

Infibeam Incorporation Ltd IPO : Average Issue

IPO Note: Lofty Valuation, Reducing E-commerce Industry Valuations, Expensive Issue :Ranking**



Issue details

Price band (Rs)	Rs. 360-432
IPO Opening Date	21-03-2016
IPO Closing Date	23-03-2016
Issue Size	Rs. 610.90-649.64 Cr.

Recommendation

On consolidated basis, the company has been in red for last three fiscals with a negative EPS. From FY 2012 to 2015, its top line jumped from Rs. 129.19 crore to Rs. 295.22 crore, but losses also kept surging from FY 2012 to 2014 from Rs. 10.82 crore to Rs. 26.89 crore and reduced to Rs. 9.78 crore for FY 2015. Top line CAGR increase of 31% between 2012 and 2015 is impressive, but in a fiercely competitive landscape of E-tailing, it is not clear whether the company will be able to make profits worthy of commanding such premium valuations in the medium to long-term.

Strategically, Infibeam branched out of pure E-tailer play and created big business providing online back-end services to companies like Crossword and Adlabs. This strategy has paid off, which we can see from their increasing revenue stream from the segment. However, it is not clear how much of this momentum will be sustainable going forward.

Many of the fancy new-age E-commerce companies have seen their late round venture capital valuations reduce globally. We feel that Infibeam is trying to get their IPO out of the way before such "corrections" in valuations become widespread.

We believe one should avoid investing in this IPO for listing gain. We suggest waiting for investment in this stock till reviewing one or two quarterly results.

Highlights

- Infibeam Incorporation Ltd (IIL) is an e-commerce company focused on developing an integrated and synergistic e-commerce business model.
- It owns and operates the Infibeam BuildaBazaar (BaB) e-commerce marketplace, which provides cloudbased, modular and customizable digital solutions
- Integrated e-commerce business model with a large merchant and customer base
- Advanced and scalable technology
- One of the leading e-retail operations in India
- Association with established brands
- Experienced management team and qualified and motivated workforce
- IT has debt on FY15 was Rs.2.0 Cr.
- Its topline grew in four fiscal at a CAGR of 31%

Company Introduction Company Profile

Infibeam Incorporation Ltd is Ahmedabad, Gujrat based e-commerce company offering cloud-based, modular, customizable and scalable technology platform as well as e-commerce infrastructure and logistics support for a diverse universe of merchants, products and services. Company operates Infibeam.com, one of India's leading multi-category e-retail website.

Infibeam business operations are broadly divided as follows:



Financial Summary (Rs. In Crore)

Particulars	For the six month ended 30 Sep. 2015	FY2015	FY2014	FY2013
Total Income	174.62	295.22	290.05	152.55
Net Profit	6.57	-9.78	-26.89	-24.91
EPS (Rs)	2.38	-	-	-

EPS Annualize, Source:RHP

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

1. Infibeam BuildaBazaar e-commerce marketplace

An online marketplace offering customizable online storefront solutions on a scalable platform, including mobile applications, digital product catalogue, content management, promotions handling, access to payment gateways as well as fulfilment services. It provides cost-effective marketing and distribution solutions to the customers. As of March 31, 2015, we had 33,489 registered merchants.

2. Infibeam.com e-retail site

Infibeam.com is an online shopping website for Indian retail customers. The website sells over 15 million products across 40 product categories. As of March 31, 2015, Infibeam.com had more than 7.2 million active users.

Company has 13 logistics centers across 12 cities in India including in Mumbai, Bengaluru, Delhi, Gurgaon, Kolkata, Hyderabad, Guwahati, Jaipur, Pune, Lucknow, Ahmedabad and Chennai. Company have also set up a joint venture company with Sony Entertainment Limited to develop, build and own software applications by offering downloading and streaming of licensed digital music content.

IPO Issue Proceed

To part finance its plans for setting up of cloud data centers, 75 logistics centers, purchase of property for shifting of offices and to meet general corpus fund needs, the company is coming out with a maiden IPO via book building route. It is issuing 1.25 crore to 1.042 crore equity share of Rs. 10 each (based on lower and upper price band) within a price band of Rs. 360-432 (a wide gap of 20% in lower and upper price band). IIL intends to mobilize Rs. 450 crore via this issue. It is a primary issue and thus entire money goes to company post IPO. Minimum application is to be made for 34 shares and in multiples thereon, thereafter.

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