

July 22, 2022

RESULT REPORT Q1 FY23 | Sector: Internet/Platform

Indiamart

Growth in the number of paid customers and Collections remain robust

Our view and valuation

Overall, the financial performance was inline for the quarter. The revenue growth was strong led by robust addition in paid customers. The growth in paid customers is expected to be between 8k-9k per quarter going ahead. The EBITDA margin has stabilized (still lower than margin witnessed during Q1FY21-Q3FY22) on continued investment in manpower, sales and distribution during the quarter. The growth in collections remain robust and provides strong growth outlook. Most of traffic on the portal is organic driven led by strong value proposition with little spending on advertising. It continues to be a leader in B2B online classified segment with around 70% market share and remains a strong play on rising adoption of internet among SMEs. We estimate revenue CAGR of 26.6% over FY22-24E with average EBIT margin of 32.8% over the period.

We maintain BUY on the stock with revised target price of Rs 5,439 /share, based on DCF based valuation. Trades at PER of 30.0x on FY24E EPS.

Result Highlights

- Reported revenue of Rs 2,246 mn(up 11.5% QoQ, up 23.7% YoY), led by 7.1% QoQ increase in average number of paying subscribers. It includes Rs 105mn revenue from accounting software services.
- EBITDA margin increased by 18 bps QoQ to 28.6%, led by positive operating leverage
- Collection increased by 49% YoY to Rs 2,540mn.
- Added robust 9.9k(up 5.8% QoQ) paying subscribers in the quarter to end at 179.3k paying subscribers. Average revenue per user grew 0.4% QoQ to Rs 47.6k.
- Total traffic was 257mn in Q1FY23 vs 260mn in Q4FY22.
- Supplier storefronts increased to 7.2mn compared to 7.1mn in Q4FY22
- Number of registered buyers grew by 5mn QoQ to 154mn.
- Added 163 employees(up 4% QoQ) to reach headcount of 3,835 employees
- Cash and investment decreased by 22% QoQ to Rs 18.8bn

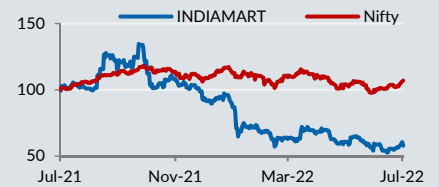
| Rs mn | Actual | Estimate | | % Variation | |
|-------------------|--------|----------|-----------|-------------|-----------|
| | | YES Sec | Consensus | YES Sec | Consensus |
| Sales | 2,246 | 2,116 | 2,226 | 6.1% | 0.9% |
| EBITDA | 642 | 720 | 630 | -10.8% | 1.9% |
| EBITDA Margin (%) | 28.58% | 34.03% | 28.30% | (544) bps | 28 bps |
| Adjusted PAT | 467 | 714 | 617 | -34.6% | -24.3% |

| | |
|------------------|--------------|
| Reco | : BUY |
| CMP | : Rs 4,074 |
| Target Price | : Rs 5,439 |
| Potential Return | : +33.5% |

Stock data (as on July 22, 2022)

| | |
|-------------------------|---------------|
| Nifty | 16,719 |
| 52 Week h/l (Rs) | 9711 / 3676 |
| Market cap (Rs/USD mn) | 125389 / 1570 |
| Outstanding Shares (mn) | 31 |
| 6m Avg t/o (Rs mn): | 841 |
| Div yield (%): | 0.0 |
| Bloomberg code: | INMART IN |
| NSE code: | INDIAMART |

Stock performance



| | 1M | 3M | 1Y |
|-----------------|-------|--------|--------|
| Absolute return | -0.5% | -15.5% | -41.8% |

Shareholding pattern (As of Mar'22 end)

| | |
|----------|-------|
| Promoter | 49.2% |
| FII+DII | 28.6% |
| Others | 21.5% |

Δ in stance

| (1-Yr) | New | Old |
|--------------|-------|-------|
| Rating | BUY | BUY |
| Target Price | 5,439 | 6,950 |

Δ in earnings estimates

| | FY22 | FY23E | FY24E |
|-----------|-------|--------|-------|
| EPS (New) | 100.6 | 94.6 | 136.0 |
| EPS (Old) | 100.6 | 110.9 | 130.1 |
| % change | NA | -14.7% | 4.5% |

Financial Summary

| (Rs mn) | FY22 | FY23E | FY24E |
|-------------|-------|-------|--------|
| Net Revenue | 7,535 | 9,811 | 12,070 |
| YoY Growth | 12.5% | 30.2% | 23.0% |
| EBIDTA | 3,078 | 3,056 | 4,549 |
| YoY Growth | -6.2% | -0.7% | 48.9% |
| PAT | 2,977 | 2,798 | 4,023 |
| YoY Growth | 6.4% | -6.0% | 43.8% |
| ROE | 17.1% | 14.1% | 17.8% |
| EPS | 101 | 95 | 136 |
| P/E | 40.5 | 43.1 | 30.0 |
| BV | 633 | 709 | 818 |
| P/BV | 6.4 | 5.7 | 5.0 |

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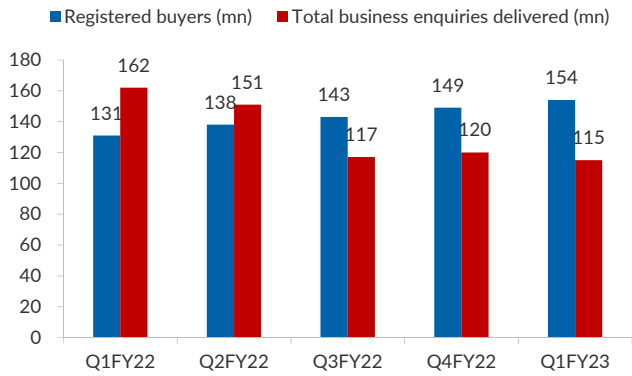
Exhibit 1: Quarterly snapshot

| (Rs mn) | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | yoy% | qoq% | FY22 | FY21 | yoy% |
|-----------------|---------|--------|--------|--------|--------|-----------|----------|---------|-------|----------|
| Revenue | 1,816 | 1,824 | 1,881 | 2,014 | 2,246 | 23.7 | 11.5 | 7,535 | 6,696 | 12.5 |
| EBITDA | 886.13 | 832 | 788 | 572 | 642 | (27.6) | 12.2 | 3078.13 | 3282 | (6.2) |
| EBITDA margin % | 48.8% | 45.6% | 41.9% | 28.4% | 28.6% | -2020 bps | 18 bps | 40.8% | 49.0% | -817 bps |
| D&A | 31.82 | 28 | 30 | 29 | 63 | 98.0 | 117.2 | 118.82 | 161 | (26.2) |
| EBIT | 854.31 | 804 | 758 | 543 | 579 | (32.2) | 6.6 | 2959.31 | 3121 | (5.2) |
| EBIT margin % | 47.0% | 44.1% | 40.3% | 27.0% | 25.8% | -2125 bps | -118 bps | 39.3% | 46.6% | -734 bps |
| Finance cost | 14.11 | 14 | 13 | 13 | 12 | (15.0) | (7.7) | 54.11 | 67 | (19.2) |
| Other income | 293.95 | 314 | 219 | 295 | 10 | (96.6) | (96.6) | 1121.95 | 866 | 29.6 |
| PBT | 1119.33 | 1086 | 933 | 767 | 507 | (54.7) | (33.9) | 4027.15 | 3920 | 2.7 |
| Tax | 240.25 | 264 | 231 | 193 | 40 | (83.4) | (79.3) | 928.25 | 1095 | (15.2) |
| PAT | 879.08 | 822 | 702 | 574 | 467 | (46.9) | (18.6) | 2977.08 | 2798 | 6.4 |
| PAT margin% | 48.4% | 45.1% | 37.3% | 28.5% | 20.8% | -2760 bps | -771 bps | 39.5% | 41.8% | -228 bps |

KEY CON-CALL HIGHLIGHTS

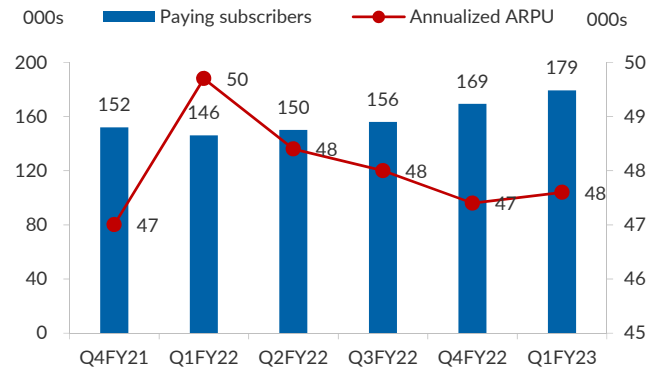
- EBITDA margin would remain around 28-30% over next 2 to 3 quarters
- Completed the acquisition of Busy Infotech during the quarter, which contributed Rs 105mn to revenue. It had Rs 40mn of PAT in the quarter.
- It has tried to strengthen product and technology teams through focused hiring.
- Decline in other income is due to mark to market losses on treasury portfolio due to rise in yield.
- ONDC is still in early stages and it will evaluate where to collaborate and where to compete
- Currently, there are no advertising plans in near term; but would let know if there are change in plans
- ARPU would rise as customers move up to Gold/Platinum packages. The ARPU growth of 5-6% YoY can be expected
- Among new customers, 2/3 come in as Silver Monthly. Around 20% of customers upgrade in a year's time.
- 8-9k paying customers addition per quarter can be expected going ahead. It has potential to have 1mn subscribers over medium to long term

Exhibit 2: Number of Registered buyers maintains growth momentum



Source: Company, YES Sec

Exhibit 3: Robust increase in the number of paying customers by ~10k QoQ



Source: Company, YES Sec

FINANCIALS

Exhibit 4: Balance Sheet

| Y/e March 31 (Rs mn) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------------------------|---------|-------|--------|--------|--------|--------|--------|
| Share capital | 100 | 286 | 289 | 303 | 306 | 306 | 306 |
| Reserves & surplus | (3,312) | 1,313 | 2,462 | 15,806 | 18,435 | 20,674 | 23,892 |
| Shareholders' funds | (3,213) | 1,599 | 2,751 | 16,109 | 18,741 | 20,979 | 24,197 |
| Non-current liabilities | 5,452 | 2,397 | 3,575 | 3,593 | 4,166 | 4,211 | 4,260 |
| Other non-current liabilities | 5,452 | 2,397 | 3,575 | 3,593 | 4,166 | 4,211 | 4,260 |
| Current liabilities | 3,187 | 4,212 | 4,904 | 5,413 | 6,582 | 6,960 | 7,361 |
| Other current liabilities | 3,187 | 4,212 | 4,904 | 5,413 | 6,582 | 6,960 | 7,361 |
| Total (Equity and Liabilities) | 5,427 | 8,208 | 11,229 | 25,115 | 29,489 | 32,150 | 35,818 |
| Non-current assets | 1,583 | 995 | 2,030 | 1,268 | 5,087 | 6,464 | 8,776 |
| Fixed assets (Net block) | 82 | 92 | 858 | 652 | 562 | 564 | 565 |
| Non-current Investments | 338 | 37 | 697 | 411 | 4,249 | 4,445 | 4,653 |
| Other non-current assets | 1,162 | 865 | 475 | 204 | 275 | 1,455 | 3,557 |
| Current assets | 3,844 | 7,213 | 9,200 | 23,847 | 24,402 | 25,687 | 27,042 |
| Cash & current investment | 3,578 | 6,852 | 8,957 | 22,952 | 23,776 | 25,003 | 26,296 |
| Other current assets | 266 | 361 | 242 | 895 | 626 | 683 | 747 |
| Total (Assets) | 5,427 | 8,208 | 11,229 | 25,115 | 29,489 | 32,150 | 35,818 |
| Capital employed | 2,240 | 3,996 | 6,326 | 19,702 | 22,906 | 25,190 | 28,457 |

Exhibit 5: Income Statement

| Y/e March 31 (Rs mn) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------------------|---------|---------|---------|---------|---------|---------|---------|
| Net sales | 4,105 | 5,074 | 6,389 | 6,696 | 7,535 | 9,811 | 12,070 |
| Operating expenses | (3,639) | (4,251) | (4,700) | (3,414) | (4,457) | (6,755) | (7,520) |
| EBITDA | 466 | 823 | 1,689 | 3,282 | 3,078 | 3,056 | 4,549 |
| Depreciation | (29) | (41) | (211) | (161) | (119) | (176) | (181) |
| EBIT | 437 | 782 | 1,478 | 3,121 | 2,959 | 2,879 | 4,368 |
| Other income | 29 | 37 | 686 | 866 | 1,122 | 877 | 1,078 |
| Profit before tax | (601) | 539 | 2,131 | 3,920 | 4,027 | 3,709 | 5,398 |
| Tax (current + deferred) | 1,149 | (339) | (640) | (1,095) | (928) | (825) | (1,355) |
| Reported Profit / (Loss) | 548 | 200 | 1,474 | 2,798 | 2,977 | 2,798 | 4,023 |
| Adjusted net profit | 1,615 | 480 | 1,474 | 2,798 | 2,977 | 2,798 | 4,023 |

Exhibit 6: Cash Flow Statement (Rs mn)

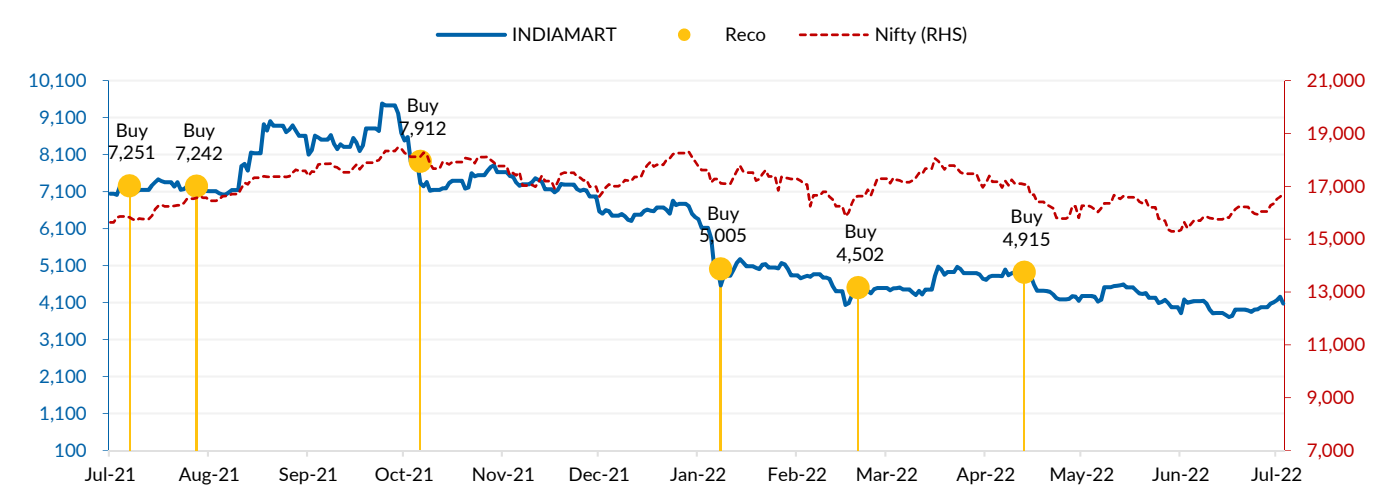
| Y/e March 31 (Rs mn) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------|---------|---------|---------|----------|---------|---------|---------|
| Profit before tax | (601) | 539 | 2,131 | 3,920 | 4,027 | 3,709 | 5,398 |
| Depreciation | 29 | 41 | 211 | 161 | 119 | 176 | 181 |
| Change in working capital | 848 | 967 | 980 | (134) | 1,394 | 339 | 357 |
| Total tax paid | (7) | (41) | (28) | (849) | (928) | (825) | (1,355) |
| Others | 0 | 0 | 33 | 67 | 54 | 48 | 48 |
| Cash flow from oper. (a) | 269 | 1,506 | 3,327 | 3,164 | 4,666 | 3,447 | 4,629 |
| Capital expenditure | (22) | (51) | (977) | 45 | (29) | (178) | (183) |
| Change in investments | (2,045) | (2,662) | (3,305) | (13,169) | (4,672) | (1,346) | (1,417) |
| Others | 5 | (1) | (221) | 25 | (71) | (1,180) | (2,102) |
| Cash flow from inv. (b) | (2,062) | (2,714) | (4,503) | (13,100) | (4,771) | (2,704) | (3,701) |
| Free cash flow (a+b) | (1,793) | (1,208) | (1,176) | (9,936) | (105) | 743 | 928 |
| Equity raised/(repaid) | 8 | 186 | 3 | 14 | 2 | 0 | 0 |
| Debt raised/(repaid) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividend (incl. tax) | 0 | 0 | (333) | (15) | (595) | (560) | (805) |
| Others | 1,846 | 1,332 | 968 | 10,475 | 689 | (106) | (39) |
| Cash flow from fin. (c) | 1,854 | 1,519 | 638 | 10,474 | 96 | (666) | (844) |
| Net chg in cash (a+b+c) | 61 | 310 | (539) | 539 | (9) | 77 | 85 |

Exhibit 7: Ratio Analysis

| Y/e March 31 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------------|---------|--------|-------|-------|-------|-------|-------|
| Growth (%) | | | | | | | |
| Revenue Growth | 29.2 | 23.6 | 25.9 | 4.8 | 12.5 | 30.2 | 23.0 |
| EBITDA Growth | NA | 76.6 | 105.1 | 94.3 | (6.2) | (0.7) | 48.9 |
| EBIT Growth | NA | 78.8 | 88.9 | 111.2 | (5.2) | (2.7) | 51.7 |
| Net Profit Growth | NA | (63.4) | 635.3 | 89.8 | 6.4 | (6.0) | 43.8 |
| Profitability Ratios (%) | | | | | | | |
| EBITDA Margin | 11.4 | 16.2 | 26.4 | 49.0 | 40.8 | 31.1 | 37.7 |
| EBIT margin | 10.7 | 15.4 | 23.1 | 46.6 | 39.3 | 29.3 | 36.2 |
| Net Profit margin | 39.3 | 9.5 | 23.1 | 41.8 | 39.5 | 28.5 | 33.3 |
| RoA | 11.5 | 11.5 | 15.2 | 17.2 | 10.8 | 9.3 | 12.9 |
| RoE | NA | (59.5) | 67.8 | 29.7 | 17.1 | 14.1 | 17.8 |
| RoCE | 43.0 | 25.1 | 28.6 | 24.0 | 13.9 | 12.0 | 16.3 |
| Liquidity Ratios | | | | | | | |
| Net debt/Equity (x) | 1.1 | (4.3) | (3.3) | (1.4) | (1.3) | (1.2) | (1.1) |
| Current ratio (x) | 1.2 | 1.7 | 1.9 | 4.4 | 3.7 | 3.7 | 3.7 |
| Quick ratio (x) | 1.2 | 1.7 | 1.9 | 4.4 | 3.7 | 3.7 | 3.7 |
| Per Share (Rs) | | | | | | | |
| EPS | 54.6 | 16.2 | 49.8 | 94.6 | 100.6 | 94.6 | 136.0 |
| BV per share | (108.6) | 54.0 | 93.0 | 544.5 | 633.5 | 709.2 | 817.9 |
| DPS | 0.0 | 0.0 | 9.6 | 0.5 | 20.1 | 18.9 | 27.2 |
| Valuation Ratios | | | | | | | |
| PER(x) | NA | NA | NA | NA | 40.5 | 43.1 | 30.0 |
| PCE(x) | NA | NA | NA | NA | 38.9 | 40.5 | 28.7 |
| Price/Book(x) | NA | NA | NA | NA | 6.4 | 5.7 | 5.0 |
| EV/EBITDA(x) | NA | NA | NA | NA | 31.4 | 31.3 | 20.7 |

| Dupont Analysis | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|----------------------|-------|--------|------|------|------|-------|-------|
| Net margin (%) | 39.3 | 9.5 | 23.1 | 41.8 | 39.5 | 28.5 | 33.3 |
| Asset turnover (x) | 1.1 | 0.7 | 0.7 | 0.4 | 0.3 | 0.3 | 0.4 |
| Leverage factor (x) | (1.1) | (8.4) | 4.5 | 1.9 | 1.6 | 1.6 | 1.5 |
| Return on Equity (%) | NA | (59.5) | 67.8 | 29.7 | 17.1 | 14.1 | 17.8 |

Recommendation Tracker



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