

# IndiaMART InterMESH

## Strong cash collections to drive growth

IndiaMART posted a strong 4Q with better-than-expected revenue growth (+6.9% QoQ) and impressive cash collections (+31% YoY). The growth was led by strong supplier addition (~9K) and improving realisations (+2.3% QoQ). The company invested in a sales engine in FY23, which has moderated margins but accelerated growth. The strong cash collections provide visibility for >25% YoY growth in FY24E. The margin will gradually expand to >30% as most are the investments are behind and headcount growth will be in line with paid supplier growth. The management expects that paid supplier addition will be maintained at ~8-9K per quarter and ARPU will continue to improve as customers move up the value chain. We maintain our positive view on IndiaMart based on (1) better growth visibility led by strong collections; (2) lower churn across client buckets; (3) margin expansion possibility; and (4) an increase in realisation led by platinum clients. We maintain our EPS estimates and have a BUY rating with a DCF-based TP of INR 5,960 (~34x Dec-24E EV/EBITDA), supported by revenue CAGR of 24% over FY23-25E.

- **Q4FY23 highlights:** (1) IndiaMART revenue grew 6.9% QoQ to INR 2.69bn (in line with estimate), driven by +4.6/+2.3% growth in paid suppliers/ARPU; (2) cash collections from customers were at INR 4.18bn, up 47.7% QoQ; (3) ~22% of the registered buyers are active on the platform and ~9% of the visitors place a business enquiry; (4) EBITDA margin was down 333bps QoQ at 24.6% (vs estimate of 25.2%), with +13.9/+8.1% QoQ increase in manpower/outsourced sales costs; (5) customer churn for annual customers was at 3% per month and gold and platinum customers at <1% per month; (6) For FY23, BUSY reported revenue of INR 0.43bn, EBITDA margin of 24% and cash collections at INR 0.42bn; (7) net cash stands at INR 23bn (~14% of mcap).
- **Outlook:** We expect revenue growth of +26/22%, based on paid supplier growth of +18/16% and ARPU growth of +8/5% for FY24E/25E respectively. EBITDA margin estimates stand at 30.4/33.1% for FY24E/25E, leading to an EPS CAGR of 35% over FY23-25E.

### Quarterly financial summary

YE March (INR mn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	2,688	2,014	33.5	2,514	6.9	6,696	7,535	9,854	12,441	15,157
EBITDA	661	572	15.5	702	-5.8	3,282	3,079	2,679	3,778	5,017
APAT	558	573	-2.7	634	-12.1	2,798	2,971	2,212	3,167	4,049
EPS (INR)	18.6	18.7	-0.3	20.8	-10.4	91.0	96.7	72.3	103.6	132.4
P/E (x)						58.9	55.5	74.2	51.8	40.5
EV / EBITDA (x)						43.3	45.8	52.9	36.0	25.7
RoE (%)						29.7	17.0	11.2	14.5	16.4

Source: Company, HSIE Research, Consolidated Financials

### Change in estimates

YE March (INR mn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue	12,307	12,441	1.1	14,798	15,157	2.4
EBITDA	3,844	3,778	-1.7	4,981	5,017	0.7
EBITDA margin (%)	31.2	30.4	-87 bps	33.7	33.1	-56 bps
APAT	3,187	3,167	-0.6	4,034	4,049	0.4
EPS (INR)	104.2	103.6	-0.6	131.9	132.4	0.4

Source: Company, HSIE Research

**BUY**

CMP (as on 28 Apr 2023)	INR 5,363
Target Price	INR 5,960
NIFTY	18,065

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,800	INR 5,960
	FY24E	FY25E
EPS %	-0.6	+0.4

### KEY STOCK DATA

Bloomberg code	INMART IN
No. of Shares (mn)	31
MCap (INR bn) / (\$ mn)	160/1,963
6m avg traded value (INR mn)	433
52 Week high / low	INR 5,566/3,676

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	18.4	14.9	8.5
Relative (%)	16.1	13.4	1.7

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	49.22	49.22
FIs & Local MFs	5.81	5.63
FPIs	25.38	26.60
Public & Others	19.44	18.44
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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