



 Company Name : **Infibeam Incorporation**

 BSE Code : **539807**

 Time Duration : **2 year**

 CMP : **₹972 (as on 01 June, 2017)**

 Target Price : **₹1,450**

Our Upstream Pick for the month of June 2017 is Infibeam Incorporation Ltd. It provides cloud-based, modular and customised digital solutions and other value-added services to merchants and wide range of products under 40 categories through online retail market to its customers. Being in IT sector, the company was facing challenges in maintaining its working capital, but it is showing revival since FY16. We can see its foray into education sector has enabled it to create a niche in e-commerce market. It provides a single window for students and professors to upload multimedia content online and create and maintain library on private cloud. We see a potential upside of 52% in the stock price over a period of two years from the current level.

Unique Business Model

The company is engaged in providing an integrated and synergistic business model for B2B and B2C segments of customers on cloud based infrastructure, enabling online sale of products for merchants, locally as well as globally. Its business operations are divided into mainly two segments viz-

BuildaBazaar marketplace (service-based) : This segment enables merchants to access customers through various sales channels and provide cost effective marketing and distribution solutions. The merchants can implement large transaction volumes with minimal downtime. Currently, more than 70,000 merchants are registered with the company. In FY17, this segment has registered growth of 56% as against FY16.

E-retail platform (product-based) : This segment operates through multi-category e-commerce website. It provides wide range of products varying from electronic products, household to fashion varieties. It follows an asset light inventory model. There are 8.17 mn active users using this service. A growth of 20% was seen in FY17 in this segment since FY16.

Acquisitions and Expansion

CC Avenue has merged with Infibeam in FY17, resulting in high growth opportunity with combined strength of 100,000 merchants. Recently, the company along with CC Avenue has decided to make investment in RemitGuru as an anchor investor. RemitGuru is a digital cross-border money remittance solution used by customers from more than 25 countries in eight currencies. This investment would help the company to increase its international operations and make business cash-free through fin-tech solution. Also, Infibeam has acquired DRC Systems India Pvt Ltd for consideration of Rs 6 crore. DRC provides customised solutions on proprietary and open source software frameworks to merchants and already provides services using BuildaBazaar platform to Infibeam merchants in India and globally. It has also launched its “.ooo” global top level domain in the state of Sikkim.

It has also set up a joint venture company with Sony Entertainment Limited to develop, build and own software applications for customers to use the licensed digital music content.

International presence

The company has entered Middle East through a tie up with a Saudi Telecom Company to build a next generation mobile experience “Jawwy”. It has also executed an agreement with Sears Holdings Management Corporation (“SEARS”), an American holding company and the owner of retail store brands like Sears and Kmart etc. Infibeam is to provide e-commerce platform services since Sears is a leading integrated retailer focused on seamlessly connecting digital and physical shopping experience. It wants to continue its focus on Europe market by identifying operational and commercial synergies with third party logistics partners to ensure optimal fulfilment cost.

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Logistics and Warehouses

Infibeam has a strong logistics network across India which is a key factor in making its e-commerce website user-friendly and easily accessible. It has 12 logistic centres across 11 cities like Mumbai, Bengaluru, Delhi, Gurgaon, Kolkata, Hyderabad, Jaipur, Pune, Lucknow, Ahmedabad and Chennai. Also, it has 6 warehouses located at Delhi, Gurgaon, Bengaluru, Ahmedabad, Mumbai and Kolkata. The company intends to set up additional 75 logistic centres.

Turnaround in operations

Infibeam Incorporation was the first e-commerce company in India that raised its capital in primary market through IPO last year. The company could raise its required capital with 6% premium due to its unique business model. A complete turnaround in the performance of the company was seen since 2016. It reported positive operating cash inflows and huge profits after incurring losses for past few years.

Shift towards digitisation and internet usage

Internet usage has seen a tremendous increase since past few years. Introduction of 4G and increasing penetration of wireless and broadband services has enabled easy and unlimited access to internet in India. This has boosted online retail market which is expected to grow by 6x till 2020. Internet penetration is expected to grow to 40% in the upcoming 5 years.

Financial Performance

The company's revenue in FY17 grew by 31% to Rs 441.3 crore as against Rs 336.9 crore in FY16. The segment-wise growth was seen upto 56% in service segment and 20% in product sale segment. Its EBITDA increased by 203% to Rs 83 crore on YoY basis as its percentage of operating expenses to revenue improved. The PAT also jumped by 396% to Rs 43.5 crore from Rs 8.8 crore in FY16. It is virtually a debt-free company as of FY16. Its interest coverage ratio was 8.49x in FY16. As it started generating positive cash inflows from FY16, its current ratio improved to 7.26x from 2.33x.

Valuation

The company was incurring losses up to FY15. Its EPS growth is seen since FY16. The consolidated EPS in FY16 was Rs 2.16 and now in FY17 it is Rs 8.47. Its ROE and ROCE in FY16 was 2.16% and 2.23%. We expect the returns to improve in the upcoming years as the revenue and profits would increase. We expect the stock price to reach target level of Rs 1,450 in the period of two years from now.

We urge our investors to make investment in three tranches and **BUY** on dips.

Quarter On Quarter (Consolidated) (Rs in Crore)

Particulars	201703	201612	Q on Q Var%	201603	Y on Y Var%
Net Sales	120.51	102.45	17.63	74.75	61.21
Total Expenditure	100.76	85.57	17.75	68.63	46.81
PBIDT (Excl OI)	20.10	17.14	17.25	6.93	190.06
PAT	13.58	12.52	8.47	2.31	489.15
PBIDTM% (Excl OI)	16.63	16.69	-0.36	9.17	81.35
PBIDTM%	19.56	20.62	-5.14	10.48	86.64
PATM%	11.24	12.19	-7.79	3.05	268.52
Adj. EPS(Rs)	2.51	2.38	5.46	0.45	457.78

Inc/Exp Statement(Consolidated) (Rs in Crore)

Description	201703	201603	201503	201403	201303
Net Sales	396.04	336.95	288.20	207.34	151.15
Total Income	409.86	342.44	295.35	209.06	152.56
Total Expenditure	342.90	315.16	291.03	227.74	173.17
PAT	43.50	8.66	-10.11	-26.89	-24.92
Adj. EPS(Rs)	8.47	1.74	-2.38	-6.56	-6.62

