

Estimate change

TP change

Rating change



Bloomberg	INMART IN
Equity Shares (m)	29
M.Cap.(INRb)/(USDb)	151.5 / 2
52-Week Range (INR)	9700 / 3965
1, 6, 12 Rel. Per (%)	16/-27/-59
12M Avg Val (INR M)	1196

Financials & Valuations (INR b)

Y/E Mar	2022	2023E	2024E
Sales	7.5	9.1	11.0
EBITDA	3.1	2.9	3.7
PAT	3.0	3.2	4.0
EPS (INR)	97.2	104.6	130.3
EPS Gr. (%)	0.6	7.6	24.6
BV/Sh. (INR)	612.0	712.1	820.4

Ratios

RoE (%)	17.1	15.8	17.0
RoCE (%)	18.0	16.0	17.2
Payout (%)	2.1	19.1	15.4

Valuations

P/E (x)	50.6	47.1	37.8
P/BV (x)	8.0	6.9	6.0

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	49.5	49.5	49.9
DII	5.5	5.3	4.5
FII	24.0	26.6	27.7
Others	21.1	18.6	17.9

FII Includes depository receipts

CMP: INR4,922

TP: INR6,150 (+25%)

Buy

Strong customer additions; growth to bump up in FY23E

Margin to drop on elevated investments; business fundamentals intact

- IndiaMART's 4QFY22 performance was weaker than expected led by a major miss on margin (at 28.4%), down 13.5pp QoQ and below our estimate of 32.7%. However, sales growth was above expectations at 12% YoY and 7.1% QoQ with the highest ever customer additions of 13k (above our expectation of 7k). Collections continued to be encouraging at +17% YoY, suggesting good visibility on FY23E revenue growth. Similarly, deferred revenue rose 25% YoY to INR 9.1b, which should support 20%+ revenue growth in FY23E.
- With travel opening up, rising spend levels, and continued supply-side squeeze, IndiaMART's management anticipates EBITDA margin to stay compressed in FY23.
- We expect 21% revenue CAGR during FY22-24, and believe the company's margin will stabilize at 33.5% in FY24. This, in turn, should drive a 16% PAT growth over the same period.
- Management upgraded its paid subscriber addition guidance to 8-9k from 6-7k earlier propelled by opening up of travel, improved sales traction and lower customer churn. Additionally, its ARPU should start recovering going forward as business activity stabilizes and entry-level customers upgrade to higher packages.
- We view its ongoing investment into SaaS ecosystem as a positive, albeit marginal to the overall valuation currently. We would keep a close watch on the performance of its acquired entities as they remain synergistic to IndiaMART's customer base and can drive long-term differentiation v/s peers.
- IndiaMART saw significant de-rating due to margin concerns. We continue to view it as a key beneficiary of technology adoption within India's MSME universe as well as of a shift to formalized ecosystem. We believe that the company remains poised to drive significant value due to its industry-leading position in the segment. Moreover, the recent buy-back indicates management confidence in the business.
- We lower our FY23E/24E EPS by 9.5%/8.0% mainly because of lower margins. We value IndiaMART on a DCF basis to arrive at our TP of INR6,150 (23% potential upside), assuming 12% WACC and 6% terminal growth rate, implying 47x FY24E EPS. **Reiterate BUY.**

Good topline growth but large miss on margins

- Revenue stood at INR2.0b (1.8% above our estimates), +12.1% YoY and +7.1% QoQ.
- For FY22, Revenue/PAT grew 12.5%/6.4% YoY, respectively, while EBITDA declined 6.2% YoY.
- Deferred revenue rose 25% YoY to INR9.1b, while Collections grew 17% YoY to INR3.2b.
- The company added 13k paying subscribers (expectation of 7k, +11% YoY), resulting in an ARPU dip of 1.3% QoQ to INR47,400.

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- EBITDA margin dipped 13.5pp QoQ to 28.4%, below our estimate of 32.7%, primarily led by higher employee and outsourced sales costs.
- PAT stood at INR574m, -14% YoY, and 20% miss to our estimates.
- Traffic was flat QoQ at 260m v/s 259m in 3QFY22.
- Total suppliers on the platform stood at 7.1m, an increase of 9.2% YoY
- Total Paid suppliers stood at 169K, an increase of 11.2% YoY and 8.3% QoQ.
- Total cash and investments stood at INR24.2b (v/s INR25.2b in 3QFY22).
- OCF stood at INR1,580m, implying OCF/PAT of 275%.
- IndiaMart announced a dividend of INR2 per share and INR1.0b buy-back at INR6,250/- per share.

Highlights from the management commentary

- The company added the highest ever paid customers at 13k and plans to add customers in the range of 8-9k per quarter going forward.
- IndiaMart is now actively managing Busy Infotech and the focus is on – a) doubling growth rate, b) creating new customer base and c) building a strong team to support growth.
- Margin in 4QFY22 was impaired by higher expenses as the company expanded its sales team (increased total headcount by 15%) and gave generous salary hikes to retain people. The cost run-rate remained elevated at INR500m for Mar'22.
- Management guided that there will be pressure on margins and costs will stay elevated in FY23E as it would be the year of investments to capture the growth.

Valuation and view: Strong collections to sustain; growth story intact

- Strong collections are testimony to the recovery in demand momentum. We anticipate the collections momentum to remain intact in the near term.
- We are confident of the strong fundamental growth in operations, propelled by: a) higher growth in digitization among SMEs (~25%), b) the need for out-of-the-circle buyers, c) a strong network effect, d) over 70% market share in the underlying industry, e) the ability to improve ARPU on low price sensitivity, and f) high operating leverage.
- We have arrived at our DCF-based TP of INR6,150, assuming 12% WACC and 6% terminal growth rate. Our TP implies a 23% potential upside from the current level. **Reiterate BUY.**

Consolidated – Quarterly Earnings Model

(INR m)

Y/E March	FY21				FY22				FY21	FY22	Estimate	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%/bp)
Gross Sales	1,531	1,632	1,736	1,797	1,816	1,824	1,881	2,014	6,696	7,535	1,978	1.8
YoY Change (%)	4.1	4.2	5.3	5.6	18.6	11.8	8.4	12.1	4.9	12.5	10.1	200bQ
Total Expenditure	798	815	858	943	930	992	1,093	1,442	3,414	4,457	1,331	8.3
EBITDA	733	817	878	854	886	832	788	572	3,282	3,078	647	-11.6
Margins (%)	47.9	50.1	50.6	47.5	48.8	45.6	41.9	28.4	49.0	40.8	32.7	-430bQ
Depreciation	44	44	38	35	32	28	30	29	161	119	30	-5
Interest	18	18	16	15	14	14	13	13	67	54	13	0
Other Income	337	179	246	104	294	314	219	295	866	1,122	343	-14
PBT before EO expense	1,008	934	1,070	908	1,134	1,104	964	825	3,920	4,027	947	-12.9
Extra-Ord expense	0	0	0	109	0	0	0	0	109	0	0	
PBT	1,008	934	1,070	799	1,134	1,104	964	825	3,811	4,027	947	-12.9
Tax	263	234	263	226	240	264	231	193	986	928	227	-15
Rate (%)	26.1	25.1	24.6	28.3	21.2	23.9	24.0	23.4	25.9	23.0	24.0	-60bQ
MI & P/L of Asso. Cos.	4	2	5	16	15	18	31	58	27	122	0	
Reported PAT	741	698	802	557	879	822	702	574	2,798	2,977	720	-20.3
Adj. PAT	741	698	802	666	879	822	702	574	2,907	2,977	720	-20.3
YoY Change (%)	131.6	684.3	105.1	50.3	18.6	17.8	-12.5	-13.8	133.9	2.4	8.1	-2190bQ
Margins (%)	48.4	42.8	46.2	37.1	48.4	45.1	37.3	28.5	43.4	39.5	36.4	-790bQ

Key Performance Indicators

Y/E March	FY21				FY22				FY21	FY22
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue Indicators										
Paid Suppliers ('000)	133.0	141.0	148.0	152.0	146.0	150.0	156.0	169.0	574	621
ARPU ('000)	45.5	45.8	46.7	47.0	49.7	48.4	48.0	47.4	44	45
Cost Indicators										
Employees	3150	2917	2826	2745	2982	2959	3185	3672	2745	3672
Other Expenses (INR m)	198	196	211	223	250	252	273	278	828	1053

Highlights from the management commentary

Collections and customer additions

- Collections grew 17% YoY in 4QFY22 v/s 24% YoY in 3QFY22. Deferred revenue was at INR9.1b up 25% YoY.
- Strength of improvement in collections signifies the value proposition of the company for its customers.
- The company added the highest ever paid customers at 13k and plans to add customers in the range of 8-9k per quarter going forward.

Accounting ecosystem

- The investment in accounting space is the key focus area, in line with the vision of IndiaMart to improve the ease of doing business.
- IndiaMart's accounting portfolio is ready to serve all types of customers from micro to large enterprises.
- Busy Infotech had INR450mn in collections and CFO of INR100mn (+10% over FY21)
- IndiaMart is now actively managing Busy Infotech and the focus is on – a) doubling growth rate, b) creating new customer base and c) building a strong team to support growth.

Customer churn

- Churn of the Platinum and Gold customers is back to the pre-Covid levels at around 10%.
- Silver annual customers have 25-30% churn, which is better than Covid-levels. Silver monthly customers improved to 5% churn from 6% and management indicated that this should trend downwards.

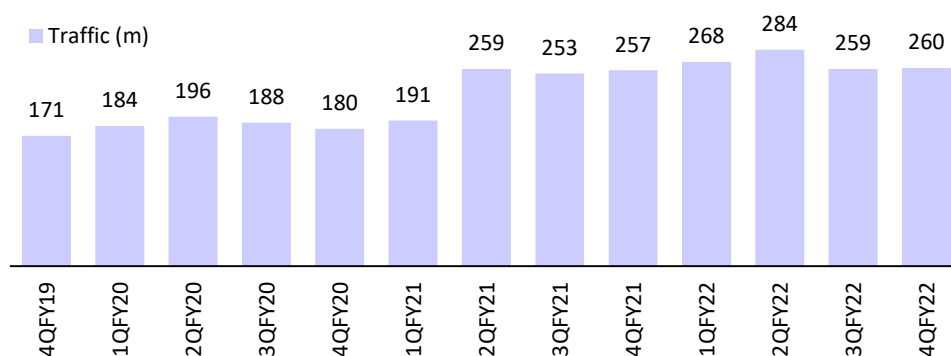
Cost and margins

- Margin in 4Q was adversely impacted by higher expenses as the company expanded its sales team (increased total headcount by 15%) and gave generous salary hikes to retain people. Cost run-rate remained elevated at INR500m for Mar'22.
- Management guided that there will be pressure on margins and costs will stay elevated in FY23E as it would be the year of investments to capture the growth.
- The higher margins in previous quarters were due to cost savings because of lower volumes. The volumes have started picking up and the management is planning to double the growth, thus creating pressure on margins.
- The management does not expect any slow-down in cost run-rate for 1QFY23.
- Salary costs were INR740m v/s INR600m in the last quarter; Incentives were at INR50m v/s INR20m in the last quarter and other expenses (related to employees) were at INR90m v/s INR30m in the last quarter.

Other Highlights

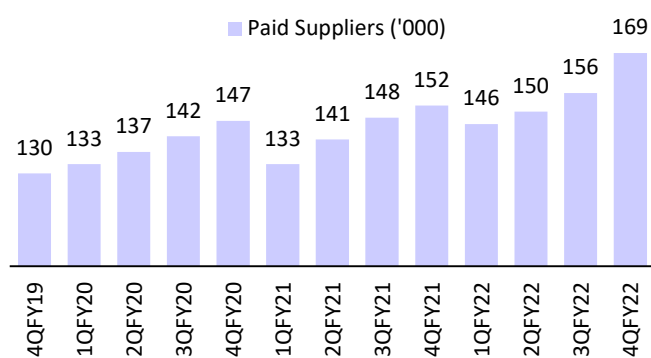
- ARPU was negatively affected by higher customer additions. The long-run guidance for ARPU growth remains at 5%.
- Enquires should come back as schools are reopening and travel and hotel are bouncing back.
- There could be a slow-down in commodities due to pricing environment.
- IndiaMart has started cross selling in Vyapar and has also integrated IndiaMart search feature in the Vyapar app.
- On the M&A front, deal flow has reduced substantially as the management has scanned most of the market and focus will be to integrate recent investments to reap synergies.

Exhibit 1: Traffic was largely flat QoQ



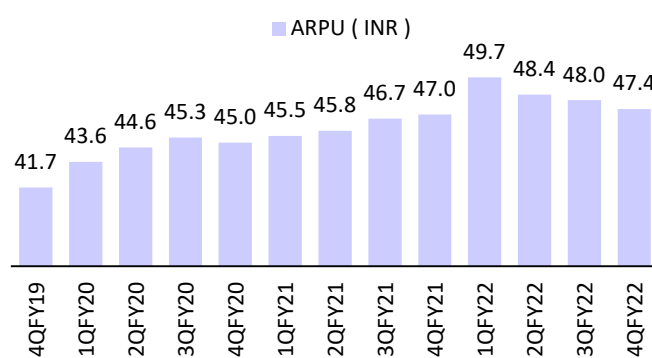
Source: Company, MOFSL

Exhibit 2: Paid suppliers saw a meaningful jump



Source: Company, MOFSL

Exhibit 3: ARPU again saw a dip



Source: Company, MOFSL

Valuation and view: Strong collections to sustain; growth story intact

- Strong collections are testimony to the recovery in demand momentum. We anticipate the collections momentum to remain intact in the near term.
- We are confident of the strong fundamental growth in operations, propelled by: a) higher growth in digitization among SMEs (~25%), b) the need for out-of-the-circle buyers, c) a strong network effect, d) over 70% market share in the underlying industry, e) the ability to improve ARPU on low price sensitivity, and f) high operating leverage.
- We have arrived at our DCF-based TP of INR6,150, assuming 12% WACC and 6% terminal growth rate. Our TP implies a 23% potential upside from the current level. **Reiterate BUY.**

Exhibit 4: Revisions to our estimates

	Revised			Estimate			Change (% / bp)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Standalone business									
Revenue (INR m)	7535.0	9075.9	10974.5	7,499.2	9,162.2	11,288.9	0.5	-0.9	-2.8
YoY (%)	12.5	20.4	20.9	12.0	22.2	23.2	50bp	-170bp	-230bp
EBITDA (%)	40.8	31.7	33.5	42.0	36.5	37.0	-120bp	-490bp	-340bp
EBIT (%)	39.3	30.1	32.0	40.4	35.0	35.4	-120bp	-490bp	-340bp
EPS (INR)	97.2	104.6	130.3	102.0	115.5	141.5	-4.7	-9.5	-7.9

Source: MOFSL

Financials and valuations

Consolidated - Income Statement						(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	4,110	5,070	6,386	6,696	7,535	9,076	10,975
Change (%)	29.2	23.4	26.0	4.9	12.5	20.4	20.9
Employees Cost	1,950	2,290	2,670	2,052	2,676	4,027	4,782
Outsourced sales cost	440	570	724	534	728	1,020	1,142
Other Expenses	1,250	1,370	1,310	828	1,053	1,156	1,372
Total Expenditure	3,640	4,230	4,704	3,414	4,457	6,203	7,296
% of Sales	88.6	83.4	73.7	51.0	59.2	68.3	66.5
EBITDA	470	840	1,682	3,282	3,078	2,873	3,678
Margin (%)	11.4	16.6	26.3	49.0	40.8	31.7	33.5
Depreciation	30	40	207	161	119	139	168
EBIT	440	800	1,475	3,121	2,959	2,734	3,510
Int. and Finance Charges	1,230	650	29	67	54	52	52
Other Income	190	410	683	866	1,122	1,514	1,772
PBT bef. EO Exp.	-600	560	2,129	3,920	4,027	4,196	5,229
EO Items	0	0	229	-109	0	0	0
PBT after EO Exp.	-600	560	2,358	3,811	4,027	4,196	5,229
Total Tax	-1,150	350	872	986	928	982	1,223
Tax Rate (%)	191.7	62.5	37.0	25.9	23.0	23.4	23.4
Minority Interest	0.0	0.0	14.0	27.0	122.0	0.0	0.0
Reported PAT	550	210	1,472	2,798	2,977	3,215	4,006
Adjusted PAT	550	210	1,243	2,907	2,977	3,215	4,006
Change (%)	-185.7	-61.8	491.9	133.9	2.4	8.0	24.6
Margin (%)	13.4	4.1	19.5	43.4	39.5	35.4	36.5

Consolidated - Balance Sheet						(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	100	286	289	303	306	306	306
Total Reserves	-3,312	1,313	2,462	15,806	18,435	21,588	24,918
Net Worth	-3,213	1,599	2,751	16,109	18,741	21,894	25,224
Other Liabilities	5,393	2,300	3,312	3,318	3,934	4,156	4,896
Total Loans	0	0	0	0	0	0	0
Deferred Tax Liabilities	-1,247	-964	-536	-244	-234	-254	-274
Capital Employed	933	2,935	5,527	19,183	22,441	25,796	29,845
Net Fixed Assets	73	85	52	22	31	51	71
Goodwill on Consolidation	8	6	5	3	2	2	2
Capital WIP	2	2	2	2	2	2	2
Other Assets	345	44	1,514	1,054	4,818	4,818	4,818
Total Investments	3,111	6,450	8,719	22,174	23,008	26,008	29,008
Curr. Assets, Loans&Adv.	642	657	401	1,616	1,394	2,256	4,683
Inventory	0	0	0	0	0	0	0
Account Receivables	7	6	17	13	13	25	30
Cash and Bank Balance	467	402	169	401	495	1,285	3,647
Loans and Advances	168	250	215	1,202	886	946	1,006
Curr. Liability & Prov.	3,247	4,308	5,166	5,688	6,814	7,341	8,739
Account Payables	419	450	179	154	184	259	308
Other Current Liabilities	2,720	3,709	4,682	5,210	6,348	6,790	8,129
Provisions	107	149	305	324	282	292	302
Net Current Assets	-2,604	-3,650	-4,765	-4,072	-5,420	-5,085	-4,056
Misc. Expenditure	0	0	0	0	0	0	0
Appl. of Funds	934	2,936	5,527	19,183	22,441	25,796	29,845

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)							
EPS	28.6	7.7	51.8	96.6	97.2	104.6	130.3
Cash EPS	28.6	7.7	51.8	96.6	97.2	104.6	130.3
BV/Share	-167.1	58.6	96.8	556.2	612.0	712.1	820.4
DPS	0.0	0.0	10.1	15.4	2.0	2.0	22.0
Payout (%)	0.0	0.0	22.7	16.0	2.1	19.1	15.4
Valuation (x)							
P/E	172.1	639.2	95.0	50.9	50.6	47.1	37.8
Cash P/E	172.1	639.2	95.0	50.9	50.6	47.1	37.8
P/BV	-29.5	84.0	50.9	8.8	8.0	6.9	6.0
EV/Sales	22.9	26.4	21.9	21.2	19.9	16.5	13.5
EV/EBITDA	200.4	159.3	83.1	43.3	48.8	52.2	40.1
Dividend Yield (%)	0.0	0.0	0.2	0.3	0.0	0.0	0.4
FCF per share	92.0	91.7	90.1	111.4	130.0	77.7	140.5
Return Ratios (%)							
RoE	-34.2	-26.0	57.2	30.8	17.1	15.8	17.0
RoCE	36.0	-56.2	62.5	31.3	18.0	16.0	17.2
RoIC	30.5	-9.1	-25.5	-68.5	-102.2	-163.4	-124.7
Working Capital Ratios							
Fixed Asset Turnover (x)	56.4	59.8	122.8	304.4	243.1	178.0	154.6
Asset Turnover (x)	4.4	1.7	1.2	0.3	0.3	0.4	0.4
Debtor (Days)	1	0	1	1	1	1	1
Creditor (Days)	37	32	10	8	9	10	10
Leverage Ratio (x)							
Current Ratio	0.2	0.2	0.1	0.3	0.2	0.3	0.5
Interest Cover Ratio	0.4	1.2	50.9	46.6	54.8	52.6	67.5
Net Debt/Equity	1.1	-4.3	-3.2	-1.4	-1.3	-1.2	-1.3

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	-601	539	2,114	3,893	3,904	4,196	5,229
Depreciation	29	41	211	161	119	139	168
Interest & Finance Charges	-28	-30	33	67	54	52	52
Direct Taxes Paid	-10	-52	-186	-588	-971	-982	-1,223
(Inc)/Dec in WC	1,297	1,684	1,022	471	1,800	657	2,052
CF from Operations	687	2,183	3,194	4,004	4,906	4,063	6,279
Others	1,103	368	-589	-779	-883	-1,514	-1,772
CF from Operating incl EO	1,791	2,551	2,605	3,225	4,023	2,549	4,507
(Inc)/Dec in FA	-22	-51	-45	2	-42	-159	-188
Free Cash Flow	1,769	2,500	2,560	3,227	3,981	2,389	4,319
(Pur)/Sale of Investments	-1,586	-2,591	-2,047	-13,379	-356	-3,000	-3,000
Others	-44	-116	-233	1	-2,956	1,514	1,772
CF from Investments	-1,653	-2,758	-2,325	-13,376	-3,354	-1,645	-1,417
Issue of Shares	152	144	19	10,520	5	0	0
Interest Paid	0	-3	-199	-122	-125	-52	-52
Dividend Paid	0	0	-333	-15	-455	-61	-676
CF from Fin. Activity	152	141	-513	10,383	-575	-113	-728
Inc/Dec of Cash	291	-65	-233	232	94	790	2,362
Opening Balance	177	467	402	169	401	495	1,285
Closing Balance	467	402	169	401	495	1,285	3,647

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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