

October 07, 2021

## Infibeam Avenues Limited: Rating reaffirmed; outlook revised to 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	27.00	[ICRA]A- reaffirmed; Outlook revised to Stable from Negative
<b>Total</b>	<b>27.00</b>	<b>27.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The revision in outlook to Stable, considers the continued growth in transaction processing volumes (TPV) of Infibeam Avenues Limited (IAL, the company), for its payment gateway services (CCAvenue) and service platforms (BillAvenue, ResAvenue and GeM). The rating reaffirmation factors in the extensive experience of the management in the e-commerce and IT service industries for about two decades as well as the advantages accruing to the company as an integrated e-commerce service provider, with CCAvenue being one of the leading payment gateway processing platform in India. ICRA also notes the expected geographic diversification through scaling up in the UAE and entry into newer markets. Further, addition of key customers like Jio Platforms Limited for the service platform segment should also aid in growth and diversification. The rating also factors in the asset-light scalable business model resulting in comfortable capital structure with gearing of 0.01 time as on March 31, 2021 as well as the adequate liquidity profile with access to surplus cash of ~Rs. 102.6 crore as on March 31, 2021. Further, the company has prepaid the entire term debt in H1 FY2022.

The rating, however, remain constrained by the intense competition in the payment processing business, which is the largest profit contributing segment of the company. Due to competitive pressure and the impact of the Covid-19 pandemic on certain segments like tourism, the revenue growth remained subdued despite TPV growth and the margin also witnessed some moderation. ICRA notes that the operations remain vulnerable to changing technologies, competition as well as regulatory changes such as regulatory charges on various payment options like debit card, unified interface payment (UPI), etc. and exposure to risks related to data security that could impact the business risk profile of the company.

The Stable outlook on [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 tourism segment with declining COVID infections, while maintaining adequate liquidity.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of the 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 e-commerce 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 co-chairman of the Payments Council of India.

**Integrated e-commerce service provider** - Infibeam is an integrated e-commerce player with payment gateway services (CCAvenue), '.ooo' domain and various operating platforms, such as bill processing (BillAvenue), hospitality solutions

(ResAvenue) and a Government eMarketing (GeM) platform. Infibeam has been able to scale up its business across the 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, promotions 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, during FY2021, the addition of key customers like Jio Platforms Limited for the service platform segment, tie-up with private banks for offering a white label payment platform and with JP Morgan Chase India for processing transactions of its enterprise clients as well as expansion of operations in USA and Oman should aid in growth and diversification.

**Comfortable financial risk profile and capital structure** – Infibeam's financial risk profile remains strong, as 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. Interest coverage remained strong at 38.8 times in FY2021, while NCA/Total Debt stood at 708.5%. Further, the company has prepaid the entire term debt in H1 FY2022.

## Credit challenges

**Intense competition in payment processing business** - Infibeam competes with payment processing gateways such as Billdesk, PayU<sup>1</sup>, Razorpay etc along with a variety of service 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. 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, CCAvenue has more variety of payment options along with established track record in payment processing business which enable it to acquire new customers.

**Vulnerability to changing technologies and consumer trends in e-commerce services** - As operations grow in scale and complexity, Infibeam will need to continuously improve, upgrade, adapt and expand technology systems and infrastructure to offer its existing and prospective merchants and customers enhanced services, features and functionality ahead of 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 such as regulatory charges on various payment options like debit card, unified interface payment (UPI), etc. as well as exposure to risks related to data security that could impact the business risk profile of the company.

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<sup>1</sup> Recently, PayU has announced acquisition of BillDesk

## Liquidity position: Adequate

Infibeam’s liquidity position remains adequate with unencumbered cash and cash equivalents of ~Rs. 102.6 crore as on March 31, 2021 and in FY2021, the free cash flows also remained positive. With the prepayment of term debt in in Q1 FY2022, there are no repayment obligations and neither any major capex plans in the near term. However, it would continue to carry out upgradation of its software systems, data centres and other IT infrastructure which would be in the range of Rs. 30-35 crore annually. However, the company continues to explore various acquisition and investment opportunities in the evolving and dynamic e-commerce space, for which it continues to maintain a surplus cash position.

## Rating sensitivities

**Positive factors** – Healthy growth in operating income while maintaining healthy profitability and credit metrics on a sustained basis, could lead to a rating upgrade.

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

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of Infibeam Avenues Limited. As on March 31, 2021, the company had ten subsidiaries and four 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 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.

## Key financial indicators (audited)

Infibeam Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	633.0	676.0
PAT (Rs. crore)	55.3	61.6
OPBDIT/OI (%)	23.9%	21.0%
PAT/OI (%)	8.7%	9.1%
Total Outside Liabilities/Tangible Net Worth (times)	0.1	0.2
Total Debt/OPBDIT (times)	0.2	0.1
Interest Coverage (times)	35.6	38.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

## Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Aug 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019		
								Oct 07, 2021	Nov 27, 2020	Sep 27, 2019
1	Term Loan	Long-term	27.00	0.96	[ICRA]A-(Stable)	[ICRA]A-(Negative)	[ICRA]A-(Negative)	[ICRA]A (Negative)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple

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 analyzing 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, is available on ICRA's website: [Click Here](#)

**Annexure-1: Instrument details**

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
IndusInd Bank	Term Loan	FY2018	NA	FY2023	27.0	[ICRA]A-(Stable)

Source: Company

**Annexure-2: 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 (From June 09, 2020)	100.00%	Full Consolidation
Instant Global Paytech Private Limited	52.38%	Full Consolidation
Cardpay Technologies Private Limited (From June 05, 2020)	52.38%	Full Consolidation
So Hum Bharat Digital Payments Private Limited	50.50%	Full Consolidation
Avenues Payments India Private Limited	22.69%	Equity Method
Infibeam Global EMEA FZ LLC	49.00%	Equity Method
Rich Relevants Limited	49.00%	Equity Method
DRC Systems India Limited	29.69%	Equity Method

Source: Infibeam annual report FY2021

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### Branches



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