

## IN CONVERSATION

**T**HE blistering pace with which Ebix Inc. acquired companies in the last five months in India has created a lot of stir in the market with competitors reweighing their strategies. **Robin Raina**, Chairman & CEO, Ebix, acquired payments firm ItzCash in May for around \$120 million, marking the beginning of its big bold India plan. Next came travel portal Via, the money transfer business of Paul Merchants and Your First Money Express. Setting aside an additional \$200 million for future acquisitions in India, this US-based software and service company is in no mood to slow down to cash in on India's digital movement. Aiming to build an 'airport-like' model and be India's single financial exchange for insurance, remittances, healthcare, travel and host of other services, Raina speaks with **Naina Sood** about his 'India blueprint'. Edited excerpts:

**You have been on an acquisition spree in the last five months, shredding more than \$120 million investment in the country. What is your vision behind this move?**

My vision is to set up an infrastructure exchange in India like an 'airport'. When you want to fly somewhere, you choose your flight not your airport. Airport is the infrastructure and that is what Ebix wants to be. We create infrastructure exchanges or aggregations and then become non-aligned to let transactions happen.

## 'The fight in India is going to be on last mile'

Ultimately we want to converge three channels: insurance, finance and healthcare. That is what these acquisition are all about. We want to consolidate the market and streamline the data for it to flow seamlessly and cross functionally.

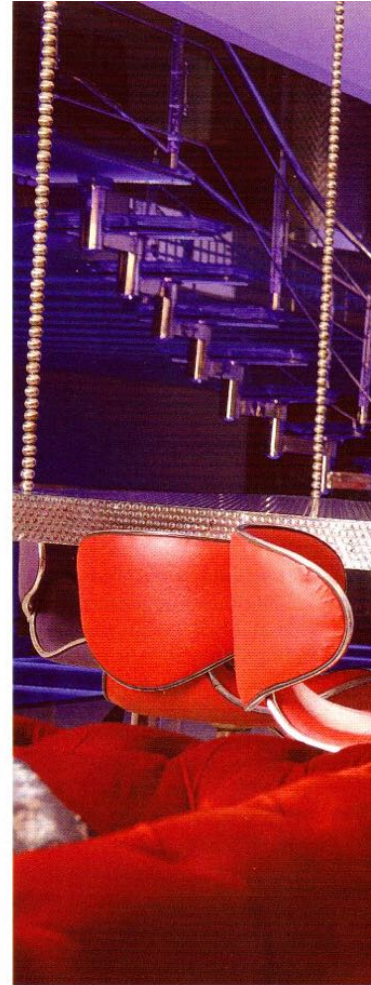
**Is this opportunity of an aggregated financial structure unique for India?**

India has a unique opportunity where nobody has thought through this in an enterprise manner. If you see the Indian market, people have either focussed on payment solutions, credit cards, insurances or wallets. There are desperate providers trying to cater to five different solutions in 45 different ways. Ultimately there is one consumer who wants

simplification and the best price. Ebix, therefore, wants to build a handshake between the consumer and all the back-end activities: B2C and B2B process.

**You have ventured into travel with Via's acquisition. Is this a part of your strategy to cross-sell products?**

I see travel as a subset of financial exchanges and hence we did not separate it. Travel is a key part of a financial exchange. Take India's metrics, for instance, last year, almost 600 million people travelled from one place to another, which is twice the population of the US. When people travel, they spend money on remittances, insurance, forex and others. Therefore, travel becomes an integral part of money







generation and financial packages. Buying Via.com was a key piece of this puzzle.

#### Why Itzcash?

In order to evolve our financial exchange strategy, we needed a base foundation in India. We could have either built it ourselves and spent a lot of time or buy something already doing well. When we started exploring the market, we could not find a single payment solution player who was actually doing business with 'common sense'.

Itzcash had their basics right and were the only ones not losing money. They had the right vision of combining physical outlets with digitisation — 'Phygital'. We realised that unlike other markets, the fight in India is going to be on last mile. The one with the last mile and largest aggregation with a recurring cash generating model wins the battle. Itzcash had the potential and we decided to buy it.

**'EbixCash', the new entity post the acquisition, stands in competition with players such as Paytm, Mobikwik not just in e-wallet business, but now also in financial services including lending and insurance. How do you**

#### see this panning out?

Let us take a step back and walk through the very concept of e-wallets. EbixCash also has its own mobile wallet, but at the same time, is not big into giving a strong push to it.

As the economy evolves in India, everyone will have a debit or a credit card issued by the bank. What would trigger you to use a mobile wallet over a card? People are using mobile wallets today because they are given some value. But if the value given is unsustainable, it is bad business.

If you look at the 'so called' big names in the industry, they are giving value in the form of 'cashback' to retain the customer. How long will that sustain? Deep pockets and big investors will help you survive for only 3-4 years, but post that the investors will become restless. When Microsoft bought Nokia, it had deep pockets too. But it soon realised the unsustainable economic model of Nokia and pulled out. That is how I look at mobile wallets in India who are burning up all their cash.

It is good to be a mobile wallet company, provided it is of incidental use in your business and not your key function. The key tool needs to be something else: travel, lending, insurance or others.



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### GROWTH STRATEGY

Company acquired	Acquired from	Deal Valuation	Date of acquisition
ItzCash*	Essel Group	\$120 mn	24 May
MTSS of Wall Street Finance	Wall Street Finance	\$7.4 mn	17 August
MTSS of YouFirst Money Express	YouFirst Money Express	Undisclosed	21 Aug
MTSS of Paul Merchants	Paul Merchants	\$40.7 mn	21 Sep
Via Travel Exchange	Via	\$75 mn	31 Oct

\*Now EbixCash; MTSS: Money Transfer Service Scheme Business; Source: BW research

#### How do you foresee these businesses moving up then?

The jury is not out on it. The government has come out with its own UPI, Google Tez is now coming and so on. These are all good signs. At the same time, a lot of this has happened and it is not something that has taken the market by storm, anywhere in the world.

I am a bit sceptic on the mobile wallet market. Companies will need to diversify, as it does not make business sense to base your strategy around just e-wallets. The top e-wallets are now rethinking their strategies and diversifying. It is a good sign. If they don't, it will lead to law of diminishing returns for them sooner or later. You could create hype in the market but the cash burn rate will kill the company.

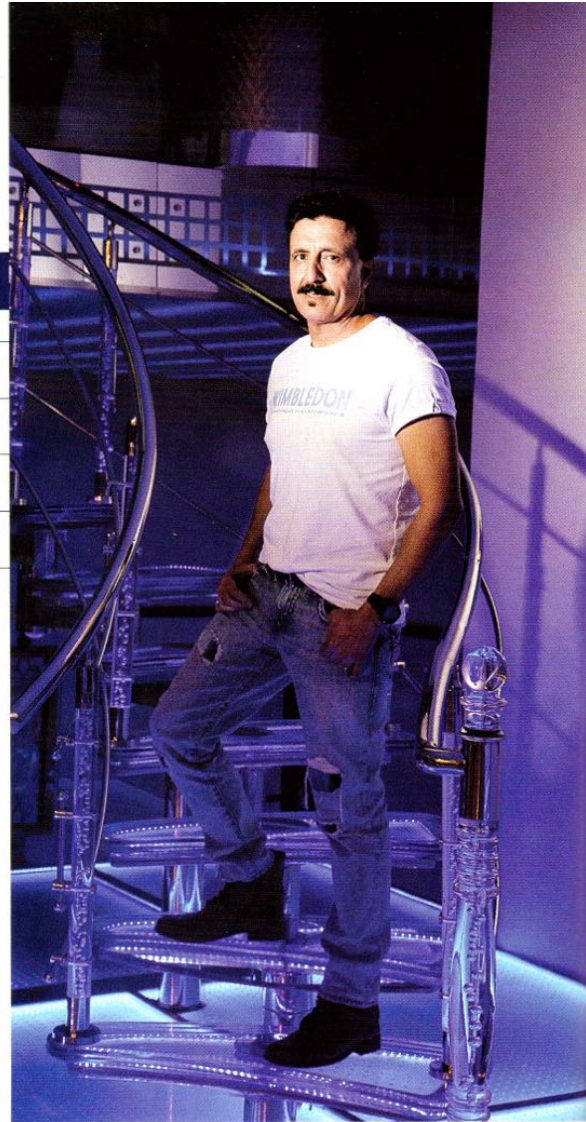
#### Apart from the financial sector and travel, what are the other areas you plan to venture into?

We are continuously going into different directions. We recently entered into a JV with BSE for insurance. We will invest in the brand and promote it aggressively. Beyond that, lending is a market for us. Further, you could see us buying lending exchanges and P2C insurance exchanges. You could also see us going into back-end services and buy strategic consulting companies who support banks and insurance companies.

#### What are your future projections, especially regarding investments in India?

We are air marking \$200 million for India out of which we have already spent \$130 million. However, don't read too much into this \$200 million number as we will scale up. We are not buying loss making companies in India but cash generating ones. When you buy such businesses, you could further buy more companies.

We have an appetite, scalability and balance sheet bigger than \$200 million. Ebix runs with more than 40 per cent cash Ebitda. By the end of December, our employee count would be close to 7,000 in India, which means we



are investing rigorously and wanting to grow organically.

#### What about challenges?

There are obviously regulatory environment challenges. But I do not buy this argument. My advice to entrepreneurs would be not to base their business models around positive moves like demonetisation. What if the government reverses its path? This is bad business again.

Look at the insurance sector in India. It is a mistake not to allow foreign companies to have more than 50 per cent position in India. We should improve the speed of official approvals. I give Mr Modi a lot of credit for doing a much better job than what was happening in the past. I will focus on the positives, rather than worrying about the negatives. **BW**

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