

Estimate change

TP change

Rating change



Bloomberg	INMART IN
Equity Shares (m)	60
M.Cap.(INRb)/(USDb)	137.8 / 1.6
52-Week Range (INR)	3199 / 2165
1, 6, 12 Rel. Per (%)	4/-12/-18
12M Avg Val (INR M)	775

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	13.8	15.5	18.2
EBITDA	5.2	5.2	6.0
Adj. PAT	4.7	4.8	5.6
Adj. EPS (INR)	77.5	79.3	92.5
Adj. EPS Gr. (%)	40%	2%	17%
BV/Sh. (INR)	353.7	410.8	462.4
Ratios			
RoE (%)	24.1	20.8	21.2
RoCE (%)	27.2	23.7	23.8
Payout (%)	17.1	28.0	44.5
Valuations			
P/E (x)	29.6	28.9	24.8
P/BV (x)	6.5	5.6	5.0

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	49.2	49.2	49.2
DII	13.9	12.1	8.2
FII	21.2	23.9	24.3
Others	15.8	14.8	18.3

FII Includes depository receipts

CMP: INR2,295
TP: INR2,600 (+13%)
Buy

Waiting for an upturn

Churn in silver accounts continues to haunt; reiterate BUY

- IndiaMART (INMART) reported 3QFY25 revenue growth of 16% YoY/1.9% QoQ, in line with our estimate of 17.6% YoY growth. Collection growth was 10% YoY at INR3.6b. Deferred revenue rose 17% YoY to INR14.9b. EBITDA margin expanded ~30bp QoQ to 39%, above our estimates of 29.9%, on the back of lower outsourced sales costs and other expenses. Adj. PAT was INR1,210m, up 10% QoQ/48.5% YoY, beating our estimate of INR900m. For 9MFY25, revenue/EBITDA/PAT grew 17.1%/61.9%/57.1% compared to 9MFY24. We expect revenue/EBITDA to grow 11.6%/38.7% and PAT to decline 5.0% YoY in 4QFY25. **We reiterate our BUY rating on the stock, citing undemanding valuations, but reduce our TP to INR2,600 due to ongoing churn in silver accounts and a slow recovery in cash collections.**

Our view: Cash collection still slow; churn rate an overhang

- Minimal churn in gold and platinum accounts; concerns in silver bucket:** Despite a 14% YoY increase in ARPU, churn in Gold and Platinum accounts remained minimal. However, the Silver segment continues to face higher-than-expected churn rates, a key monitorable for the company.
- Supplier adjustments and churn reduction efforts:** Paying subscribers declined 3.7k QoQ, largely due to a deliberate slowdown in gross supplier additions. The company is prioritizing the onboarding of high-quality suppliers over volume growth, which we view as a sensible move - however we remain in a wait-and-watch mode for a quarter or two - to address churn issues effectively.
- Its efforts include reducing the unique inquiries ratio to 4 from 5.5, aligning inquiries more closely with geographical preferences, and improving the quality of RFPs and matchmaking processes between buyers and suppliers. In our view, these initiatives reflect a strategic shift toward sustainable growth and better customer retention, which could pay dividends in the long run.
- Collection growth improves:** Collections grew 10% YoY to INR3.6b, reflecting improved execution compared to previous quarters. However, flat customer additions have limited the growth rate. Management anticipates clearer trends to emerge over the next 2-3 quarters, with near-term growth expected to hover at around 10% or lower. While this could well be the bottom, we believe collections will steadily improve as INMART's strategic initiatives take effect.
- Margins:** While margin expansion was driven by cost optimization, management expects a gradual normalization as customer acquisition costs rise with growth. The margin expansion will normalize to the operating leverage inherent in the business. Hence, we expect margin to contract in the medium term.

Valuation and changes in estimates

- We continue to view INMART as a key beneficiary of technology adoption by India's MSME universe and the shift to a formalized ecosystem. We have updated our FY25 estimates by ~6%, primarily driven by intentional reductions in marketing expenses, which resulted in higher margins. We expect INMART to deliver a 15% revenue CAGR over FY24-27. We estimate EBITDA margin of 37.2%/33.8%/32.8% for FY25/FY26/FY27. This, in turn, should drive a 19% PAT CAGR over FY24-27.
- Currently, INMART is trading at an undemanding valuation, in our view, as the valuations reflect uncertainties surrounding the churn rate, collection, and subscriber growth. We value INMART on a DCF basis to arrive at our TP of INR2,600, assuming 11.5% WACC and 6% terminal growth. **Reiterate BUY.**

Revenue in-line and margins beat; paying subscribers down 2% QoQ/flat YoY

- INMART reported 3QFY25 revenue of INR3.5b, reflecting a 16.0% YoY growth, in-line with our estimate of 17.6%.
- Collections stood at INR3.6b (+10% YoY). Deferred revenue rose 17% YoY to INR14.9b.
- Paying subscribers declined 3.7k QoQ. ARPU grew 14% YoY to INR63k.
- EBITDA margin stood at 39%, up 30bp QoQ and above our estimate of 29.9%, attributed to lower outsourced sales costs and other expenses.
- Adj. PAT was at INR1,210m, down 10% QoQ/up 48.5% YoY, beating our estimate of INR900m due to higher other income and lower depreciation.
- Traffic grew 2% YoY at 276m. Total suppliers on the platform stood at 8m, up 5% YoY.
- Total cash and investments stood at INR26.1b.

Highlights from the management commentary

- Collections grew 10% YoY to INR 3.6b. Despite this growth, the flat trend in customer additions is limiting the overall collections growth. The collections growth is not reflective of poor execution as seen in the previous quarter. The company expects clearer trends to emerge over the next 2-3 quarters and believes a growth rate of 10% or below is sustainable in the long term.
- Churn rates in the Silver bucket remain largely consistent, though price hikes have had an impact on churn. If performance does not improve within the next 2-3 quarters, the company will reassess its pricing strategy. Despite these challenges, gross additions have not slowed down, and the company is intentionally avoiding over-investment in market expansion.
- Gold and Platinum subscribers demonstrate lower churn rates. Their success stories generate word-of-mouth referrals, contributing to a systematic increase in ARPU.
- Less than 20% of total inquiries are directed to free suppliers. Individual BuyLeads and RFQ options are available for purchase on the platform.
- The company is prioritizing the onboarding of quality suppliers, leading to a QoQ decline in supplier numbers. Efforts are focused on improving matchmaking relevancy.

Valuation and view

- We are confident of strong fundamental growth in operations, propelled by: 1) higher growth in digitization among SMEs, 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 value INMART on a DCF basis to arrive at our TP of INR2,600, assuming 11.5% WACC and 6% terminal growth. Our TP implies a 13% potential upside.
- We reiterate our BUY rating on the stock.**

Consolidated - Quarterly Earning**(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E	Estimate	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QFY25E	(% / bp)
Gross Sales	2,821	2,947	3,053	3,147	3,313	3,477	3,543	3,513	11,968	13,846	3,591	-1.3
YoY Change (%)	25.6	22.5	21.4	17.1	17.4	18.0	16.0	11.6	21.5	15.7	17.6	-160bp
Total Expenditure	2,048	2,150	2,200	2,260	2,120	2,130	2,160	2,284	8,658	8,694	2,519	-14.3
EBITDA	773	797	853	887	1,193	1,347	1,383	1,230	3,310	5,153	1,072	29.0
Margins (%)	27.4	27.0	27.9	28.2	36.0	38.7	39.0	35.0	27.7	37.2	29.9	920bp
Depreciation	74	80	84	127	81	82	83	87	365	333	96	-14
Interest	22	23	22	22	20	19	18	20	89	77	19	-5
Other Income	571	346	417	772	532	655	449	327	2,106	1,963	363	24
PBT before EO expense	1,248	1,040	1,164	1,510	1,624	1,901	1,731	1,451	4,962	6,707	1,320	31.1
Extra-Ord expense	18	0	0	0	0	0	0	0	18	0	0	
PBT	1,230	1,040	1,164	1,510	1,624	1,901	1,731	1,451	4,944	6,707	1,320	31.1
Tax	293	239	277	395	374	422	380	338	1,204	1,514	293	30
Rate (%)	23.8	23.0	23.8	26.2	23.0	22.2	22.0	23.3	24.4	22.6	22.2	-20bp
MI & Profit/Loss of Asso. Cos.	106	110	72	116	112	127	141	160	404	540	127	
Reported PAT	831	691	815	999	1,138	1,352	1,210	952	3,336	4,652	900	34.5
Adj PAT	849	691	815	999	1,138	1,352	1,210	952	3,354	4,652	900	34.5
YoY Change (%)	81.8	1.0	33.1	79.0	34.0	95.7	48.5	-4.7	44.5	38.7	10.4	3800bp
Margins (%)	30.1	23.4	26.7	31.7	34.3	38.9	34.2	27.1	28.0	33.6	25.1	910bp

Key Performance Indicators

Y/E March	FY24				FY25			FY24
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Revenue Indicators								
Paid Suppliers ('000)	208.0	210.0	212.0	214.0	216.0	218.0	214.0	214.0
ARPU ('000)	51.5	53.5	55.1	55.9	58.4	60.8	62.9	53.4
Cost Indicators								
Employees	4821	5,066	5,186	5,384	5729	5923	5973	5384
Other Expenses (INR M)	488	460	460	491	460	440	470	1899

**Highlights from the management commentary****Collections, paying suppliers, and customer additions**

- Collections grew 10% YoY to INR 3.6b. Despite this growth, the flat trend in customer additions is limiting collections growth.
- The collections are not reflective of poor execution as seen in the previous quarter. The company expects clearer trends to emerge over the next 2-3 quarters and believes a growth rate of 10% or below will be sustainable in the long term.
- Paying subscribers declined 3.7k QoQ due to reduced gross supplier additions. However, ARPU increased 14% YoY to INR 63k.

- The company is actively working to reduce churn rates. Initiatives include refining the matchmaking process between unique and delivered inquiries, with a focus on geography. However, these efforts are taking longer than expected.
- INMART is conducting a segment-wise analysis to identify industries and geographies where the platform is underperforming. Investments in these areas are being avoided until positive outcomes are visible. Marketing costs have been reduced from 15% to 13%, and the company plans to remain in a wait-and-watch mode for the next 2-3 quarters.
- Churn rates in the Silver bucket remain largely consistent, though price hikes have impacted churn rates. If performance does not improve within the next 2-3 quarters, the company will reassess its pricing strategy. Despite these challenges, gross additions have not slowed down, and the company is intentionally avoiding over-investment in market expansion.
- Gold and Platinum subscribers demonstrate lower churn rates. Their success stories generate word-of-mouth referrals, contributing to a systematic increase in ARPU.
- Inquiries have grown on an LTM basis, driven primarily by repeat buyers and improved search engine optimization, including a shift from Google desktop to mobile indexing. The company plans to reassess sustainable growth after one more quarter.
- Pharma and Healthcare verticals are experiencing growth. To strengthen this trend, the company is investing in category-specific insights and plans to hire industry-specific professionals.
- Less than 20% of total inquiries are directed to free suppliers. Individual BuyLeads and RFQ options are available for purchase on the platform.
- The company is prioritizing the onboarding of quality suppliers, resulting in a QoQ decline in supplier numbers. Efforts are focused on improving matchmaking relevancy.
- The company scaled back its tele-based operations in tier-4 centers during FY24. Regional differences in Customer Acquisition Cost (CAC) have been identified, and specific channels are being developed to target companies with turnovers exceeding INR150m.
- The top 10% of paying suppliers, which account for approximately 50% of total revenues, have been growing rapidly and are expected to maintain this trajectory over the coming quarters.

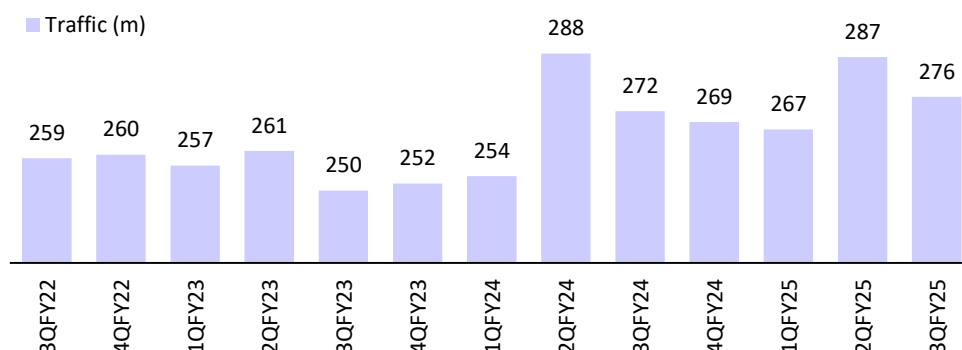
Cost and margin

- EBITDA margin stood at 39%, up 30bp QoQ and exceeding the estimate of 29.9%. This margin expansion is attributed to lower outsourced sales costs and other expenses.
- The company continues to make minor adjustments to its incentives program for employees.

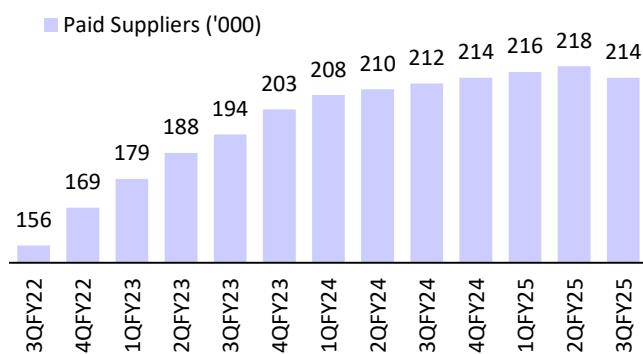
Other highlights

- The company's accounting software investment, Busy, reported revenue of INR163m, up 30% YoY, with collections amounting to INR176m. Additional 7,000 licenses were sold during the quarter, bringing the total to 388,000 licenses. INMART plans to fully acquire Livekeeping.

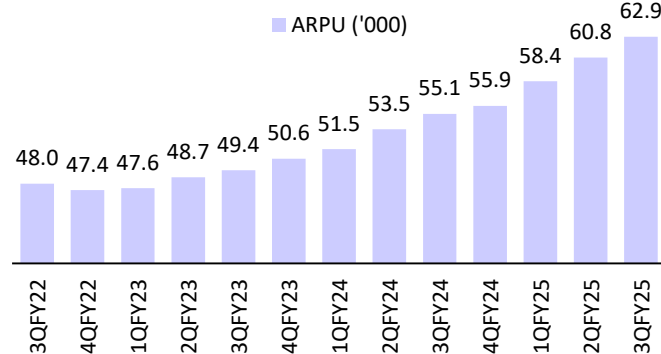
- INMART has made minority investments in several strategic businesses, with stakes reaching up to a maximum of 31%. Through these investments, the company continues to strengthen its presence in the B2B e-commerce space.

Exhibit 1: Traffic remained flat YoY

Source: Company, MOFSL

Exhibit 2: Paid suppliers declined due to lower gross additions

Source: Company, MOFSL

Exhibit 3: ARPU grew 14% YoY as top 10% suppliers drive growth

Source: Company, MOFSL

Valuation and view

- We are confident of strong fundamental growth in operations, propelled by: 1) higher growth in digitization among SMEs, 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 value INMART on a DCF basis to arrive at our TP of INR2,600, assuming 11.5% WACC and 6% terminal growth. Our TP implies a 13% potential upside.
We reiterate our BUY rating on the stock.

Exhibit 4: Changes to our estimates

	Revised			Earlier			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR m)	13846	15486	18183	14089	16294	19808	-1.7	-5.0	-8.2
YoY (%)	15.7	11.8	17.4	17.7	15.7	21.6	-200bp	-380bp	-410bp
EBITDA (%)	37.2	33.8	32.8	33.8	30.1	30.8	340bp	370bp	190bp
EBIT (%)	34.8	31.5	30.4	31.3	27.7	28.4	350bp	370bp	200bp
EPS (INR)	77.5	79.3	92.5	72.8	77.9	97.2	6.5	1.8	-4.8

Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	6,386	6,696	7,535	9,854	11,968	13,846	15,486	18,183
Change (%)	26.0	4.9	12.5	30.8	21.5	15.7	11.8	17.4
Employees Cost	2,670	2,052	2,676	3,975	5,369	6,009	6,842	7,907
Outsourced sales cost	724	534	728	1,310	1,390	848	1,018	1,221
Other Expenses	1,310	828	1,053	1,892	1,899	1,837	2,385	3,095
Total Expenditure	4,704	3,414	4,457	7,177	8,658	8,694	10,244	12,223
% of Sales	73.7	51.0	59.2	72.8	72.3	62.8	66.2	67.2
EBITDA	1,682	3,282	3,078	2,677	3,310	5,153	5,241	5,959
Margin (%)	26.3	49.0	40.8	27.2	27.7	37.2	33.8	32.8
Depreciation	207	161	119	311	365	333	367	430
EBIT	1,475	3,121	2,959	2,366	2,945	4,820	4,875	5,530
Int. and Finance Charges	29	67	54	81	89	77	72	72
Other Income	683	866	1,122	1,135	2,106	1,963	2,224	2,602
PBT bef. EO Exp.	2,129	3,920	4,027	3,420	4,962	6,707	7,027	8,059
EO Items	229	-109	0	516	-18	0	0	0
PBT after EO Exp.	2,358	3,811	4,027	3,936	4,944	6,707	7,027	8,059
Total Tax	872	986	928	721	1,204	1,514	1,640	1,881
Tax Rate (%)	37.0	25.9	23.0	18.3	24.4	22.6	23.3	23.3
Minority Interest	14.0	27.0	122.0	378.0	404.0	540.0	620.0	620.0
Reported PAT	1,472	2,798	2,977	2,837	3,336	4,652	4,767	5,559
Adjusted PAT	1,243	2,907	2,977	2,321	3,354	4,652	4,767	5,559
Change (%)	491.9	133.9	2.4	-22.0	44.5	38.7	2.5	16.6
Margin (%)	19.5	43.4	39.5	23.6	28.0	33.6	30.8	30.6

Consolidated - Balance Sheet						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	289	303	306	306	599	599	599	599
Total Reserves	2,462	15,806	18,616	20,279	16,762	20,640	24,093	27,198
Net Worth	2,751	16,109	18,922	20,585	17,361	21,239	24,692	27,797
Other Liabilities	3,312	3,318	3,933	5,105	6,181	6,839	7,107	7,674
Total Loans	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	-536	-244	-232	-106	-60	-80	-100	-120
Capital Employed	5,527	19,183	22,623	25,584	23,482	27,998	31,699	35,351
Net Fixed Assets	52	22	30	541	482	502	522	542
Goodwill on Consolidation	5	3	2	4,990	4,878	4,878	4,878	4,878
Capital WIP	2	2	2	2	5	5	5	5
Other Assets	1,514	1,054	5,053	5,173	5,360	5,360	5,360	5,360
Total Investments	8,719	22,174	22,994	22,718	22,222	25,222	28,222	31,222
Curr. Assets, Loans&Adv.	401	1,616	1,337	916	1,479	4,810	6,434	8,712
Inventory	0	0	0	0	0	0	0	0
Account Receivables	17	13	13	71	48	38	42	50
Cash and Bank Balance	169	401	453	581	848	4,129	5,689	7,899
Loans and Advances	215	1,202	871	264	583	643	703	763
Curr. Liability & Prov.	5,166	5,688	6,795	8,756	10,944	12,779	13,722	15,368
Account Payables	179	154	183	272	344	485	552	638
Other Current Liabilities	4,682	5,210	6,335	8,212	10,234	11,919	12,784	14,334
Provisions	305	324	277	272	366	376	386	396
Net Current Assets	-4,765	-4,072	-5,458	-7,840	-9,465	-7,969	-7,288	-6,656
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	5,527	19,183	22,623	25,584	23,482	27,998	31,699	35,351

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	25.9	48.3	48.6	46.4	55.2	77.5	79.3	92.5
Cash EPS	25.9	48.3	48.6	46.4	55.2	77.5	79.3	92.5
BV/Share	48.4	278.1	308.7	336.5	287.3	353.7	410.8	462.4
DPS	5.1	7.7	1.0	2.0	13.1	13.2	22.2	41.2
Payout (%)	22.7	16.0	2.1	4.3	23.8	17.1	28.0	44.5
Valuation (x)								
P/E	88.6	47.5	47.2	49.5	41.6	29.6	28.9	24.8
Cash P/E	88.6	47.5	47.2	49.5	41.6	29.6	28.9	24.8
P/BV	47.4	8.3	7.4	6.8	8.0	6.5	5.6	5.0
EV/Sales	20.4	19.8	18.6	14.2	11.5	9.7	8.5	7.2
EV/EBITDA	77.5	40.4	45.5	52.2	41.6	25.9	25.2	21.8
Dividend Yield (%)	0.2	0.3	0.0	0.1	0.6	0.6	1.0	1.8
FCF per share	45.0	55.7	65.7	75.2	90.1	86.9	63.0	86.5
Return Ratios (%)								
RoE	57.2	30.8	17.0	11.8	17.7	24.1	20.8	21.2
RoCE	62.5	31.3	17.9	14.5	20.1	27.2	23.7	23.8
Working Capital Ratios								
Fixed Asset Turnover (x)	122.8	304.4	251.2	18.2	24.8	27.6	29.7	33.5
Asset Turnover (x)	1.2	0.3	0.3	0.4	0.5	0.5	0.5	0.5
Debtor (Days)	1	1	1	3	1	1	1	1
Creditor (Days)	10	8	9	10	10	13	13	13
Leverage Ratio (x)								
Current Ratio	0.1	0.3	0.2	0.1	0.1	0.4	0.5	0.6
Interest Cover Ratio	50.9	46.6	54.8	29.2	33.1	62.6	67.7	76.8
Net Debt/Equity	-3.2	-1.4	-1.2	-1.1	-1.3	-1.4	-1.4	-1.4

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	2,114	3,893	4,026	3,713	4,544	6,707	7,027	8,059
Depreciation	211	161	119	311	365	333	367	430
Interest & Finance Charges	33	67	54	-32	-29	77	72	72
Direct Taxes Paid	-186	-588	-971	-754	-915	-1,514	-1,640	-1,881
(Inc)/Dec in WC	1,022	471	1,803	2,552	2,937	2,076	714	1,714
CF from Operations	3,194	4,004	5,031	5,790	6,902	7,678	6,540	8,394
Others	-589	-779	-963	-1,031	-1,310	-2,107	-2,368	-2,746
CF from Operating incl EO	2,605	3,225	4,068	4,759	5,592	5,571	4,172	5,649
(Inc)/Dec in FA	-45	2	-42	-160	-144	-353	-387	-450
Free Cash Flow	2,560	3,227	4,026	4,599	5,448	5,218	3,785	5,199
(Pur)/Sale of Investments	-2,047	-13,379	-356	866	1,861	-3,000	-3,000	-3,000
Others	-233	1	-2,992	-3,946	-93	1,918	2,164	2,542
CF from Investments	-2,325	-13,376	-3,390	-3,240	1,624	-1,434	-1,223	-908
Issue of Shares	19	10,520	5	0	0	0	0	0
Interest Paid	-199	-122	-125	-128	-139	-61	-56	-56
Dividend Paid	-333	-15	-455	-1,305	-6,810	-794	-1,334	-2,474
CF from Fin. Activity	-513	10,383	-575	-1,433	-6,949	-855	-1,390	-2,530
Inc/Dec of Cash	-233	232	103	86	267	3,281	1,559	2,210
Opening Balance	402	169	350	495	581	848	4,129	5,689
Closing Balance	169	401	453	581	848	4,129	5,689	7,899

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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