%	Full Consolidation
Vavian International Limited	100.00%	Full Consolidation
Avenues World FZ LLC	100.00%	Full Consolidation
AI Fintech Inc	100.00%	Full Consolidation
Instant Global Paytech Private Limited	52.38%	Full Consolidation
Cardpay Technologies Private Limited (step down subsidiary)	100.00%	Full Consolidation
So Hum Bharat Digital Payments Private Limited	50.50%	Full Consolidation
Uvik Technologies Private Limited (acquired on March 01, 2022)	100.00%	Full Consolidation
Infibeam Global EMEA FZ LLC	49.00%	Equity Method
DRC Systems India Limited	29.69%	Equity Method

Source: Infibeam annual report

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545 5304
sabyasachi@icraindia.com

Sai Krishna
+91 44 4596 4300
sai.krishna@icraindia.com

Prashant Vasisht
+91 124 4545 5322
prashant.vasisht@icraindia.com

Kushal Shah
+91 79 4027 1527
kushal.shah@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.