

Estimate change



TP change



Rating change


CMP: INR5,364
TP: INR6,290 (+17%)
Buy

Expect strong growth to continue in FY24

Strong topline and margin recovery to drive earnings; reiterate Buy

- INMART delivered a strong performance in 4QFY23, with revenue up 33.5% YoY and 6.9% QoQ (in line). Collections grew 48% YoY to INR4.2b (4Q seasonality), suggesting good visibility of revenue growth for FY24. Deferred revenue rose 28% YoY to INR11.6b, which should support ~26% revenue growth in FY24, despite a high base of FY23. Paying subscriber additions (up 8.7k QoQ) were good. The EBITDA margin declined 330bp QoQ (in-line), primarily due to the impact of annual wage hikes, front-loaded incentives paid on higher collections.
- We expect INMART to deliver a 24% revenue CAGR over FY23-25, aided by sustained paying subscriber additions and strong growth in deferred revenue.
- The management indicated that it has completed the sales investment needed to sustain client additions and that employee growth should be commensurate with revenue growth going forward. The management remains confident of getting back to 28% EBITDA margin in the near term and targeting an EBITDA margin of 30% by the end of FY24. We believe that INMART should benefit from operating leverage over FY23-25 and estimate EBITDA margin of ~30%/32% for FY24/FY25. This, in turn, should drive a 34% PAT CAGR (excluding one-time gain) over FY23-25E.
- BUSY continues to deliver strong performance. Given the company's investments in manpower, marketing, and distribution, there is good growth visibility for BUSY going forward. As a result, we believe that the expansion of BUSY's reach will serve as a positive long-term driver for INMART's business. We remain watchful of the performance of its other investments. Although BUSY is synergistic with INMART's customer base and has the potential to provide long-term differentiation, it must scale up its operations to become a truly meaningful value addition.
- INMART saw a significant de-rating due to margin concerns. We continue to see the company as a key beneficiary of the technology adoption by India's MSME universe, as well as of a shift to a formalized ecosystem. We believe that the company is poised to drive significant value, owing to its industry-leading position in the segment.
- While we upgrade our numbers on good performance and outlook, we reduce our earnings estimates to adjust for minority interest outgo. We value INMART on a DCF basis to arrive at a TP of INR6,290 (a potential upside of 17%), assuming 12% WACC, and a 6% terminal growth rate, implying 39x FY25E EPS. **We reiterate our BUY rating on the stock.**

In-line performance; steep ARPU improvement

- 4QFY23 revenue grew 34% YoY, EBITDA grew 16% YoY, and PAT was down 3% YoY.
- For FY23, revenue rose 31%, whereas EBITDA/Adj. PAT declined 13%/22%.
- Collections remained strong at Rs.4.2b (up 48% YoY) and deferred revenue was up 28% YoY to Rs.11.6b.

Bloomberg	INMART IN
Equity Shares (m)	31
M.Cap.(INRb)/(USDb)	164.2 / 2
52-Week Range (INR)	5564 / 3676
1, 6, 12 Rel. Per (%)	1/17/5
12M Avg Val (INR M)	546

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	9.9	12.4	15.2
EBITDA	2.7	3.7	4.9
Adj. PAT	2.3	3.2	4.2
Adj. EPS (INR)	75.9	104.2	136.7
Adj. EPS Gr. (%)	-22%	37%	31%
BV/Sh. (INR)	674.9	755.2	845.9

Ratios

RoE (%)	11.7	14.6	17.1
RoCE (%)	14.5	16.2	18.6
Payout (%)	4.3	25.0	33.7

Valuations

P/E (x)	57.8	51.5	39.2
P/BV (x)	7.9	7.1	6.3

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	49.2	49.2	49.5
DII	5.6	5.8	5.5
FII	26.7	25.5	24.0
Others	18.4	19.4	21.1

FII Includes depository receipts

- The company saw a strong QoQ growth in paying subscribers, with a positive addition of 8.7 thousand subscribers. ARPU saw a strong jump of 7% YoY to INR 50.6k.
- EBITDA margin dropped 330bp QoQ to 24.6% on wage hikes (in-line).
- PAT was INR558m, down 3% YoY, and below our estimate of INR643, due to minority interest.
- The board declared a final dividend of INR20 and announced a bonus share for every one share held. Total cash and Investments stood at INR 23.4b. OCF grew 32% YoY to INR 2.1b.

Highlights from the management commentary

- In 4QFY23, the company added 8.4k paid customers. Going forward, it expects that customer additions will exceed 8k while maintaining the churn at current levels for the next year.
- The primary focus for BUSY will be on growth before exploring cross-selling opportunities to its existing customer base.
- The company has made up for the investments that were deferred during the Covid pandemic in FY23. Going forward, the addition of new employees would be in-line with customer additions, which should help drive margins.
- The management is confident of getting back to 28% margin soon and targets to achieve 30% margin by the end of FY24.

Strong collections to sustain; growth story intact

- Strong collections are testimony to the recovery in demand momentum. We anticipate the momentum in collections to remain intact in the near term.
- We are confident of strong fundamental growth in operations, propelled by: 1) higher growth in Digitization among SMEs (~25%), 2) the need for out-of-the-circle buyers, 3) a strong network effect, 4) over 70% market share in the underlying industry, 5) the ability to improve ARPU on low price sensitivity, and 6) higher operating leverage.
- We have arrived at our DCF-based TP of INR6,290, assuming 12% WACC and a terminal growth rate of 6%. Our TP implies a 17% upside on the CMP. **We reiterate our BUY rating on the stock.**

Consolidated quarterly earnings

Y/E March									(INR m)		
	FY22				FY23				FY22	FY23	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Gross Sales	1,816	1,824	1,881	2,014	2,246	2,406	2,514	2,688	7,535	9,854	2,648
Change (YoY %)	18.6	11.8	8.4	12.1	23.7	31.9	33.7	33.5	12.5	30.8	31.5
Total Expenditure	930	992	1,093	1,442	1,604	1,734	1,812	2,027	4,457	7,177	1,988
EBITDA	886	832	788	572	642	672	702	661	3,078	2,677	661
Margin (%)	48.8	45.6	41.9	28.4	28.6	27.9	27.9	24.6	40.8	27.2	24.9
Depreciation	32	28	30	29	63	76	86	86	119	311	76
Interest	14	14	13	13	12	26	22	21	54	81	22
Other Income	294	314	219	295	10	466	352	307	1,122	1,135	299
PBT before EO expense	1,134	1,104	964	825	577	1,036	946	861	4,027	3,420	862
Extra-Ord. expense	0	0	0	0	0	0	-516	0	0	0	0
PBT	1,134	1,104	964	825	577	1,036	1,462	861	4,027	3,420	862
Tax	240	264	231	193	40	243	240	198	928	721	218
Rate (%)	21.2	23.9	24.0	23.4	6.9	23.5	16.4	23.0	23.0	21.1	25.4
MI and P/L of Asso. Cos.	15	18	31	58	70	109	94	105	122	378	0
Reported PAT	879	822	702	574	467	684	1,128	558	2,977	2,837	643
Adj. PAT	879	822	702	574	467	684	612	558	2,977	2,321	643
Change (YoY %)	18.6	17.8	-12.5	-13.8	-46.9	-16.8	-12.8	-2.8	2.4	-22.0	12.0
Margin (%)	48.4	45.1	37.3	28.5	20.8	28.4	24.3	20.8	39.5	23.6	24.3

Key performance indicators

Y/E March	FY22				FY23				FY22	FY23
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue indicators										
Paid suppliers ('000)	146.0	150.0	156.0	169.0	179.0	188.0	194.4	203.0	621.0	654.0
ARPU ('000)	49.7	48.4	48.0	47.4	47.6	48.7	49.0	50.6	44.6	46.4
Cost indicators										
Employees	2982	2959	3185	3672	3835	4088	4413	4583	3672	4583
Other expenses (INR m)	250	252	273	278	359	484	482	567	1053	1892



Highlights from the management commentary

Collections and customer additions

- Collections grew 48% YoY and deferred revenue was up 28% YoY in 4QFY23.
- The performance was driven by strong demand. 90-day repeat buyers stood at 53% for 4QFY23.
- In 4QFY23, the company added 8.4k paid customers. Going forward, it expects that customer additions will exceed 8k while maintaining the churn at current levels for the next year.
- Renewals are at ~90% of pre-covid levels. Platinum and Gold renewals are back to pre-covid levels.
- Churn on Platinum and Gold continues to be less than 1% per month. For the Silver Annual pack, the churn is around 3% per month, while for the Silver monthly pack, the churn continues to be elevated at ~5% per month levels.
- Improving macro and increasing internet penetration should support its growth ambitions going forward.

Accounting ecosystem

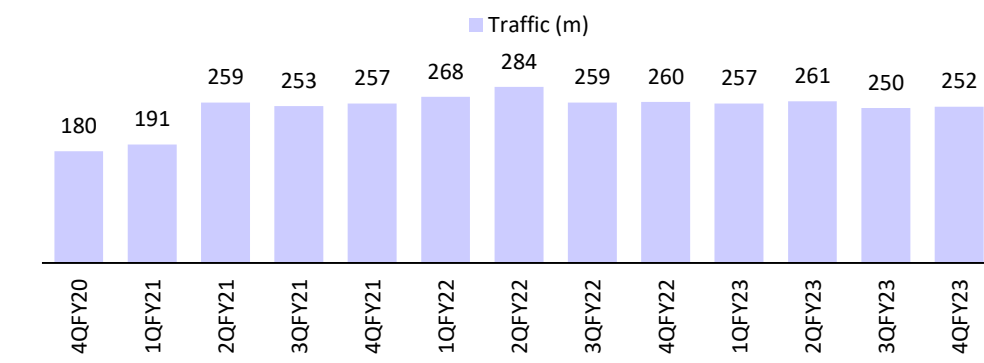
- Busy Infotech clocked INR177m in billing and INR116m in revenue for 4QFY23.
- Deferred revenue stood at INR273m.
- EBITDA stood at INR 7m with INR14m in PAT, on the back of continued investments in BUSY.
- It added 8k licenses, taking the total number of licenses to 331k.
- It achieved the target of doubling the growth rate in FY23.
- It has launched the first in a kind in India native mobile app and is targeting underpenetrated geographies.
- The primary focus for BUSY will be on growth before exploring cross-selling opportunities to its existing customer base.

Cost and margin

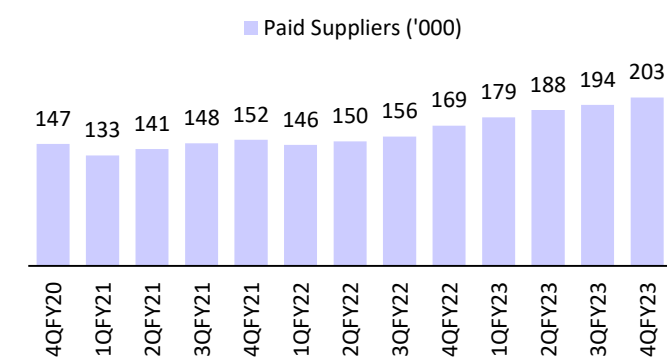
- The company has made up for the investments that were deferred during the Covid pandemic in FY23. Going forward, the addition of new employees would be in-line with customer additions, which should help drive margins.
- The management is confident of getting back to 28% margin shortly and targets to achieve 30% margin by the end of FY24.
- The 4Q margin was adversely impacted by the annual wage hikes (~15%) and higher upfront incentives on higher collection seasonality in 4Q.
- ARPU saw a good jump during the quarter. The management is confident of 6-7% ARPU growth going forward.
- The company has not taken any significant price hikes, the jump in APRU was due to customers using additional city categories.

Other highlights

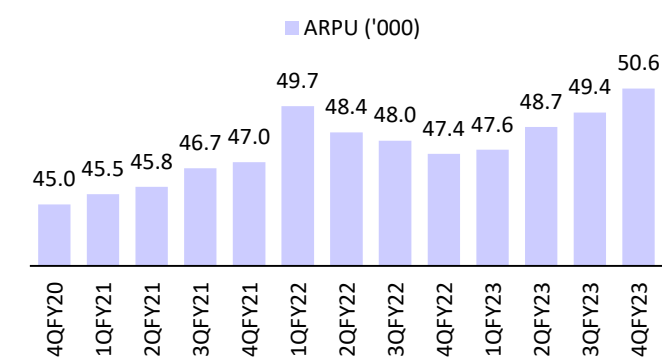
- The company is closely working with Vyapar; every new customer on boarded on IndiMart is offered six months of free trial for Vyapar.
- The board declared a final dividend of INR20 and announced a bonus share for every one share held.

Exhibit 1: Traffic largely flat QoQ

Source: Company, MOFSL

Exhibit 2: Paid suppliers addition was strong in 4QFY23

Source: Company, MOFSL

Exhibit 3: ARPU crossed 50k mark in 4QFY23

Source: Company, MOFSL

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- We have arrived at our DCF-based TP of INR6,290, assuming 12% WACC, and a terminal growth rate of 6%. Our TP implies a 17% upside on the CMP. **We reiterate our BUY rating on the stock.**

Exhibit 4: Revisions to our estimates

	Revised estimate		Old estimate		Change (%/bp)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Standalone business						
Revenue (INR m)	12436.0	15232.8	12,249.9	14,899.8	1.5	2.2
YoY (%)	26.2	22.5	24.8	21.6	140bp	90bp
EBITDA (%)	29.8	31.9	29.8	31.8	0bp	10bp
EBIT (%)	27.1	29.3	27.1	29.1	0bp	10bp
EPS (INR)	104.2	136.7	111.1	141.6	-6.2	-3.5

Source: MOFSL

Financials and valuations

Consolidated Income Statement						(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	5,070	6,386	6,696	7,535	9,854	12,436	15,233
Change (%)	23.4	26.0	4.9	12.5	30.8	26.2	22.5
Employees Cost	2,290	2,670	2,052	2,676	3,975	4,726	5,682
Outsourced sales cost	570	724	534	728	1,310	1,487	1,680
Other Expenses	1,370	1,310	828	1,053	1,892	2,518	3,006
Total Expenditure	4,230	4,704	3,414	4,457	7,177	8,731	10,368
As a percentage of Sales	83.4	73.7	51.0	59.2	72.8	70.2	68.1
EBITDA	840	1,682	3,282	3,078	2,677	3,705	4,864
Margin (%)	16.6	26.3	49.0	40.8	27.2	29.8	31.9
Depreciation	40	207	161	119	311	339	408
EBIT	800	1,475	3,121	2,959	2,366	3,367	4,456
Int. and Finance Charges	650	29	67	54	81	84	84
Other Income	410	683	866	1,122	1,135	1,356	1,586
PBT bef. EO Exp.	560	2,129	3,920	4,027	3,420	4,638	5,958
EO Items	0	229	-109	0	516	0	0
PBT after EO Exp.	560	2,358	3,811	4,027	3,936	4,638	5,958
Total Tax	350	872	986	928	721	1,160	1,489
Tax Rate (%)	62.5	37.0	25.9	23.0	18.3	25.0	25.0
Minority Interest	0.0	14.0	27.0	122.0	378.0	300.0	300.0
Reported PAT	210	1,472	2,798	2,977	2,837	3,179	4,168
Adjusted PAT	210	1,243	2,907	2,977	2,321	3,179	4,168
Change (%)	-61.8	491.9	133.9	2.4	-22.0	37.0	31.1
Margin (%)	4.1	19.5	43.4	39.5	23.6	25.6	27.4

Consolidated Balance Sheet						(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	286	289	303	306	306	306	306
Total Reserves	1,313	2,462	15,806	18,616	20,338	22,723	25,487
Net Worth	1,599	2,751	16,109	18,922	20,644	23,029	25,793
Other Liabilities	2,300	3,312	3,318	3,933	4,543	5,908	6,731
Total Loans	0	0	0	0	0	0	0
Deferred Tax Liabilities	-964	-536	-244	-232	-84	-104	-124
Capital Employed	2,935	5,527	19,183	22,623	25,103	28,832	32,401
Net Fixed Assets	85	52	22	30	118	138	158
Goodwill on Consolidation	6	5	3	2	1	1	1
Capital WIP	2	2	2	2	2	2	2
Other Assets	44	1,514	1,054	5,053	11,177	11,177	11,177
Total Investments	6,450	8,719	22,174	22,994	21,520	24,520	27,520
Curr. Assets, Loans, and Adv.	657	401	1,616	1,337	704	4,139	6,557
Inventory	0	0	0	0	0	0	0
Account Receivables	6	17	13	13	16	34	42
Cash and Bank Balance	402	169	401	453	501	3,858	6,209
Loans and Advances	250	215	1,202	871	187	247	307
Curr. Liability and Prov.	4,308	5,166	5,688	6,795	8,419	11,145	13,015
Account Payables	450	179	154	183	255	357	430
Other Current Liabilities	3,709	4,682	5,210	6,335	7,914	10,527	12,315
Provisions	149	305	324	277	250	260	270
Net Current Assets	-3,650	-4,765	-4,072	-5,458	-7,715	-7,006	-6,457
Misc. Expenditure	0	0	0	0	0	0	0
Appl. of Funds	2,936	5,527	19,183	22,623	25,103	28,832	32,401

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	7.7	51.8	96.6	97.1	92.7	104.2	136.7
Cash EPS	7.7	51.8	96.6	97.1	92.7	104.2	136.7
BV/Share	58.6	96.8	556.2	617.5	674.9	755.2	845.9
DPS	0.0	10.1	15.4	2.0	4.0	26.0	46.0
Payout (%)	0.0	22.7	16.0	2.1	4.3	25.0	33.7
Valuation (x)							
P/E ratio	696.6	103.6	55.5	55.2	57.8	51.5	39.2
Cash P/E ratio	696.6	103.6	55.5	55.2	57.8	51.5	39.2
P/BV ratio	91.5	55.4	9.6	8.7	7.9	7.1	6.3
EV/Sales ratio	28.8	23.8	23.1	21.8	16.6	12.8	10.3
EV/EBITDA ratio	173.7	90.5	47.2	53.3	61.1	43.1	32.3
Dividend Yield (%)	0.0	0.2	0.3	0.0	0.1	0.5	0.9
FCF per share	91.7	90.1	111.4	131.4	146.5	192.8	172.3
Return Ratios (%)							
RoE	-26.0	57.2	30.8	17.0	11.7	14.6	17.1
RoCE	-56.2	62.5	31.3	17.9	14.5	16.2	18.6
RoIC	-9.1	-25.5	-68.5	-107.9	171.5	143.0	-761.4
Working Capital Ratios							
Fixed Asset Turnover (x)	59.8	122.8	304.4	251.2	83.5	90.1	96.4
Asset Turnover (x)	1.7	1.2	0.3	0.3	0.4	0.4	0.5
Debtor (Days)	0	1	1	1	1	1	1
Creditor (Days)	32	10	8	9	9	10	10
Leverage Ratio (x)							
Current Ratio	0.2	0.1	0.3	0.2	0.1	0.4	0.5
Interest Coverage Ratio	1.2	50.9	46.6	54.8	29.2	40.1	53.0
Net Debt/Equity ratio	-4.3	-3.2	-1.4	-1.2	-1.1	-1.2	-1.3

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	539	2,114	3,893	4,026	3,453	4,638	5,958
Depreciation	41	211	161	119	193	339	408
Interest and Finance Charges	-30	33	67	54	46	84	84
Direct Taxes Paid	-52	-186	-588	-971	-718	-1,160	-1,489
(Inc.)/Dec. in WC	1,684	1,022	471	1,803	2,457	3,692	2,306
CF from Operations	2,183	3,194	4,004	5,031	5,431	7,594	7,267
Others	368	-589	-779	-963	-795	-1,356	-1,586
CF from Operations incl. EO	2,551	2,605	3,225	4,068	4,636	6,238	5,681
(Inc.)/Dec. in FA	-51	-45	2	-42	-154	-359	-428
Free Cash Flow	2,500	2,560	3,227	4,026	4,482	5,879	5,252
(Pur.)/Sale of Investments	-2,591	-2,047	-13,379	-356	1,839	-3,000	-3,000
Others	-116	-233	1	-2,992	-4,841	1,356	1,586
CF from Investments	-2,758	-2,325	-13,376	-3,390	-3,156	-2,003	-1,842
Issue of Shares	144	19	10,520	5	2	0	0
Interest Paid	-3	-199	-122	-125	-127	-84	-84
Dividend Paid	0	-333	-15	-455	-1,307	-794	-1,404
CF from Fin. Activity	141	-513	10,383	-575	-1,432	-878	-1,488
Inc./Dec. in Cash	-65	-233	232	103	48	3,357	2,351
Opening Balance	467	402	169	350	453	501	3,858
Closing Balance	402	169	401	453	501	3,858	6,209

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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

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