

IndiaMART InterMESH

Strong collections, improving metrics

IndiaMART posted in-line revenue growth and strong cash collections (+26% YoY). The growth in supplier additions was lower than estimated at ~5K, which was partially offset by higher realisations (+2.3% QoQ). The price hike in the entry-level package impacted paid supplier addition but led to ARPU improvement, also supported by migration to a higher ARPU bucket (~2% of the paid suppliers upgrade). Strong cash collections provide visibility of >25% YoY growth in FY24E; the margin will gradually expand to ~30% as most of the investments are behind. The sales headcount growth will be in line with paid supplier addition. The management expects paid supplier addition to be ~7-8K per quarter and improve ARPU 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; and (4) an increase in ARPU. We increase our EPS estimate by 1.7/1.5% for FY24/25E and maintain our BUY rating with a DCF-based TP of INR 3,370 (~47x June-25E EPS), supported by revenue/EPS CAGR of 24/33% over FY23-26E.

- **Q1FY24 highlights:** (1) IndiaMART revenue grew 5.0% QoQ to INR 2.82bn (in line with estimate), driven by +2.5/+2.0% growth in paid suppliers/ARPU; (2) cash collections from customers were at INR 3.21bn, down 23.2% QoQ due to seasonality (FY23 collection up 31% YoY); (3) ~21% of the registered buyers are active on the platform and ~9% of the visitors place a business enquiry; (4) EBITDA margin was up 283bps QoQ at 27.4% (vs estimate of 26.0%), with flat/-3.4% QoQ change in manpower/other costs; (5) For Q1, BUSY reported revenue of INR 0.14bn, an EBITDA margin of 23% and cash collections of INR 0.11bn; (6) The company announced tender buyback of up to INR 5bn (2.6% of mcap, ~21% of Jun-23 net cash) at a price of INR 4,000/share (+27% vs CMP); (7) net cash as of Jun-23 stood at INR 24bn (~12% of mcap).
- **Outlook:** We expect revenue growth of +28/24/21%, based on paid supplier growth of +14/17/14% and ARPU growth of +12/6/6% for FY24E/25/26E respectively. EBITDA margin estimates stand at 30.6/32.8/35.0% for FY24E/25/26E, leading to an EPS CAGR of 33% over FY23-26E.

Quarterly financial summary

YE March (INR mn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	2,821	2,246	25.6	2,688	5.0	7,535	9,854	12,626	15,599	18,806
EBITDA	774	642	20.5	661	17.0	3,079	2,679	3,864	5,118	6,585
APAT	845	436	93.7	558	51.4	2,971	2,212	3,169	4,152	5,246
EPS (INR)	13.8	7.1	94.4	8.9	55.3	48.3	36.1	51.5	67.8	85.6
P/E (x)						65.2	87.3	61.2	46.5	36.8
EV / EBITDA (x)						55.2	63.6	43.9	31.8	23.5
RoE (%)						17.0	11.2	16.4	21.0	22.3

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

YE March (INR mn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	12,529	12,626	0.8	15,488	15,599	0.7	18,519	18,806	1.5
EBITDA	3,669	3,864	5.3	4,995	5,118	2.4	6,575	6,585	0.2
EBITDA margin (%)	29.3	30.6	133bps	32.3	32.8	55bps	35.5	35.0	-49bps
APAT	3,102	3,169	2.2	4,090	4,152	1.5	5,268	5,246	-0.4
EPS (Rs)	50.6	51.5	1.7	66.8	67.8	1.5	86.0	85.6	-0.4

Source: Company, HSIE Research

BUY

CMP (as on 21 Jul 2023)	INR 3,151
Target Price	INR 3,370
NIFTY	19,745

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,300	INR 3,370
EPS %	FY24E	FY25E
	+1.7	+1.5

KEY STOCK DATA

Bloomberg code	INMART IN
No. of Shares (mn)	61
MCap (INR bn) / (\$ mn)	193/2,359
6m avg traded value (INR mn)	584
52 Week high / low	INR 3,336/1,964

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	20.0	38.5	48.1
Relative (%)	8.3	28.5	28.3

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	49.22	49.22
FIs & Local MFs	5.63	5.74
FPIs	26.60	26.60
Public & Others	18.44	18.33
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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