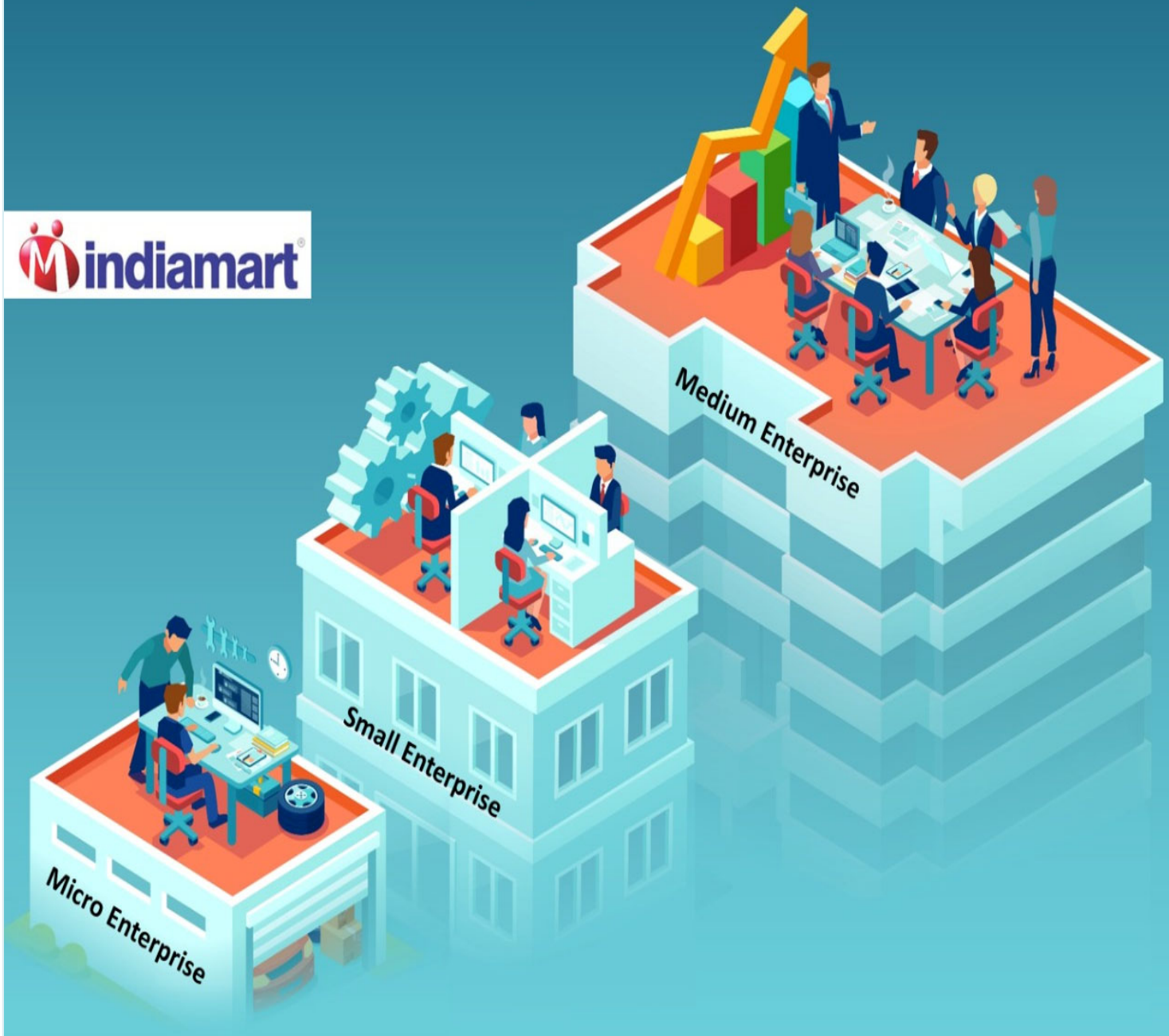


Digifying MSMEs



IndiaMART InterMESH

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Internet | Initiating Coverage

Amplifies Ease of Doing Business for Manufacturing MSMEs

IndiaMart is India's largest and most comprehensive online B2B classifieds and lead-generation provider, poised to mature into becoming a MSME business enabler. It provides an array of digital services empowers a firm's sales, accounting, and organization functioning. IndiaMART's B2B match-making engine is not only delivers relevant search results, but also successfully demonstrates end-to-end value chain discovery, improving network density. Platform has enticed a large 165mn+ buyer as well as 7.4mn+ supplier base, culminating into a growing paying subscriber pool (194K) that remain engaged, and upgrades gradually to higher packages (ARPU at ~Rs50k). A cost effective approach to bettering geographic penetration and customer acquisition has been developed via channel partner model, aiding broad supplier growth. We also believe that subscription plans are quite reasonable, and holds large untapped pricing potential. Addition of accounting vertical via Busy acquisition and other minority investments enlarges the TAM furthermore.

We expect IndiaMart's dominant market positioning (category creator and undisputed leader), strong network effect, large untapped pricing potential and Platform leveraged robust profitability to result in consistent strong financial performance, and thus we expect it to see its Revenues/EPS to grow at 21%/17% CAGR over FY23-FY25E. **We initiate coverage on IndiaMART with a Buy rating and DCF based TP of Rs.6,000, with implied EV/EBIDTA of 25x of FY25E earnings.**

First Mover and Becoming Better with Superior SEO

IndiaMART boasts of a powerful network effect of generating ~100% organic traffic (80% traffic via Mobile app), 53% repeat users and 22mn unique business enquiries per quarter. Efficient On-Page SEO as evidenced by high organic traffic, website visits, lower relative bounce rates, and relative domain ranking. INMART marches ahead of all peers in terms of, categories (95K), products SKUs (90mn listed products) and overall search relevance (reviews, pricing, catalogues, photos, videos). Investments in AI/ML over the years optimizes results, leading to effective matchmaking of relevant buyers & sellers. We believe consistent digital adoption by MSME over time would keep enhancing growth/pricing-power of Indiamart.

FINANCIALS (Rs Mn)

Particulars	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	6,696	7,535	9,751	11,777	14,221
Growth(%)	4.8	12.5	29.4	20.8	20.7
EBITDA	3,282	3,078	2,692	3,345	4,287
OPM(%)	49.0	40.9	27.6	28.4	30.1
PAT	2,798	2,976	2,883	2,974	3,932
Growth(%)	89.8	6.4	(3.1)	3.2	32.2
EPS(Rs.)	91.5	97.3	94.3	97.3	128.6
Growth(%)	89.8	6.4	(3.1)	3.2	32.2
PER(x)	52.3	49.2	50.8	49.2	37.2
ROANW(%)	29.7	17.1	14.5	13.4	15.9
ROACE(%)	30.7	17.9	16.4	14.3	16.0

CMP	Rs 4,789
Target / Upside	Rs 6,000 / 25%
NIFTY	17,511

Scrip Details

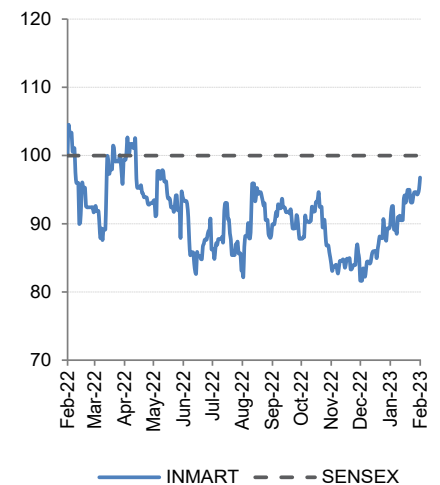
Equity / FV	Rs 306mn / Rs 2
Market Cap	Rs 146bn
	USD 1.8bn
52-week High/Low	Rs 5,248/ 3,676
Avg. Volume (no)	70,732
Bloom Code	INMART IN

Price Performance	1M	3M	12M
Absolute (%)	2	10	0
Rel to NIFTY (%)	5	16	(8)

Shareholding Pattern

	Jun'22	Sep'22	Dec'22
Promoters	49.2	49.2	49.2
MF/Banks/FIs	5.0	5.3	5.8
FIIIs	26.9	28.3	28.7
Public / Others	18.9	17.2	17.2

INMART Relative to SENSEX



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Robust Levers for Subscriber Growth, ARPU Growth Would be Gradual

IndiaMART witnessed growth of 12% CAGR in paying subscribers, while ARPU grew at CAGR 6% over FY18- 9MFY2023. We believe that supplier base can continue strong growth momentum led by: a) Secular trend of digital adoption, aided by generational shift in business, b) Deeper geographic penetration, c) Improving matchmaking, and d) large expansion in channel partner ecosystem. We believe ARPU growth would also be key contributor but more so in gradual years as healthy addition in base user would be dilutive to client mining initiative (Note ~2% customer base opts for upgrades). We expect Paying suppliers/ARPU to grow by 16%/4% CAGR over FY22-FY26E.

ARPU has large untapped opportunity

IndiaMART's platform's true potential does not lie in an absolute goal of achieving multifold subscribers' base from current 0.2mn base, but the real essence lies in converting and creating category leaders from existing client roster. ARPU of Top-1% is 28x and for Top 2-10% is ~5x higher than remaining 90% of the paid subscriber (Top 10 subscribers accounts for 47% of revenues and are highly profitable; while the rest of the client pool are largely break-even to begin with given high CAC/Churn). Hence, key to business scale up lies in retaining and gradually ascending up key suppliers that can become category leader, product leader, regional leaders, and those who would master the art of leveraging digital channel (ARPU for these categories attract auctioned pricing based on number of location, Ads, number of keyword, presence, priority and so on). A growing base of higher ARPU subscribers, aided by strong relationship management (company has created Key Client Division of 500 senior executives to service 40k+ large platinum and potential platinum suppliers), would ensure lower churn (sub-10% in platinum Vs 60% in silver monthly) and thus high ARPUs.

Platform means Profit

IMART is completely tech driven platform, and focuses only on the completely tech-enabled lead generation business that is sold in subscription model. The company does not engage in any offline elements such as commissions on Gross Merchandise Value (GMV), logistics, raw material procurement, etc. that operates in a difficult to crack per unit economics (also logistics part is generally sorted by the manufacturer). While we believe the subscription model is relatively slower to adapt, but provides low entry points, longer stickiness, higher value accretion (supplier need not pay part of hard earned large value transaction, also no one likes another cost buildup in their unit economics) and profitability.

View

IndiaMART's Revenues grew at 16% CAGR while PAT grew by 53% over FY18-FY22 with healthy FCF generation (FY18:FY21: >Rs.9.6Bn). We expect it to see its Revenues to grow at 21% and EPS by 17% CAGR over FY23-FY25E and initiate coverage with a Buy rating and DCF based TP of Rs.6,000.

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Company Background

IndiaMART is India's largest online B2B marketplace with ~60% market share (*KPMG report*) of the online B2B Classified space in India. The company operates on a desktop and mobile application-based platform to connect buyers with suppliers, offering diversified products across 95k+ categories with 87mn products.

IndiaMART has strong pan-India presence with length and breadth covering 1,000+ cities, with a total 7.4mn+ suppliers and registered buyer base of 165mn. IndiaMART has risen to become an established and trusted all-India brand, primarily through word-of-mouth account of its suppliers' and buyers' experiences. The platform attracts significant mindshare with 53% repeat buyers on 90-day basis, and 37% of suppliers also being buyers on the platform, resulting in 100% organic traffic. IndiaMart had Revenue of Rs7.5Bn, an EBIT Margin of 39.3%, and PAT of Rs3Bn in FY22. For 9MFY23, the growth momentum has continued (Rev up 19.7% YoY) while margins have contracted/normalized to 28.1%, and PAT of Rs2.2bn.

Key Events in IndiaMART History

Period	Particulars
1999	Incorporation of IndiaMART InterMESH Ltd. as a company
2003	Launched 'TrustSEAL', an add-on service, along with Mini Dynamic Catalog for supplier's documentary verification
2007	Received investment of \$3.5mn from Bennett, Coleman & Co. Ltd. & Times Internet Ltd.
2008	Shifted focus from the exports business to the domestic B2B market Received \$10mn investment from Intel Capital at Rs147/share.
2009	Launched RFQ feature on IndiaMART called BuyLead
2010	Launched Cloud Telephony- Premium Number Service (PNS)
2012	Launched IndiaMART Website for Mobile and App
2013	Launched Price Discovery Service
2015	Launched Behavioral Matchmaking Feature Achieved a milestone of 100,000 premium customers
2016	Received investment from Amadeus, Westbridge, AFIM and Intel
2017	Received further investment from Amadeus, Westbridge and AFIM – @ Rs385/share Launched IndiaMART Payment Protection Program and Payment Facilitation
2018	Launched Lead Management System (CRM)
2019	Goes Public with a OFS of 4.89mn shares @Rs970, with issue size at Rs. 4.75Bn, at Valuation of Rs.37.4bn Key Selling comprise of Intel Capital (2mn), Amadeus (0.17mn), Accion Frontier Inclusion (0.47mn), with average per share cost of acquisition at Rs. 146.94 for Intel and Rs. 385 for Amadeus and Accion. Invested Rs.360mn in Mobile Accounting and Tax Invoicing (Vyapar) for 26% Stake Launched Voice and Multi-Language Search
2020	Invested Rs. 100mn in Distribution Management System & SFA (Bizom) for 16% stake Launched Supplier Reviews and Ratings
2021	Raised Rs10.7Bn via QIP by issuing 1.24mn shares at a price of Rs.8,615 per share, aimed at investing in organic & inorganic growth. Invested in SaaS companies: Legistfy (Rs. 750mn/11%), Truckhall (Rs. 97mn/25%), Shipway (Rs.182mn/26%) & Agillos (Rs.260mn/26%) Invested in Accounting Solutions & invoice discounting companies: Busy Infotech (Rs.5.0Bn/100%), Mynd solutions (Rs.324mn/8%) & Easyecom (Rs.134mn/26%)
2022	Invested in SaaS based company: Fleetx Technologies (Rs.914mn/17%), Zimyo Consulting (Rs.170mn/10%) Invested in MRO E-comm-IB MonotaRO Pvt. Ltd. (Rs.1.0Bn/26%), Cloud accounting system – Adansa Solutions Pvt. Ltd. (Rs. 138mn/26%), HR SaaS software- Zimyo Consulting (Rs. 8mn/10%), SaaS accounting Co. – Finlite Tech (Rs. 20.5mn/51%). Raised stake in Mobisy Tech (Bizom) from 17.12% to 25.08% in Nov-22, for Rs. 151.2mn, raising total investment to Rs.366mn. Divested stake in ProcMart (invested in 2016) for Rs. 139.2mn.

Source: DART, Company

Board of Directors

Management	Designation	Key Information
Dinesh Agarwal	CEO & M.D	Founder of IndiaMart, and has worked previously with HCL America, CDot, CMC Co. He holds a B.Tech (HBTI), from Kanpur
Brijesh Agarwal	Whole Time Director	He is the co-founder of IndiaMart, and has worked previously at Miebach Logistics India Pvt .Ltd. He holds an MBA, from Lucknow University, and a PGDM from New Delhi University
Vivek Narayan Gour	Independent Director	Holds a Bachelor's degree from University of Bombay and an MBA from University of Delhi. Other directorships includes Tata Finance Ltd., Genpact India, GE Capital Services India
Rajesh Sawhney	Independent Director	He holds Bachelor's degree in Engineering from University of Delhi and a Master's degree in Management Studies from University of Bombay. He is also a board member of Reliance Entertainment Ltd.
Pallavi Dinodia Gupta	Independent Director	She is a Chartered Accountant, and holds a Bachelor's degree in Law from Delhi University. She is a partner at S R Dinodia & Co LLP, and has more than 20 years of experience in the field of finance, taxation, corporate advisory
Dhruv Prakash	Chairman	He holds a Master's degree from Meerut University and a PGDM from IIM, Ahmedabad. Other directorships include Korn/Ferry International Pvt. Ltd., Helion Ventures Pvt. Ltd., Hewitt Associates (India) Pvt. Ltd., Amar Dye Chem Ltd., DCM Toyota Ltd.

Source: DART, Company

Key Management Personnel

Name	Position	Key Information
Dinesh Agarwal	CEO & M.D	He is founder of IndiaMart, and has worked previously with HCL America, CDot, CMC Co. He holds a B.Tech (HBTI), from Kanpur
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Prateek Chandra	CFO	Prateek is a CA, and a B.Com(H), from SRCC, DU. His previous experience includes Bharat S. Rout & Co, EXL, and HT Media
Dinesh Gulati	COO	He is a B.Tech, (HBTI) and an holds an MBA from FMS,DU. He has worked previously at Kodak India Ltd, Bharti Airtel , Reliance Infocomm, Indian Express
Amarinder S. Dhaliwal	CPO	He holds a B.Tech from IIT Delhi and an MBA from IIM A. He has worked previously at Micromax, BCCL, IMES internet, SBI Capital Markets
Vivek Agarwal	CIO	He holds a B.Tech and completed his PGDM from FSM, New Delhi. He has worked previously with ResearchCo Reprints,eBIZ.com
Manoj Bhargava	GC, C.S & Compliance Officer	He holds a BCom (H), an LLB from DU, and a LLM from IP Univ. Delhi. Previously worked at HT Media Ltd., Varun Beverages Ltd., Barista Coffee Company Ltd., India Today Group

Source: Company

Industry Outlook

Growing Addressable Market – MSME getting formalized

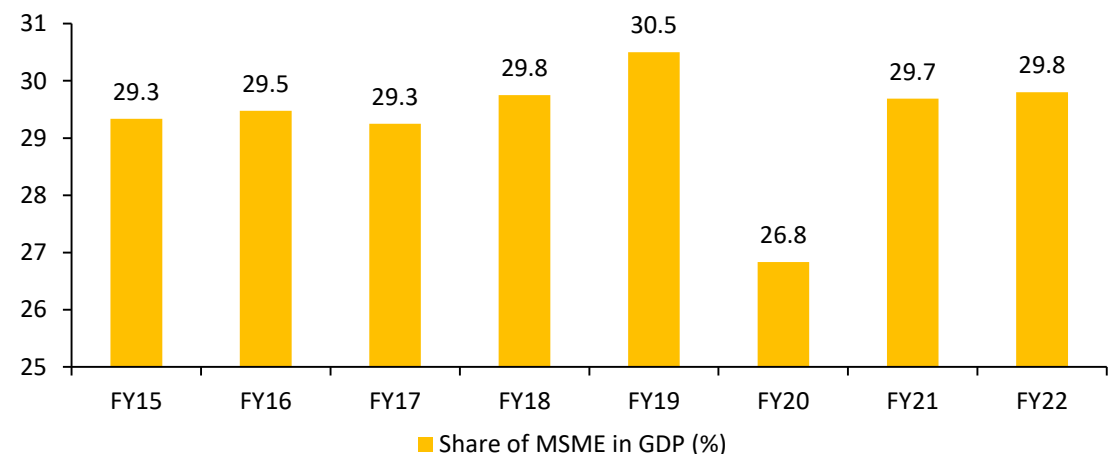
Role of MSME: MSME sector consists of all businesses that has investments in P&M of less than Rs0.5bn and Turnover of less than Rs2.5bn. Currently, MSME contributes to nearly 30% of India's GDP, 33% of India's GVA, 38% of all manufacturing sector output, and more than 62% of the total exports; providing employment to over 130 million people, making India a de-facto hub of entrepreneurs. For India, MSMEs are crucial to economic and social development, job creation and have emerged as a highly vibrant and dynamic sector of the economy over last few decades. MSMEs also complement large industries as ancillary units and further aid inclusive industrial development.

TAM: As per July-22 IBEF Report, India has ~63mn MSMEs. Out of these about 12mn are GST registered suppliers, and of which B2B product-oriented suppliers will be around 2mn to 3mn. Thus the Total Addressable Market and penetration opportunity for IndiaMart is aimed at 10-20% of B2B product-oriented GST registered suppliers, i.e. 0.2mn to 0.6mn paying suppliers.

Government initiatives for MSME: Government believes that MSME sector would provide 50% of India's GDP on its march towards becoming a \$5Tn economy. To ensure and support the momentum Government has earmarked Rs.157Bn in budgetary allocation for FY23 towards various schemes that benefits MSMEs.

Digitising-formalising MSME: On 1st July, 2020, Ministry of MSME launched an online system of free registration and e-certification of MSMEs, with an aim to provide access on various benefits, schemes, and notifications from the government. This formalization also aims to better credit and financing access to MSMEs. As of CY22, 13.1mn units are registered on Udyam portal. Government has recently interlinked portals of Udyam, e-Shram, National Career Service (NCS) and Atmanirbhar Skilled Employee Employer Mapping (ASEEM) and would thus provide with live, organic databases, delivering G2C, B2C, and B2B services relating to credit facilitation, skilling, and recruitment.

Exhibit 1: MSMEs contribution to GDP revives



Source: DART, MSME Annual Report

Government's Push towards Digital Economy acts as an Enabler

Government has taken multiple initiatives towards a cashless economy and increase mobile adoption. Demonetization has also led to a rapid adoption of UPI, wallets, and other digital mode of payments. Use of digital payments has enabled MSMEs bring in operational efficiencies, reduced delays in payments improved online commerce and increased transparency.

Government provides various schemes to MSMEs which are targeted at providing credit and financial assistances, skill development training and technological and quality upgradation. In 2019, government launched "Digital MSME Scheme" to make MSMEs digitally empowered and motivate them to adopt ICT tools and applications in their production & business processes with a view to improve their competitiveness.

MSMEs benefit from digital migration as it pushes down the costs of communication, advertising, and rentals. Businesses can set up digital storefronts rather than physical ones and speed up their overall business processes.

Increased Digital Penetration of MSMEs Fueling eCom Growth

As per TRAI data, total no. of internet subscribers have now reached 800mn+ as of Dec-2022 from 391mn in FY16, led by improved affordability of data prices, and better economic prospects. As per Deloitte study (Feb-22), better affordability & availability of smartphones, has led to no. of smartphone users reach 750mn, and poised to reach 1Bn by FY26.

The fall in internet data prices coupled with increase in availability and affordability of smartphones, has resulted in users increasingly consuming content on their mobile devices in India. Average data usage, climbed rapidly from 1.24 GB per month in June-18, to 17GB per month, per user in Mar-2022. Increased internet penetration & usage acts as a catalyst for SMEs to adopt web and mobile based technologies and move their businesses online reaching out to a larger customer base, helping them expand their presence and being able to compete against larger enterprises. Ongoing pandemic has accelerated the digitalization of businesses as it is embraced by consumers, manufacturers, and retailers.

The digital penetration among MSMEs is poised to increase due to listing and e-tailing websites where manufacturers and retailers can showcase their products to a wider customer base. A survey conducted in CY20 by Endurance International Group, an IT services company, revealed that 30% MSMEs have launched their business websites or tied up with e-commerce platforms.

Thus, with MSMEs expected to grow at a fast pace, rising trends for shift from unorganized to organized market, and improved adoption of digital technologies, we believe that the **Online classified businesses** would tend to do well and would also facilitate empowerment to MSME players to up their ante with larger organization in reach, distribution, visibility, fulfillment etc.

Investment Thesis

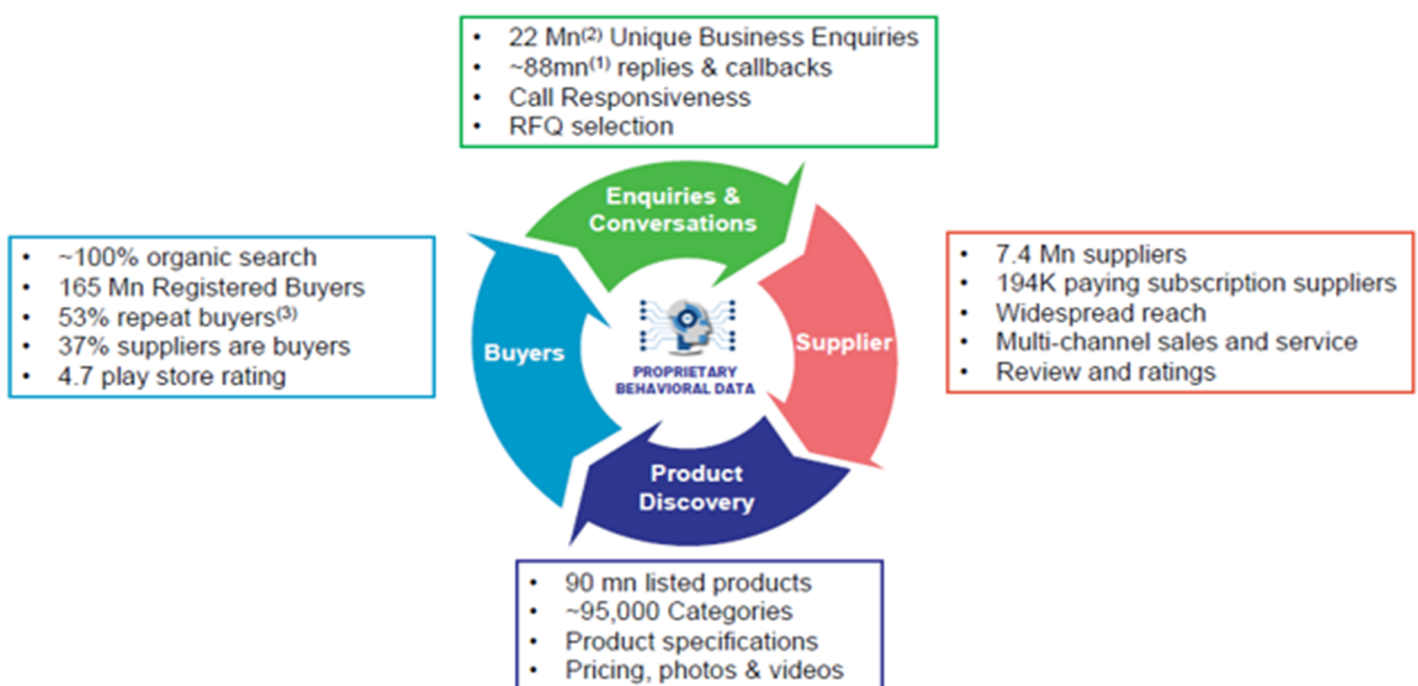
Large Network & Powerful Network Effects led by IMART Superior SEO

IndiaMart has the distinct advantage of being an early mover, and has built up a comprehensive database of buyers (165mn) and sellers (7.4mn) that has led to a network effect (i.e more buyers bring more sellers and so on).

Positive Spiral Effect of '2-Way Discovery Model': As large number of buyers generate traffic, on IndiaMART platform, resulting in increasing number of enquiries for suppliers, and this in turn attracts more suppliers to register, subscribe and create digital catalogues and supplier storefronts. Thus, there is a positive upward spiral resulting in increase of buyers and suppliers on the platform and consistent value delivery for all stakeholders. In all the company has 165mn registered buyers (no monetization model) and 7.4mn registered suppliers. Out of these about 0.19mn suppliers have taken paid subscriptions from IndiaMart and is leveraging its strong discovery based lead generation platform. Registered buyers on the platform benefit in terms of getting access to diverse set of products, with specifications, and price discovery, suppliers with ratings, multiple language search, and digital payment options.

Subscription model ensures strong annuities stream: IndiaMart provides subscription based Premium Services to Suppliers that includes - Web Storefront, RFQ-BuyLead, Cloud telephony (including PNS – Preferred Number Service), CRM-Lead Manager, accounting and business enablement. Company provides various category plans (ranges Rs30k-Rs0.8mn on annualized basis) which empowers suppliers with differentiated business service offerings. At present, IndiaMart does not monetize buyers, but the business is focused on fulfilment of Buyers' needs which is most critical element to create the entire ecosystem.

Exhibit 2: Brand & Network Effect – IndiaMART



Source: Company

Investment in Associates widening the network: Recent acquisition of Busy accounting software (0.32mn licenses, 20K+ installations), along with minority/strategic stakes in 13 enterprise tech entities also provide a user base which can be tapped for the network expansion and cross-selling opportunities.

Large Enterprise are also client: Apart from a strong base of MSMEs suppliers, IndiaMart has also tied up with larger and industry leading suppliers/buyers both directly (OEM) or through their distribution/dealer channel. The large enterprise use IndiaMART as a channel for lead generation, branding, channel expansion as well as optimizing sales costs.

Exhibit 3: Growing List of Established Brands on IndiaMart

Category	Brand
Automobiles, Spare Parts and Accessories	TVS Eurogrip, Mahindra Truck & Bus, Kirloskar Oil Engines, Piaggio
Building Construction Material, Equipment, Civil Engineering and Real Estate	Aludecor, Ajax, Everest, Essae, Hyundai Construction Equipment, Jaguar, Nuvoco, 3M, Schwing Setter
Consumer Electronics	TVS, Possiflex
Electrical Equipment and Supplies	Eaton, Schneider Electric, Greaves, Danfoss
Industrial Plants, Machinery & Equipment	ESAB, Homag
Medical Equipment and Scientific Instruments	Beckman Coulter, Lawrence & Mayo

Source: AR 2022

Metrics far superior over peers: IndiaMART has an edge over its competitors in terms of traffic and increasing buyer base which can be attributed to multiple industry product categories and highest number of supplier storefronts among competitors. This has led to increase in business momentum for IndiaMART due to its positive network effects spiral. In B2B marketplace, close competitors include TradeIndia, Exporters India, JD Mart, Udaan and IndiaMart (IMart leads in all industry metrics/ratings). IndiaMart is well-diversified in 24+ verticals, with no vertical contributing more than 8%.

Exhibit 4: IndiaMART way ahead of the pack for all industry metrics

Particulars	IndiaMart	TradeIndia	Exporters India	Udaan	JD Mart
No. of Buyers (mn)	160.0	5.9	5.0	3.0	17.7
No. of Sellers (mn)	7.3	7.8	2.0	0.5	N.A
Industries	57	40+	40	N.A	32
Product Categories	95,000	89,000	86,968	N.A	N.A
Product Listings (mn)	80	1.8	7.5	0.5	15

Source: DART, Company

Exhibit 5: Highest Google play rating along with most downloads

Particulars	IndiaMART	TradeIndia	Exporters India	Udaan	JD Mart
Google Play Rating (Out of 5)	4.7	3.6	3.5	4.2	4.4
No. of Votes for Rating	528k	11k	2.5k	165k	16.5k
No. of Android App Downloads	10mn+	1mn+	0.1mn	5mn+	0.5mn

Source: Google Play Store

Higher Traffic Routed via IndiaMART's Superior SEO

Comprehensive Product Specification Improves Organic Traffic

Over a period of time, IndiaMART has expanded its offering from just being a classified/listing website to a product catalog website. IndiaMart has gradually built a comprehensive compendium of product photos, videos, specifications and seller information.

This migration to product catalog website from plain-vanilla listing, coupled with network effects aided in increasing buyer fulfillment rates from 20% (pre 2016) to almost 40%+ now. IndiaMART leverages its efficient On-Page SEO (Content, Quality, Keywords, Freshness of Content) and Off Page SEO (PageRank, Domain Authority, Bounce Rate), to improve its organic traffic leading to IndiaMART appearing on the front page of Google search for most of their product categories. This in turn improves high organic traffic, while large product categories with significant classifications and product description ensures low bounce rates.

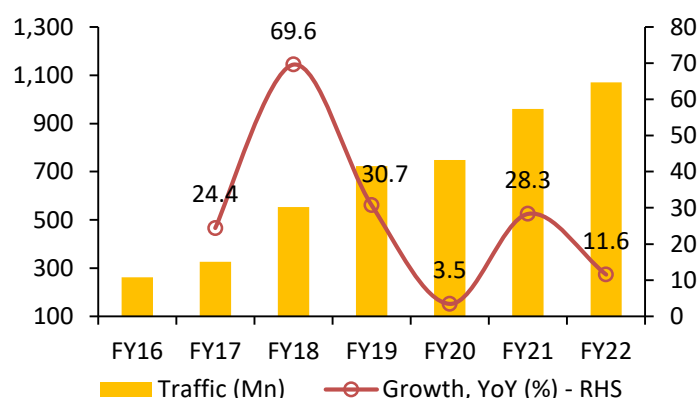
Exhibit 6: Web Analytics for Peers

	IndiaMart	Trade India	Exporters India	Udaan	JD Mart
Visits (mn)	511	27	16.4	6.7	160K
Unique Visitors (mn)	284	21	13	4	125K
Pages/Visit	1.9	2.8	2.2	2.7	1.9
Avg. Visit Duration (mins)	08:13	09:07	06:52	21:00	07:00
Bounce Rate	66%	70%	67%	60%	61%
Avg. Organic Traffic/month (mn)	90.20	1.72	2.17	0.46	1.5K
Authority Score (*)	65	53	59	47	14

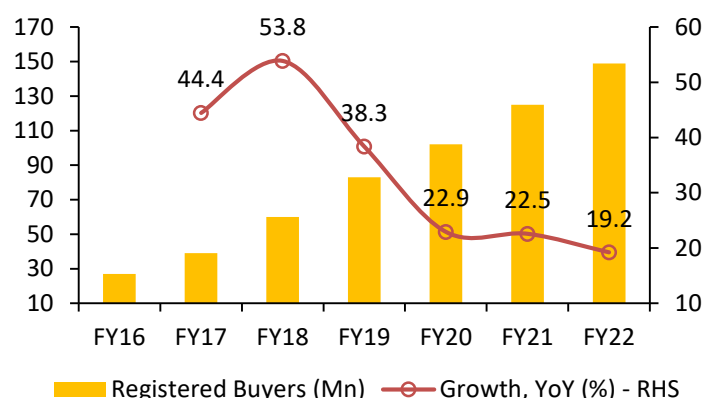
Source: DART, Semrush, (*) Authority Score is a proprietary metric used by Semrush, to measure overall quality of domain and influence on SEO.

Based on web-analytics over a period of 1 year, IndiaMart leads in: No. of visits, No. of unique visitors, average Organic Traffic/month and Authority Score. (*) Authority Score is a proprietary metric used by Semrush, to measure overall quality of domain and influence on SEO. The score is based on the number of backlinks (higher the better) referring domains, organic search traffic, and other data. 100 is a maximum reachable Authority Score, and IndiaMART ranks highest amongst its peer-set.

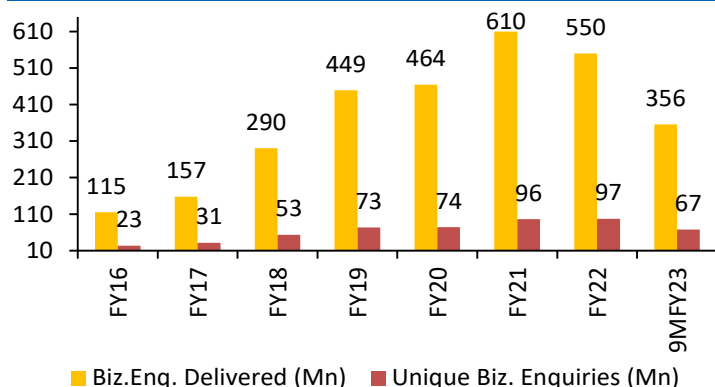
Strong organic search ensures robust traffic: IndiaMART has witnessed strong growth in number of unique buyers on the platform (32.9% CAGR from FY16-22) which has helped in boosting up in suppliers count (15.3% CAGR from FY16-22). This increase in participants, leads to more traffic on to platform, leading to more enquires for the products and services. For 9MFY23 Traffic and Business Enquiries stood at 768mn and 356mn, 5% and 17% respectively.

Exhibit 7: Traffic up by ~3x over last 5 years...


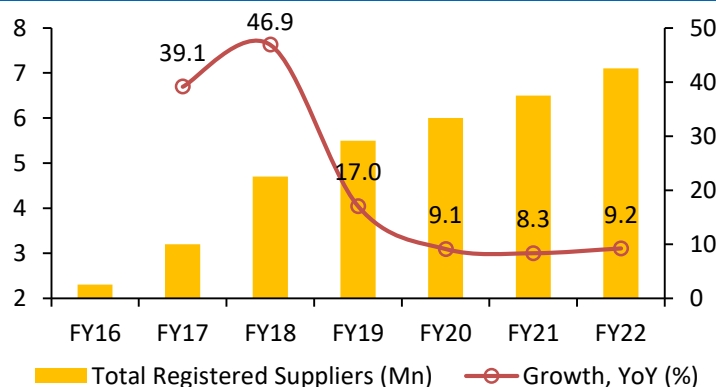
Source: DART

Exhibit 8: ..Reg. Buyers up ~4x over last 5 years


Source: DART

Exhibit 9: ... Leading to Increased Enquiries...


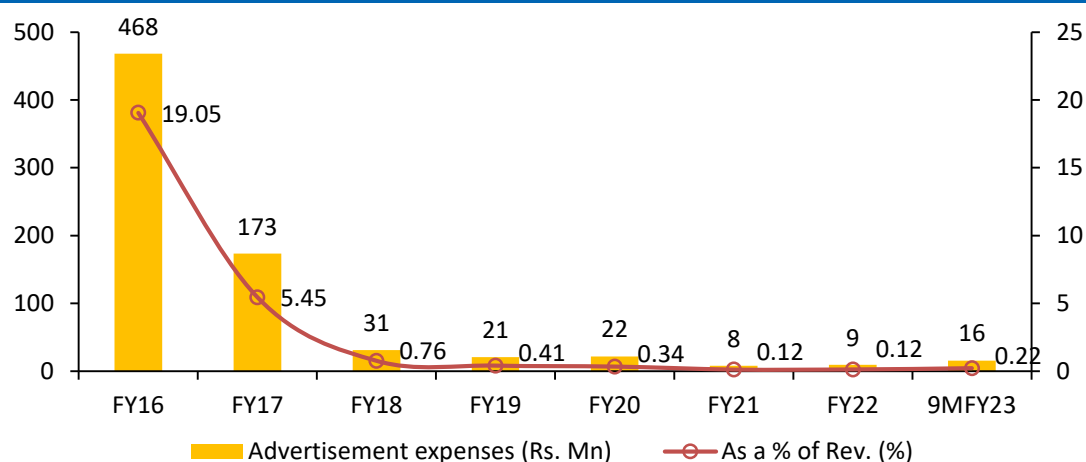
Source: DART

Exhibit 10: ..Attracting more suppliers on IM


Source: DART

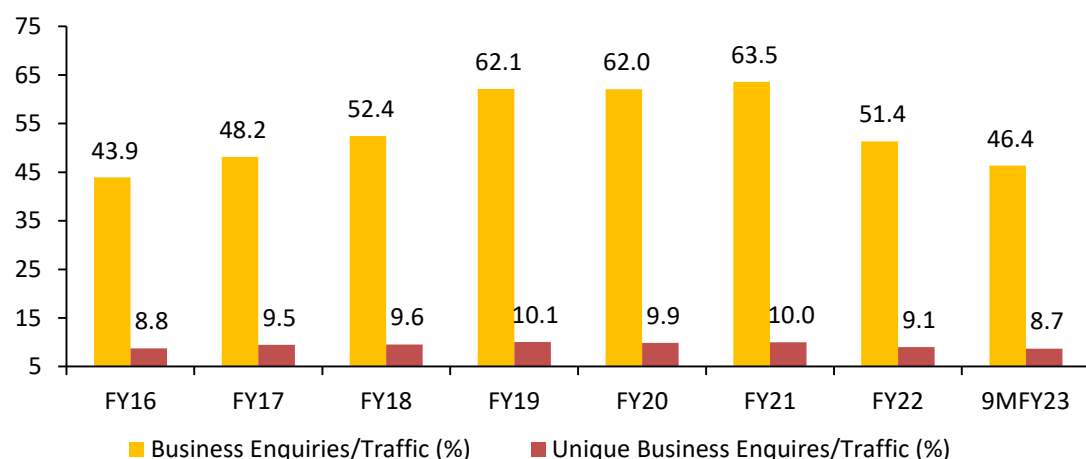
COVID-Led Tailwind: Total business enquiries on the platform surged at 29.8% CAGR and traffic at a 26.4% CAGR over FY16–22 which led to steady rise in paying suppliers. In fact, pandemic did led to traffic surging from ~60mn visits per month during Pre-COVID period in FY20 to ~83mn visits per month by Q3FY23, with bare minimum advertising. For Q3FY23, traffic witnessed moderation to ~83mn visit per month, from FY22 level of 89mn per month. This is attributed to discontinuation of *certain COVID related products and changes at algorithm to ensure better matchmaking and conversion.*

Consistent Improvement in Quality of Traffic Leads to near zero Ad Expenses: For many product categories, IndiaMART is able to attract buyers to its website/App without spending on Google advertisement or other modes of advertisement. Also with its brand becoming more and more popular the company has decreased the cost on advertisement expense (dropped from 19% of Rev. in FY16 to 0.1% in FY22 and 0.2% of Rev. in 9MFY23).

Exhibit 11: Decline in Ad Expenditure from Strong Organic Traffic


Source: Company

Moderation in Enquiries from Change in Algorithm: The ratio of business enquiries generated from the total traffic to the platform, has witnessed improvement over the years (FY16: 43.9% to 9MFY23: 46.4%). Also, with improved algorithm unique enquiries are now better matched with potential suppliers. E.g., earlier a unique buyer had to try and match requirements with at least 7+ suppliers, but with improvement in match-making algorithm, relevant suppliers have been now brought down to ~5, thereby increasing relevance for both parties. This improvement lowers hassle for buyers, and results in better, effective conversions of business leads for suppliers.

Exhibit 12: Traffic to Biz. Enquiry Ratio


Source: Company

Enhancing Buyer's Experience with behavior based AI/ML tools: IndiaMART aims to increase its buyer satisfaction levels by improving their algorithmic matchmaking process with suppliers and ultimately increasing the chances of fulfilling the buyer's needs through IndiaMART. Leveraging their two decades of experience in e-commerce trade, along with behavioral data of buyers and suppliers over the years, IndiaMART connects buyer with the most appropriate supplier.

Analysis of Multiple Vectors: Using Artificial Intelligence (AI) and Machine Learning (ML) tools, the company is able to personalize the buyers' experience on IndiaMART by matching the behavior-based preference of suppliers, with respect to location, as well as the product categories. Factors such as proximity of the buyer location, supplier's preference for location, supplier's phone pickup rate and various relevant factors are considered. Every buyer will see a very different supplier depending upon where he/she is logging in from and every supplier will see very different set of RFQs depending upon his past behavior and depending upon his tier of subscription.

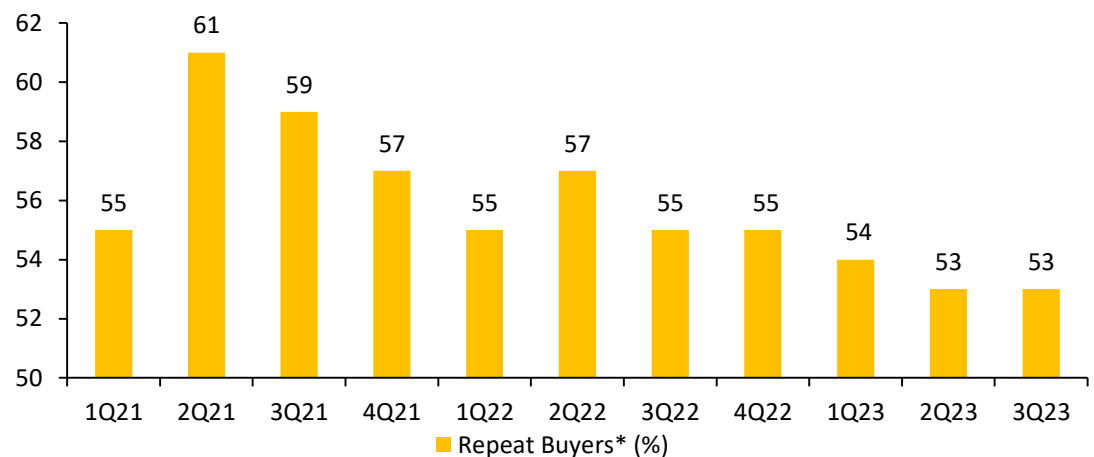
Exhibit 13: Behavioral Data Driven Algorithmic Matchmaking



Source: Company

Optimized for Language and Local/Geographical Requirements: IndiaMART fulfilled 550mn business enquiries for FY22 ~1.5mn buyer-seller every day, while for 9MFY23, IndiaMART fulfilled 356mn business enquiries. This success was led by continuous optimization of AI/ML tools. Case of point being use of machine learning to train their data with different languages/dialects and local requirements for search results along with English, and thereby improve their search output to cater to India's diverse market. **This ensures superior and efficient discovery of products and services and leads to enhanced buyer-supplier satisfaction and a consistently rising share of repeat buyers on the platform.**

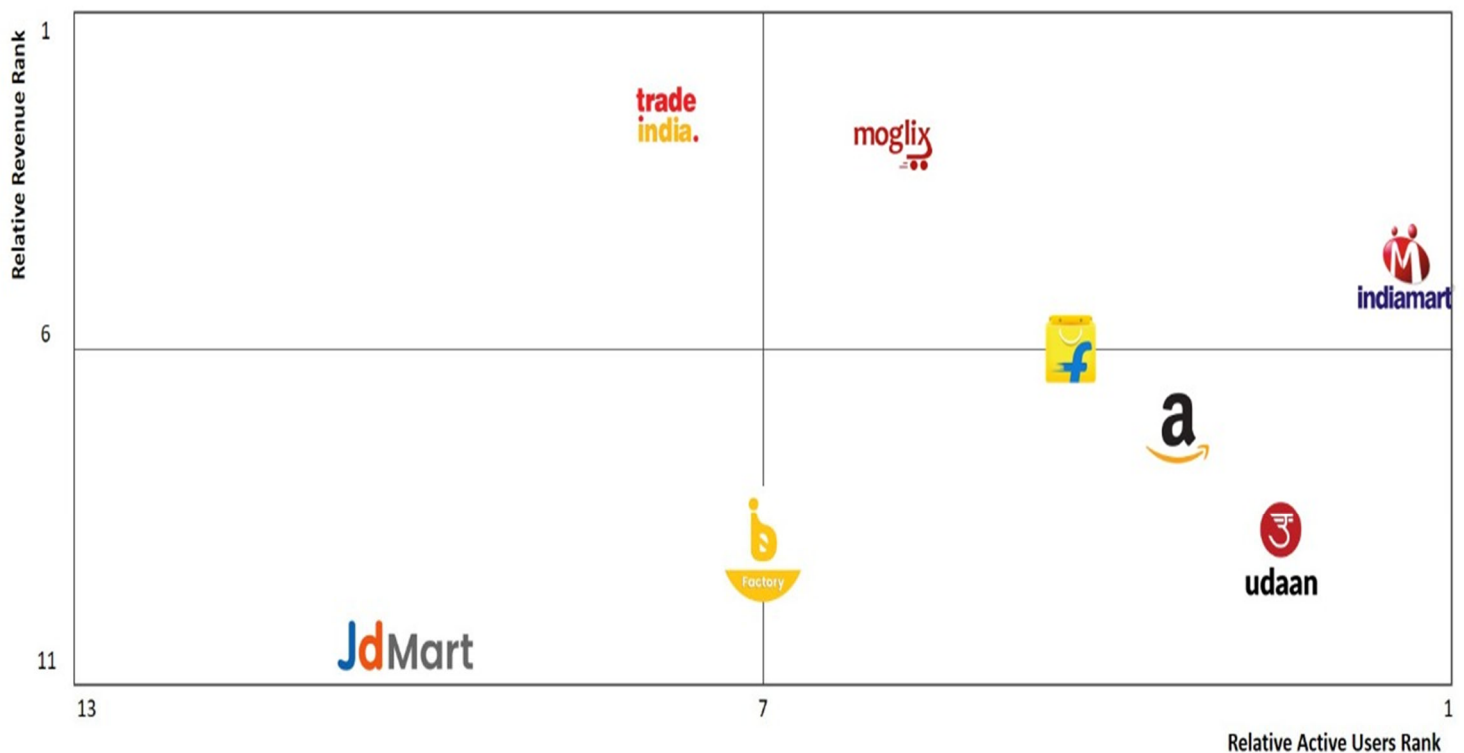
Exhibit 14: Stability in repeat buyers, even during the challenging phase



Source: Company, * Calculated on the basis of the last 90 days

User Monetization and Audience Attention: User monetization measures how effectively IndiaMART and its competitors are able to monetize their user base. Audience attention measures level of user base being engaged with web and app. 60-Day analysis of 8 apps (IndiaMART, Udaan, Amazon Seller, Flipkart Seller Hub, Bijnis, Moglix, TradeIndia and JDMart) by Data.AI shows that IndiaMART leads in user monetization and audience attention, on basis of Relative Revenue ranking and Active user ranking.

Exhibit 15: IndiaMART ahead in User Monetization & Audience Attention



Source: Data.AI, this study ranks based on revenues (y axis) and active users (x axis) basis

Heterogeneity in Buyer Base & Diverse Product Sets to ensure scalability







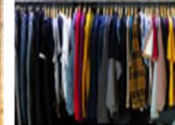

















IndiaMART's business is well diversified over 56 industries and 95,000+ categories with 90mn products. Over the years, supplier base has been enhanced to include SME as well as large businesses and leader brands, thus lowering reliance on fewer target industries.

IndiaMart has built sales & service presence in over 1,000 cities/towns, comprising of in-house sales/servicing team (~3,000 resources) as well as outsourced channel partners (100+ partners, such as regional software /pc resellers, FMCG distributors, bank DSAs, etc.).

The wide assortment of industries aids company in diversifying their revenue stream. The paying suppliers are dispersed across various categories with no category of paid supplier contributing more than 8% of total paid subscriber base, and only four categories account for more than 5% of paid suppliers.

IndiaMART is able to minimize the impact of region-specific and industry specific risk on its business with its diversified presence across Metro Cities, Tier II Cities and the Rest of India. The buyer base is reasonably distributed across India (Metro Cities 33%, Tier II Cities 26%, and Rest of India: 41%). However, the supplier base on the platform is concentrated in the metros (57% of paying suppliers are from metro cities). This leads to undiscovered penetration potential for increasing the suppliers from Tier-II and the remaining cities of India. In terms of language diversity, IndiaMart offers search results in 9 vernacular languages.

Exhibit 16: Paid supplier category wise contribution

							
Industrial Plants, Machinery & Equipment 8%	Construction & Building Raw Material 8%	Packaging Material, Supplies & Machines 6%	Consumer Electronics & Household Appliances 6%	Electrical Equipment and Supplies 6%	Construction Machinery, Building Supplies & Services 5%	Apparel, Clothing & Garments 5%	Industrial & Engineering Products, Spares and Supplies 5%
							
Mechanical Components & Parts 4%	Vegetables, Fruits, Grains, Dairy & Other FMCG & Groceries 4%	Operation Theater, Medical Imaging & Pathology & Hospital Supplies 3%	Chemicals, Dyes & Allied Products 3%	Housewares, Home Appliances, Household Decorations & Consumables 3%	Furniture, Furniture Supplies & Furniture Hardware 3%	Fertilizers, Seeds, Agro Machines, Poultry & Animal Husbandry 2%	Cosmetics, Toiletries & Personal Care Products 2%
							
Scientific, Measuring, Laboratory Instruments & Supplies 2%	Kitchen Containers, Utensils, Stove, Cookware, Tableware & Food Choppers 2%	Electronics Components and Supplies 2%	Pharmaceutical Drugs, Medicines, Vitamins & Other Healthcare Products 2%	Tools, Machine Tools, Power Tools & Hand Tools 2%	Gifts, Crafts, Antiques & Handmade Decoratives 1%	Automobiles, Spare Parts and Accessories 1%	Sports Goods, Games, Toys & Accessories 1%

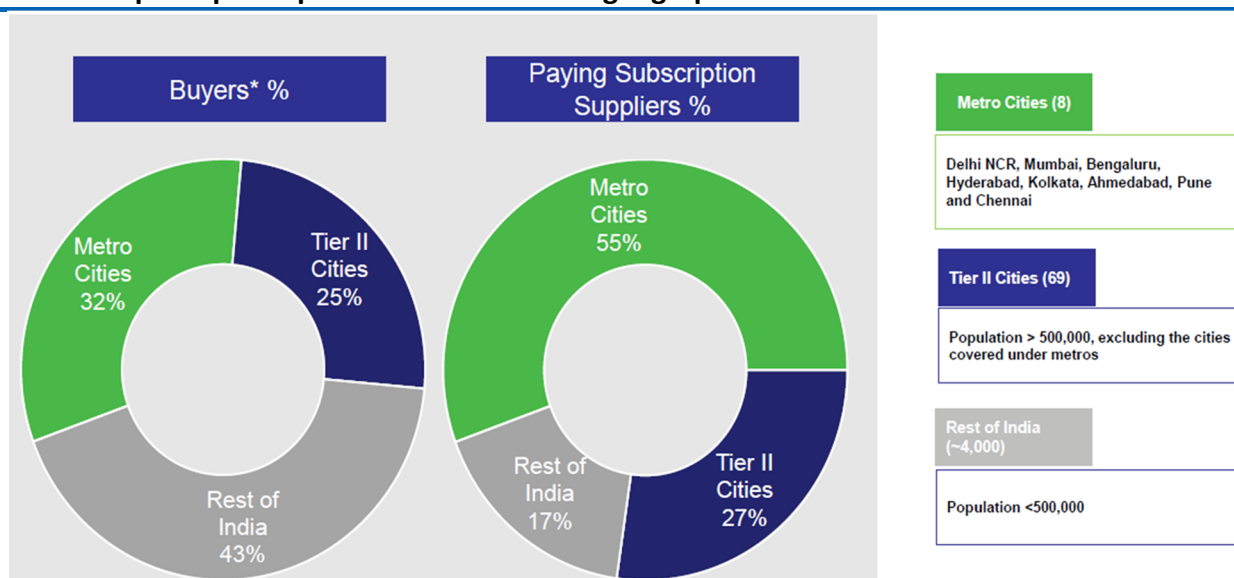
Source: Company

Exhibit 17: Paid supplier category wise contribution

Category	Mix (%)
Industrial Plants, Machinery & Equipment	8
Construction & Building Raw Material	7
Apparel, Clothing & Garments	6
Packaging Material, Supplies & Machines	6
Consumer Electronics & Household Appliances	5
Construction Machinery, Building Supplies & Services	5
Industrial & Engineering Products, Spares and Supplies	5
Electrical Equipment and Supplies	5
Mechanical Components & Parts	4
Vegetables, Fruits, Grains, Dairy	4
Operation Theater, Medical Imaging & Pathology & Hospital Supplies	3
Chemicals, Dyes & Allied Products	3
Housewares, Home Appliances, Household Decorations & Consumables	3
Furniture, Furniture Supplies & Furniture Hardware	3
Scientific, Measuring, Laboratory Instruments & Supplies	2
Kitchen Containers, Utensils, Stove, Cookware, Tableware & Food Choppers	2
Cosmetics, Toiletries & Personal Care Products	2
Fertilizers, Seeds, Agro Machines, Poultry & Animal Husbandry	2
Electronics, Components and Supplies	2
Pharmaceutical Drugs, Medicines, Vitamins & Other Healthcare Products	2
Tools, Machine Tools, Power Tools & Hand Tools	1
Automobiles, Spare Parts and Accessories	1
Gifts, Crafts, Antiques & Handmade Decorative	1
Sports Goods, Games, Toys & Accessories	1
Others	17
Total	100

Source: Company

Exhibit 18: Marketplace participant diversified across geographies

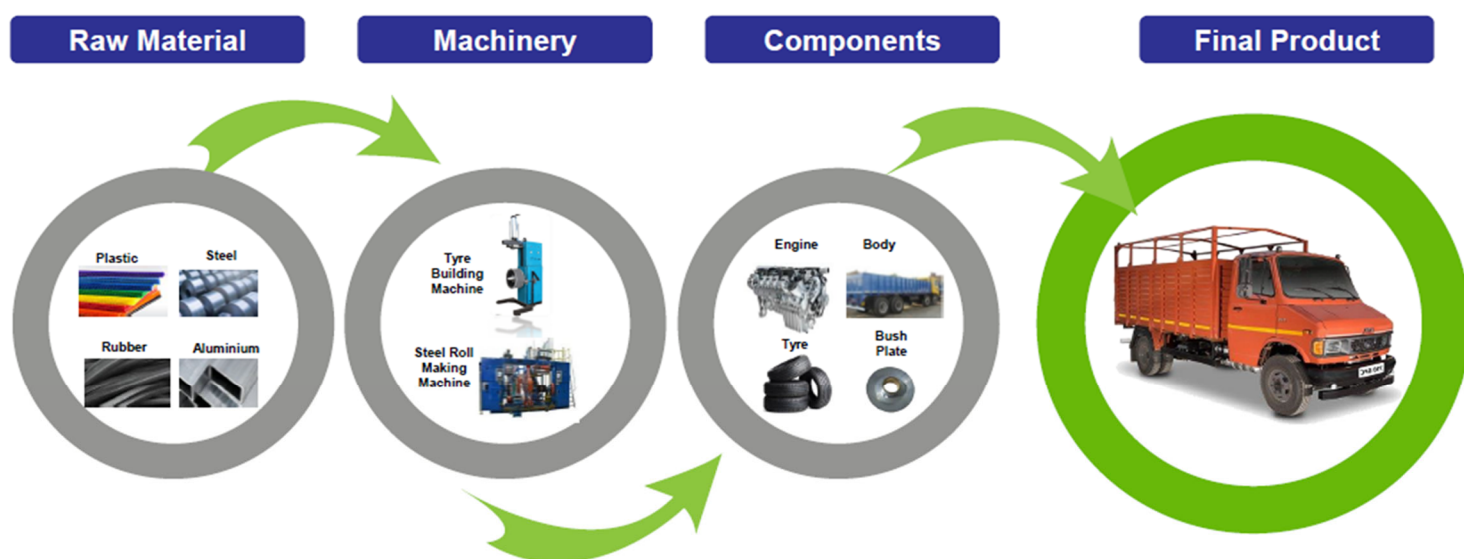


Source: Company Presentation

Exporter Services: Company has also launched a service for Indian exporters 'IndiaMART Verified Export Services', which enables 50,000 export-oriented sellers on IndiaMART's platform to expand their business across the globe. Note: IndiaMART was started with exporter discovery platform initially but then was later aligned to target domestic market opportunities.

End-to End Value Chain Discovery: Presence across the value chain further helps attract relevant buyers and suppliers to form a final product. This competitive advantage brings all relevant players in a product value chain.

Exhibit 19: End-To-End Value Chain Discovery



Source: Company Presentation

Exhibit 20: Examples of IndiaMART Range of Business Connects

Raw Material	Machinery	Components
1) Truck (OEM)		
Plastic	Tyre Building Machine	Engine
Steel	Steel Roll Making Machine	Body
Rubber		Tyre
Aluminum		Bush Plate
2) Slippers (Footwear)		
Rubber Sheets	Grinding/Finishing Machine	Sole
Dies	Sole Cutting Machine	Strap
	Drill Machine	Packaging Materials
	Strap Inserting Machine	
3) Solar Panel		
Plastic	Stringer Machine	Semi-Conductor
Copper	Automatic Framing Machine	Solar Cell
Transparent Glass	Silicone Dispenser	Solar Frame
Pure Silicon	Solar Stimulator	
4) Shirts		
Cotton Yarn	Fabric Making Machine	Shirt Fabric
Dye	Stitching Machine	Collar & Cuff
Threads & Buttons	Button Machine	
	Collar & Cuff Machine	

Source: Company

Robust Levers for Subscriber Growth, ARPU Growth Would be Gradual

The large and diverse categories ensures that on a like-to-like basis peers, IndiaMart has managed to outstrip peers in terms of suppliers, buyers and products. Even as opportunity size remains large, only a bare few of these startups have achieved profits, and funding winter is highly likely to slow their business (while IMART sit on healthy cash balance of \$300mn).

Attractive entry points (monthly subscription) to advanced offerings make IndiaMART a vital addition to building online presence for B2B players. IndiaMART has witnessed growth of 12% CAGR in Paying subscribers over FY18- 9MFY2023, while ARPU grew at CAGR 6% over the same period. We believe that supplier base can continue strong growth momentum led by: a) Secular trend of digital adoption, aided by generational shift in business, b) Deeper geographic penetration, c) Improving matchmaking, and d) large expansion in channel partner ecosystem. We believe the ARPU growth would also be key contributor but more so in gradual years as healthy addition in base user would be dilutive to client mining initiative (Note ~2% customer base opts for upgrades). We expect Paying suppliers to grow by 16% CAGR over FY22-FY26E, and ARPU to grow by 4% over the same period.

Large Untapped Pricing Potential at Hand

ARPU has large untapped opportunity that would help scale growth/profitability

IndiaMART's platform's true potential does not lie in an absolute goal of achieving multifold subscribers' base from current 0.2mn base, but in converting and creating category leaders from existing client roster. ARPU of Top-1% is 28x, and Top 2-10% is ~5x higher than remaining 90% paid subscriber (Top-10 subscribers account for 47% of revenues, and are highly profitable; while the rest client pool are largely break-even to begin with given high CAC/Churn). Hence, key to business scale up lies in retaining and gradually upgrading key suppliers that can become category, product and regional leaders, that can master leveraging digital channel (ARPU for these categories attract auctioned pricing based on number of location, Ads, number of keyword, presence, priority, and so on).

A growing base of higher ARPU subscribers, aided by strong relationship management (Dedicated key client division of 500 senior execs to service 40k+ large platinum & potential platinum suppliers), that would ensure lower churn (sub-10% in platinum Vs 60% in silver monthly) and thus high ARPUs.

Going forward, company aims to generate more value creation by evolving business from 'just subscription model' to 'keyword based monetization model'. Currently, ARPU is increasing at 5-7% basis on 5 year moving avg. basis, but as consumer behavior matures further this shift could be even sharper.

Exhibit 21: Client category wise ARPU distribution

Categories	Approx. Count	ARPU (Rs)	Revenues (Rs Mn)
Top 1%	2000	824,000	1648
Top 2-9%	18,000	159,556	2872
Top 10%	20,000	226,000	4520
Top 11-100%	174,000	28,655	4986
All clients	194,000	49,000	9506
Hunting	61,000	14,328	874
Farming	133,000	64,902	8632

Source: DART, Company

Exhibit 22: IndiaMART's Pricing at a Glance

Package	Yearly Pricing (Rs)	Weekly Leads	Incremental Benefits
Mini Dynamic Catalog	25,000	10	Basic Package
MDC TS Combo	40,000	20	Trust Seal, Preferred no. access, Pay with IndiaMART
Maximizer	55,000	30	Enhanced visibility, Add up to 400 products
Star Supplier	90,000	50	Premium listing, Corporate Video
Leading Supplier	1,80,000	70	Leader Supplier Label, Brand Promotion

Source: DART, Company

Note: Silver plans are standard plans, comprising of leads, call-based enquiry access, and basic features above free suppliers. However, benefits rise substantially as suppliers upgrade to higher plans, which includes premium listing (therefore top tier visibility), option to list multiple products/SKUs, and labeling as category or industry leader.

Moving Towards Commerce and Business Enablement for MSME

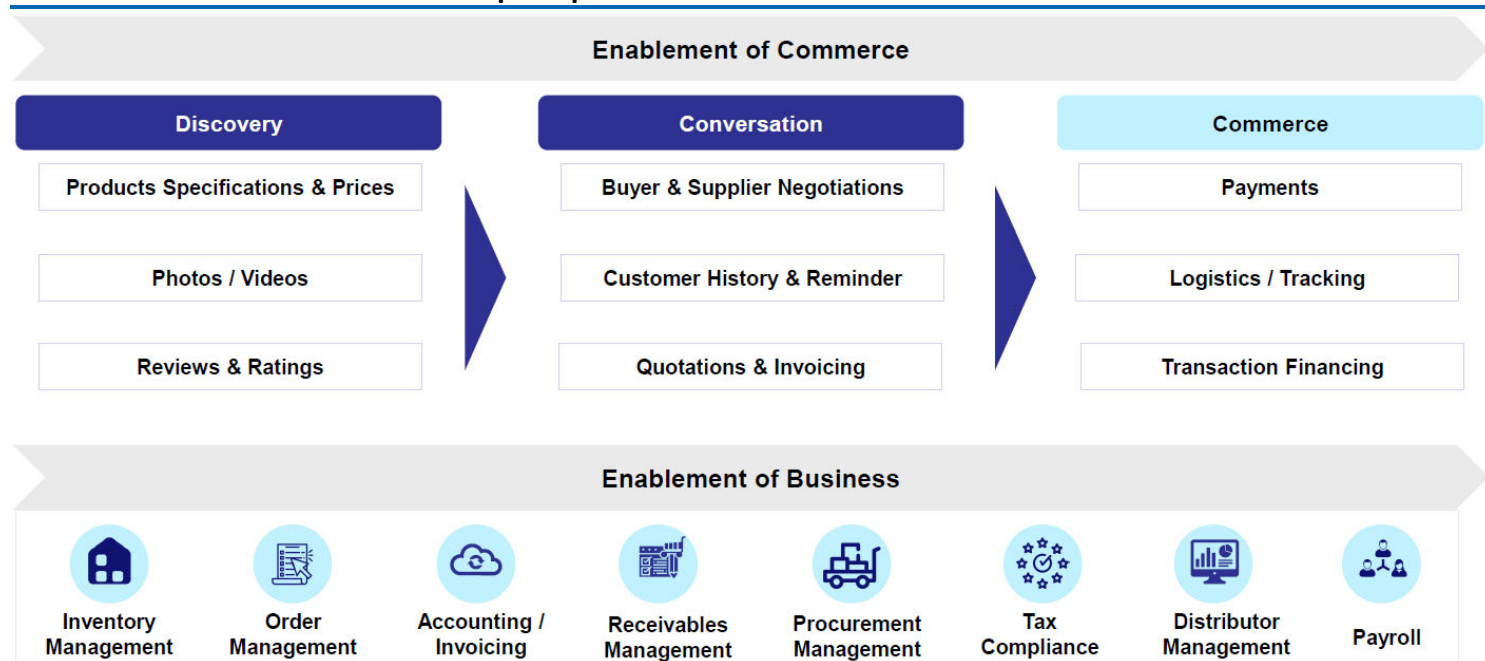
IndiaMART raised funds of Rs.10.7Bn via QIP in Feb 2021, with proceeds aimed at organic and inorganic investments. The company has made these investment in Accounting, SaaS and vertical commerce spaces. *Over last two years IndiaMart has acquired minority/strategic stakes in 12 businesses with total outlay of about Rs.8.8bn that are focused on Commerce and Business enablement for MSME segment.*

Accounting has been a strategic focus for IndiaMART, evinced from its investment in **Vypar, Busy, Real Books and Live-Keeping**. Management estimates Rs.20Bn market for accounting software in India, and increasing adoption for mobile and cloud based solutions, along with On-Prem. Vyapar has 20K customers, Busy has 320K, while Live-Keeping has 10K customers. **Busy Accounting** business is consolidated in its financials and currently accounts for ~5% of revenues in FY23E.

IndiaMART also invested in a no. of SaaS based companies, namely **Legistify** (SaaS based legal workflow), **TruckHall** (SaaS based freight sourcing company) and **Shipway** (provides platform for automating shipping operations). **Bizom** is engaged in dealer distribution management & sales force optimization. The company has also built few tools in-house which includes its **CRM tool** and payment facility via **Pay with IndiaMART**.

The broad rationale behind these investments is to become a “one-stop shop” for SMEs, which would keep moving IndiaMART towards commerce and business enablement and expand the network for monetization. With commerce and business enablement on IndiaMART’s platform, stickiness of the users on the platform will increase and the rift between peers will keep on widening.

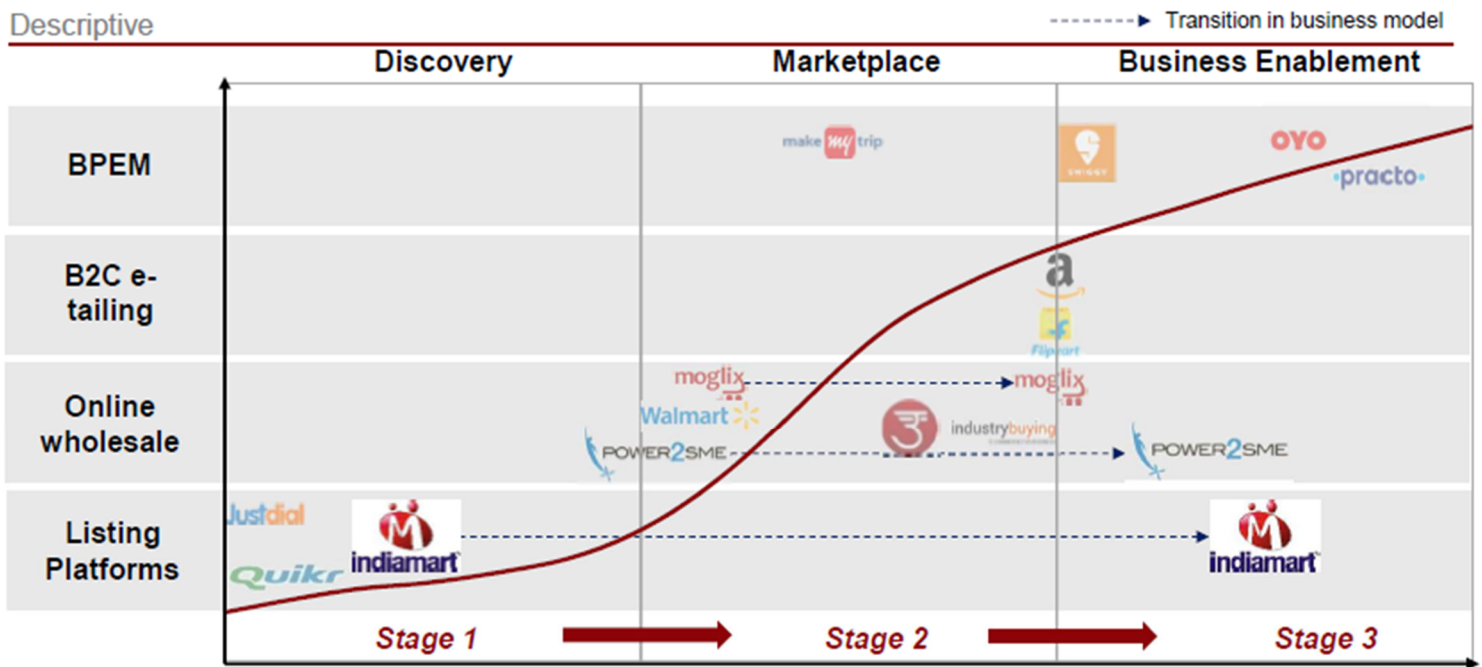
Exhibit 23: IndiaMART to be One Stop Shop for MSMEs



Source: Company

Exhibit 24: IMart has evolved from Discovery to a business enablement

Digital Marketplaces & Listing Platforms



Source: Redseer Report - B2B Digital Services Landscape in India

Business Overview

Subscription Based Revenue Model

Appealing Packages for Customers at Multiple Points: IndiaMART generates its revenue primarily via sale of subscription packages to suppliers which are available in monthly, quarterly, semi-annually, yearly, and multi-year subscriptions. These subscriptions offer range of benefits to the paid supplier relative to their category of subscription.

There are broadly 4 categories that are code-named as, **Platinum (Star/Leader Supplier)**, **Gold (Trust Seal, maximizer)** and **Silver annual/monthly (Mini Dynamic Catalogue)**. Platinum and Gold categories are available in annual, semi-annual, or multi-year package, while Silver packages are available in monthly, quarterly, semi-annual, and annual packages.

Exhibit 25: Subscription Based Revenue Model based on categories



Source: Company

Story in Numbers: As of Dec-22, IndiaMART had 194,000 paid subscribers.

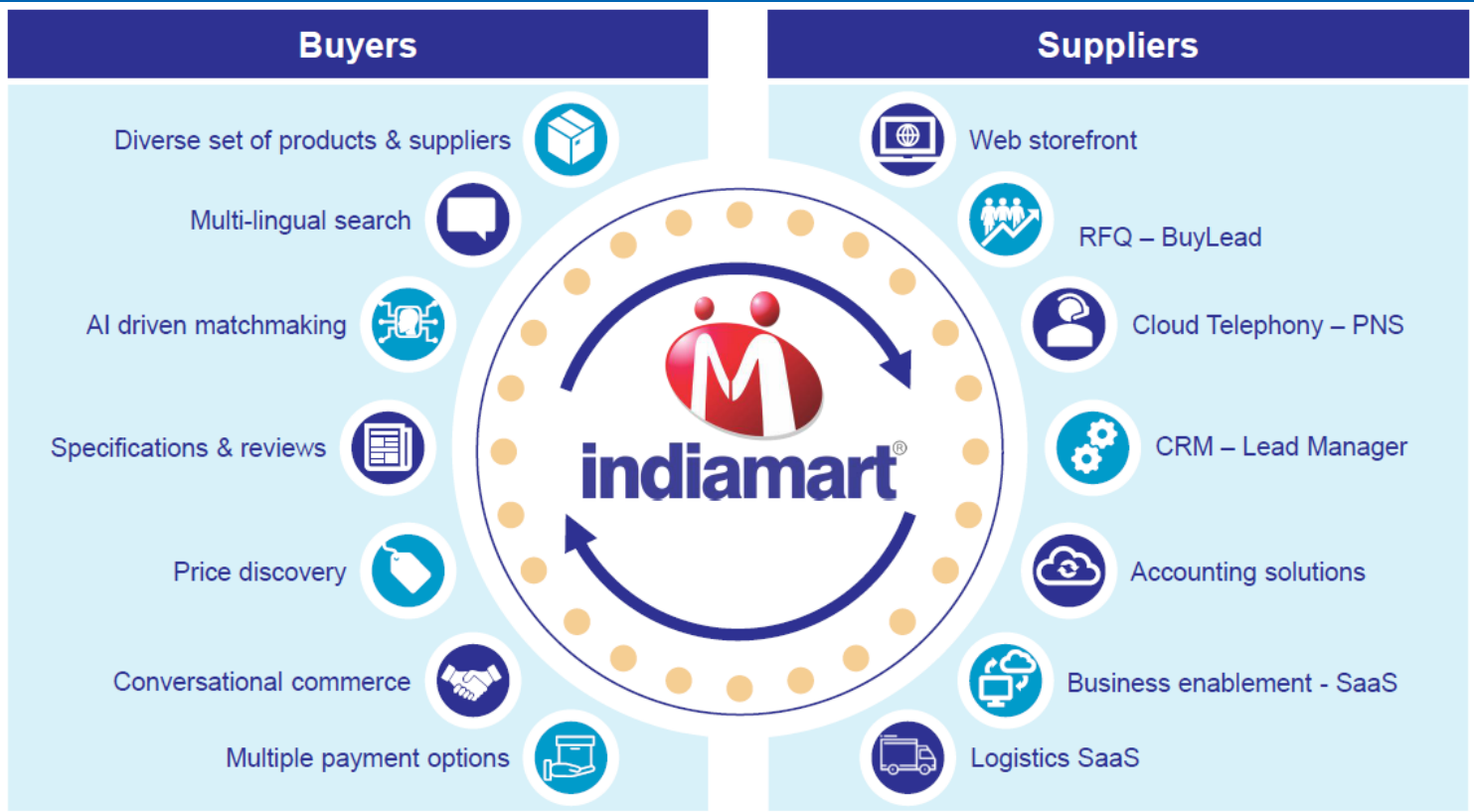
Exhibit 26: Subscriber Data and Other Key Metrics

Particulars	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	FY19	FY20	FY21	FY22
Biz. Enquiries (Mn)	151	117	120	115	122	119	449	464	610	550
Regd. Buyers (Mn)	138	143	149	154	160	165	83	102	125	149
Free Suppliers (Mn)	6.6	6.8	6.9	7.0	7.1	7.2	5.4	5.9	6.3	6.9
Paid Suppliers (Mn)	0.150	0.156	0.169	0.179	0.188	0.194	0.130	0.147	0.152	0.169
Total Suppliers (Mn)	6.7	7.0	7.1	7.2	7.3	7.4	5.5	6.0	6.5	7.1
% of Paying Suppliers	2.2	2.2	2.4	2.5	2.6	2.6	2.4	2.5	2.3	2.4
Subscriber Addition	4,000	6,000	13,000	10,000	9,000	6,000	22,000	17,000	5,000	17,000
ARPU (Rs.)	48,400	48,044	47,400	47,600	48,700	49,400	38,373	42,300	43,640	44,300

Source: DART, Company

Supplier services, apart from lead generation include: Priority listing of supplier, web storefront with catalogue, CRM tools, lead management systems, order management system, RFQ (Request for Quote)- Buylead, tax and invoicing, mobile based accounting, and integrated access to third-party online-payment gateways. Along with that, revenue is also generated through advertising (~2% of revenues) which is derived from displaying web-based banner ads and sale of online advertisements on IndiaMART desktop and mobile-app platforms.

Exhibit 27: Wide Range of Services for Buyers and Suppliers



Source: Company

Upsell leads to improved realizations over time: Silver Majority of new customers initiate with silver monthly or silver annual level packages. At the acquisition level 80% of the customers start with monthly subscription and 20% on an annual subscription. After their experience with the platform, at the time of renewal; customers with encouraging experience and result tend to upgrade their packages. At present, of 0.188mn paying subscribers, ~25% of suppliers are in Silver monthly plan, ~25% in Silver annual, 35% in Gold, and 15% in Platinum plan. Company envisages that over 2-3 years, will aim to convert a higher % of Silver customers to Gold. ARPU's for the subscriber across plans vary very dramatically from Rs 25k to Rs2.25k per paid subscriber.

Affordable Entry Level Membership Packages

As IndiaMART operates on a freemium model, many suppliers can list freely on IndiaMART platform; however, monetization is enabled by offering priority listing benefit to suppliers with the subscription of the packages. Additionally, the subscription packages are designed in a way that allows suppliers to generate more 'buy leads' for their product as they keep moving towards a more premium package.

Exhibit 28: Key subscription packages offered by the company in Silver and Gold category

Package	Pricing Plans	Benefits
Mini Dynamic Catalog (MDC)	Monthly - Rs. 2,500* 1 Year - Rs. 25,500* 3 Years - Rs. 58,000*	<ul style="list-style-type: none"> Higher listing on IndiaMART above free suppliers 7 Weekly + 1 Daily Bonus BuyLeads (Monthly Pack) 10 Weekly + 1 Daily Bonus BuyLeads (Annual Pack) Web/email and call-based enquiries Receive payments online (via debit/credit card) Lead Management System
MDC TS Combo	1-yr Combo Plan: Rs.40,000 2-yr Plan – Rs. 60,000 3 yr Plan – Rs. 80,000	<ul style="list-style-type: none"> Dual benefit of Mini Dynamic Catalog Service along with TrustSEAL (TS) authentication 20 Weekly + 2 Daily Bonus BuyLeads (Advantage program) Incrementally rising weekly and daily bonus leads. Cost per lead at Rs.28, Rs.23 and Rs.15 respectively. Preferred No. Service & Access to Payment Gateway, Pay with IndiaMart.
Maximizer	Monthly – Rs. 5,500* 1 Year - Rs. 55,000* 3 Years - Rs. 1,12,500*	<ul style="list-style-type: none"> Own domain, 4 corporate email ids/pop-up accounts 360-degree visibility via PDF/ Mobile Video Enhanced visibility & credibility via TrustSEAL 30 BuyLeads every week + 2 daily bonus India BuyLeads Add up to 400 products Access payment gateway, Pay with IndiaMART Preferred Number Service

Source: DART, Company (*Prices are exclusive of taxes)

Add-on Package: TrustSeal is a Paid add-on service for MDC package and complementary package for packages onwards of maximizer (Gold). TrustSeal logo provides certification that the seller is genuine and trusted and is priced at Rs25,000 excluding GST for a 1-year subscription.

Exhibit 29: Key Subscription offered in Platinum Category

Package	Pricing Plans	Benefits
Star Supplier	Rs. 90,000 for 1-Year, and Rs. 2,16,000 for 3-Years. Annual and 3-year time frame available as an add-on to MDC, MDC TS Combo & Maximizer	<ul style="list-style-type: none"> Premium listing in Selected 20 Category City combinations 50 Weekly + 3 Daily Bonus India BuyLeads Corporate video of company Flexibility to select and change category-city combinations Complementary TrustSEAL certificate Complementary Keyword City Premium Listing Star Supplier label on all selected category-city combination
Leading Supplier	~Rs.180,000+ for 1 year, and Rs. 4,32,000 for 3 years available as an add-on to MDC, MDC TS Combo & Maximizer	<ul style="list-style-type: none"> Higher position in the listing order on IndiaMART 70 Weekly + 3 Daily Bonus BuyLeads Corporate video of company Flexibility to select and change category-city combinations Complementary TrustSEAL certificate Complementary Keyword City Premium Listing Leader Supplier label on all selected category-city combinations

Source: DART, Company (*Prices are exclusive of taxes)

Verified Exporter Package: Exporter packages help suppliers who want to consume export Buyleads and conduct business in the import-export domain. Exports Suppliers benefits from dedicated export buyleads section, exclusive access to export buyleads and TrustSEAL verification.

Exhibit 30: IndiaMART Exporter Subscription Packages

Package	BuyLeads	Pricing
Diamond Package	1,950	Rs. 3,60,000
Platinum Package	1,300	Rs. 2,70,000
Gold Package	650	Rs. 1,50,000
Silver Package	260	Rs. 60,000
Starter Package	260	Rs. 75,000

Source: DART, Company

Value for Money compared to peers: While basic packages are comparable, but higher packages for IndiaMART provides far higher no. of leads, e.g., Star Supplier: 2,600 leads p.a., while Exporters India provides 960 leads p.a. for Global Package. Trust Seal or identification as a 'Genuine' Supplier is also available at IndiaMart at a more reasonable cost compared to Exporters India. In case of Trade India, our channel checks suggest higher pricing even at entry level, starting from Rs. 35,000 p.a. Trade India also does not specifically provide 'Buy Leads', and enquiry is generated via own SEO.

Exhibit 31: Exporters India (Peer) Pricing

Plan	Yearly Pricing (Rs.)	No. of Products that can be listed	Monthly Buy Leads	V-Trust Certificate
Platinum	18,000	35	6	No
Platinum Plus	30,000	100	20	No
Star	60,000	150	40	Yes
Global	1,10,000	200	80	Yes

Source: DART, Company

Exhibit 32: Package Comparaision between IndiaMart and Exporter's India

IndiaMART	Yearly Leads	Yearly Pricing	IndiaMart Cost per Lead	No. of Leads By Exporters India for Similar Priced Package	Exporter's IndiaCost per Lead
Starter Package	260	75,000	288	300	250
Silver Package	260	60,000	231	480	125
Gold Package	650	1,50,000	231	1,309	115
Platinum Package	1,300	2,70,000	208	-	-
Diamond Package	1,950	3,60,000	185	-	-

Source: DART, Company

Cost per Lead similar: Although Exporter's India provides more leads for similarly priced packages of IndiaMart, IndiaMart continues to lead with a) High traffic (Avg. 89.3mn per m vs. 4.5mn per month for Exporter's India), b) High enquiries (Avg. 45.8mn per month vs. 1.8mn for Exporter's India), d) Buyer presence (149mn vs. 0.5mn for Exporter's India), e) Strong Supplier Base (7.1mn total suppliers vs. 2mn suppliers for Exporter's India).

Large Headroom for Paid Supplier Growth

Total number of supplier storefront on IndiaMART is ~7mn in FY22, delivering CAGR of 21% from FY16-22. At the end of Q3FY23, the company had 0.194mn (194,000) paying suppliers, over-coming Pre-COVID pains, and a conversion rate of 2.6% (Paying Supplier/Total Supplier).

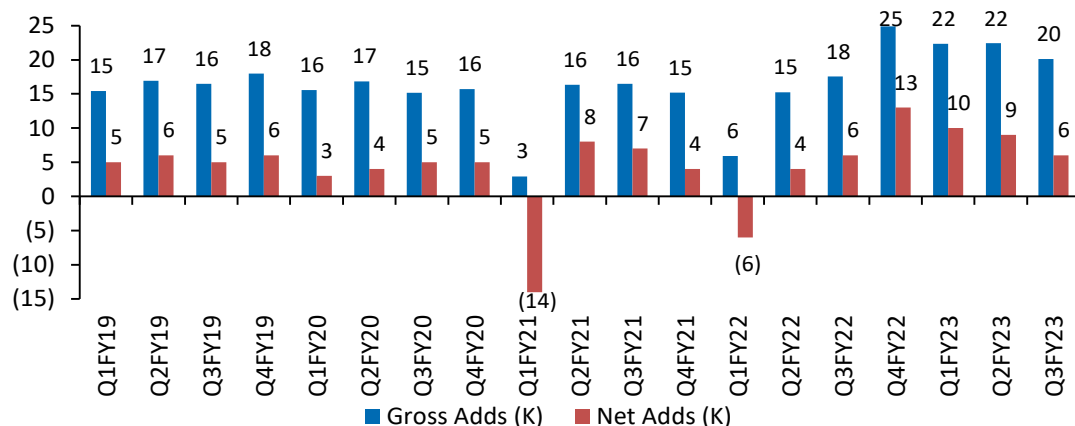
Conversion to paid has long runway: While conversion rate for 1688.com (Subsidiary of Alibaba with B2B Domestic Platform) is ~9.2% with 0.92mn paying suppliers and ~10mn total registered suppliers. Higher Conversion rate of 9.2% is led by higher internet adoption of business in China, but we believe India will also witness rise in digital adoption among businesses in the coming years. Similar conversion implies ~3.5x growth potential for IndiaMART, from 0.19mn (in Q3FY23) to ~0.70mn paid suppliers.

TAM: India has ~12.8mn GST registered businesses, and presently, IndiaMART only targets GST registered entities. ~98% of their paying suppliers are GST registered. As per management, out of these GST registered suppliers, around 2mn to 3mn will be B2B product-oriented suppliers in India, which becomes total addressable market for the company. Management aspires to have a 15%-20% penetration amongst these B2B product-oriented GST registered suppliers. Considering 3mn as B2B product-oriented suppliers, will lead to 0.5mn to 0.6mn paying suppliers base (2.5x to 3x growth opportunity for paid suppliers on volume basis).

Churn Rates are high, thus doubles the effort in scaling up

IndiaMart has very high churn rates for its offering especially among the new user category. For Silver monthly plans, churn rates are around 5-6% per month, with a minimum subscription period at 1 month, but churn rate falls as subscriber moves to higher plans. For Gold and Platinum members churn rates remains at less than 1% per month. Silver annual and multi-year remains at about 2% to 2.2%, 2.5% per month.

Exhibit 33: High Churns, doubles the effort on Net additions



Source: DART

Top factors leading to churn: Co. attributes high churn largely to inadequate time and efforts spent by suppliers themselves, resulting in a natural churn. In addition, smaller suppliers see greater churn as very few can deliver on speed, scale and stability. Going forward, management expects better churn stability due to: a) Improved connectivity via right channel partners, and b) Ensuring adequate account servicing workforce: management expects to add 150 new hires for every 8k-9K suppliers (~50-60 customers per employee) thereby addressing customer needs better. Note that the Churn levels are down by ~15% from Pre-COVID levels, implying peaking of churn rates.

Scuttlebutt Analysis: To understand the consumer behavior better for the IndiaMART subscription we did scuttlebutt analysis with players across industries about their experiences on the IndiaMart subscription. In our survey, following factors came out as key reason for churn-out from the platform: 1) platform favors vendor with multiple SKUs, 2) industry works on Credit, 3) Leads are not precise, 4) order size smaller, while logistics cost are higher – basically location mismatch, 5) Order quantum was small, 6) grievance redress is weak, 7) Cost is high compared to other channel, 8) exports more work in exhibition format, 9) orders were small & not aligned for logistics (small load Vs Truck load).

Exhibit 34: Scuttlebutt suggest stickiness is very low on the platform

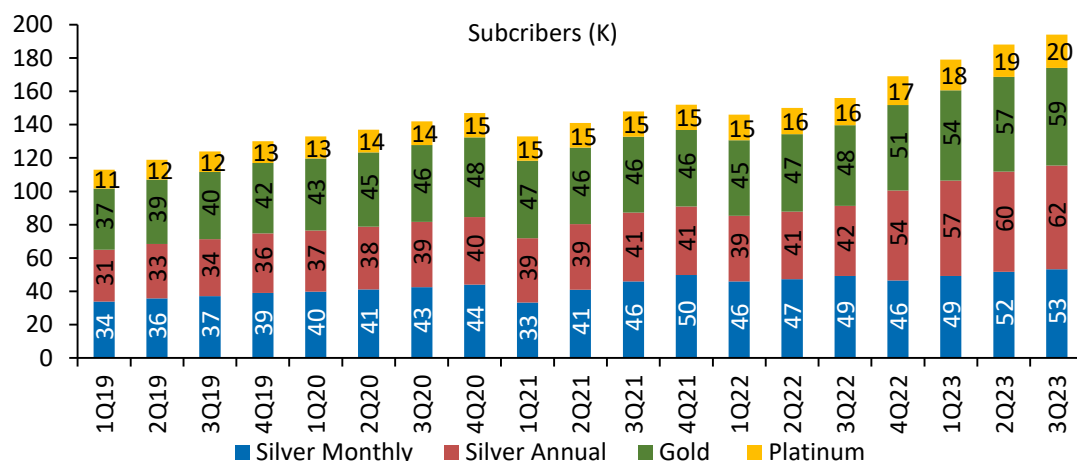
Industry	Merchant Type	User Status	View
Polypropylene Balls	Manufacturer	Past Paid Subscriber	Believes platform disproportionately favors manufacturers of multiple SKUs as customers do not always mention precise offerings, leading to algorithms displaying multi-SKUs vendors.
Chemical - CaCO ₃	Import-Supplier	Past Paid Subscriber	No longer relevant as customers primarily prefer to do business on credit
Kitchen Appliances	Supplier to OEM	Registered Buyer	Not using actively as leads are not suitable
Timber/Ply	Retail/Bulk Supplier	Free Listing	Not relevant as orders from leads are small sized and logistic cost is high
Plastic Glasses/Plates	Manufacturer	Free Listing	Not very relevant as buyers want smaller quantity
Injection Molding Products	Supplier to OEM	Past Paid Subscriber	Useful but customer support on grievance lacks swiftness and right remedial action
Plastic Product recycler	Manufacturer	Past Paid Subscriber, now using - Trade India	Product is useful and even if 1 client is acquired, subscription is worth it. However, due to cost consideration, now using peer solution (Trade India)
Leather Shoes	Manufacturer	Paid Subscriber, But primary Branding Purpose	Not very relevant as most sales are in export market, that work better in exhibition format.
Packaging Bags	Manufacturer	Past Paid Subscriber	Not using size of orders were small, making logistics difficult. Also, Credit sales to unknown parties was not conducive.

Source: DART, Company

Upgrade from Silver Monthly to Silver Annual Gaining Traction

Majority of the customer's first sign up as monthly customers, and IndiaMART starts pitching upgrade plans after a customer completes 3 months and is sufficiently satisfied with leads/offerings. Management guides that 2% of customer base sees upgrade every month. While COVID did impact early part of FY21 and FY22, Silver Annual plans (Exhibit 36) have remained the largest contributing plan amongst paid suppliers with its share increasing from 28% in Q4FY18 of Supplier base to 32% in Q3FY23.

Exhibit 35: Upgrade Pattern to Silver Annual from Monthly



Source: DART, Company; computed based on inputs shared on the earnings call

Channel Partners to Boost Reach and Better Sales Optimization

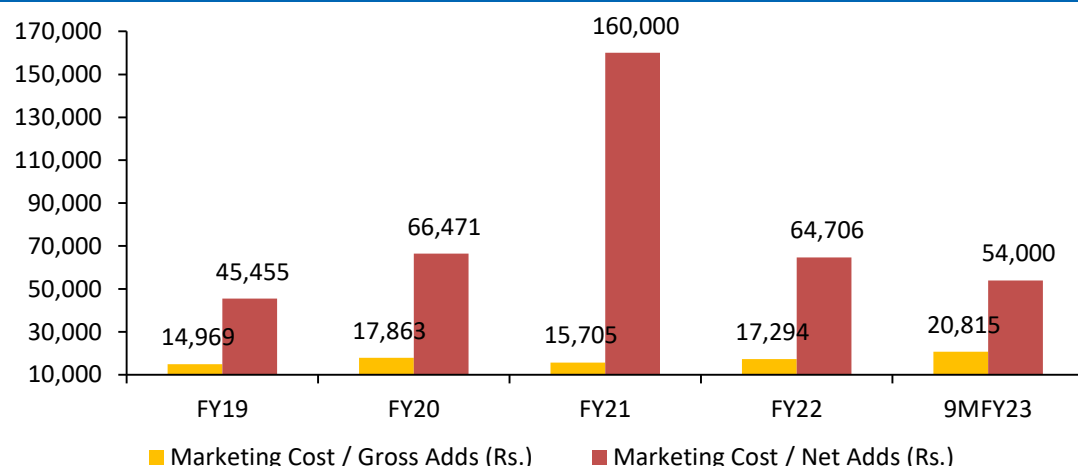
IndiaMART relies completely on third party partners for customer acquisition. In all the company has onboarded 100+ channel partners that has partner employee strength of over 2,400+, spread across 70+ cities. The company is actively expanding its network across markets and has created its presence across many key states in North and Western part of the country and may plan to extend its scale in Southern states in coming years.

Channel Partner: To target MSMEs deeper across smaller towns & cities and encouraging them for listing on the IndiaMART portal, company has created a network of channel partners that onboard a team of Outsourced Field Representatives (generally in group of 20-25 representative). These teams then target the suppliers that have created free listing on the App and explain the benefits and RoI potential for Paid subscription. Pre-COVID the company use to get just 20% of new subscribers from Channel partners but the same is now accounting for almost all of its subscription sales. Channel partners hires resources on their payroll who doubles up as tele-caller for part of the day and meet potential clients (suppliers) in person to convert if needed.

In terms of economics, a channel partner can typically sell 3-4 subscriptions per month, and is employed with a salary of Rs.18,000-Rs.22,000 plus incentives. Incentives are paid in tranches over 3 months of successful subscription. So in a way, the Channel partner undertakes the risk on getting the adequate number of paid subscribers to ensure his business economics. Partners get paid even for getting 'Free listings' for the platform and thus overall can secure commission in the range of Rs13,500 to Rs18,000 per successful paid subscriber.

We believe that the company has found a very healthy Customer acquisition model with a Median outsourced cost (marketing) for gross adds at Rs. 17,000-Rs18,000 per paid customer, but given the large churn the cost is way higher on Net Add basis and ranges Rs.45,000 - Rs.65,000 (FY21 was an exceptional year due to COVID thus not included here to calculate the range).

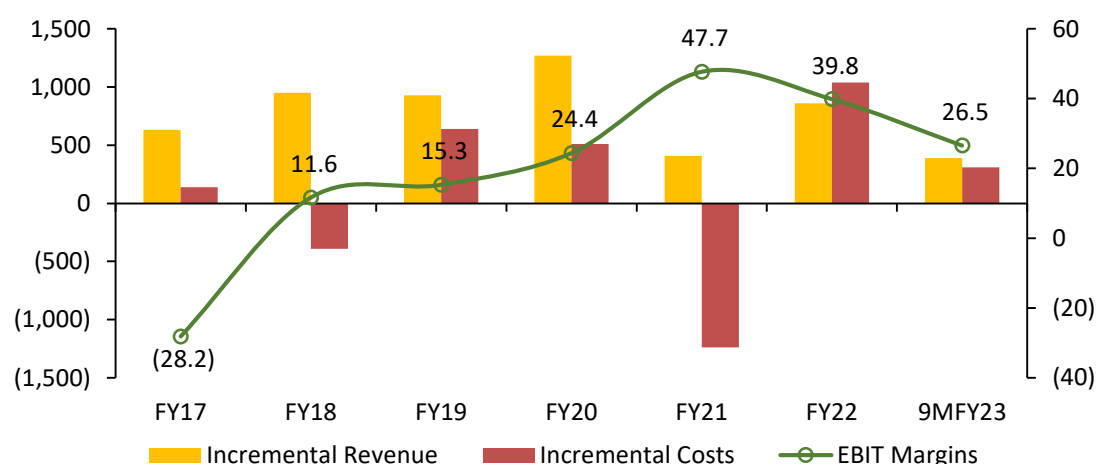
Exhibit 36: High churn result in net high cost for customer acquisition



Source: DART, Company (Gross Adds computed based on Churn Rate data in earnings calls)

Retention beyond year holds the key: Based on our working the company is making the most of its money on the customer once they cross 24 month vintage. Other than this the big revenues are made once customer migrate from smaller plan to Gold/Platinum plans. The company has seen steady increase in the revenue growth and has seen two rounds of cost moderation, 1) During FY18 when it moved its big part of sales team to caller based Vs field based and 2) During COVID when it replaced bulk of Customer acquisition efforts to Third-party channels and also led by closure of several physical offices. Thus over last five years have seen significant turnaround in profitability (FY17 (-28%) to FY22 (39%)).

Exhibit 37: From COVID-Led Margin Tailwind to normalize heron



Source: DART, Company

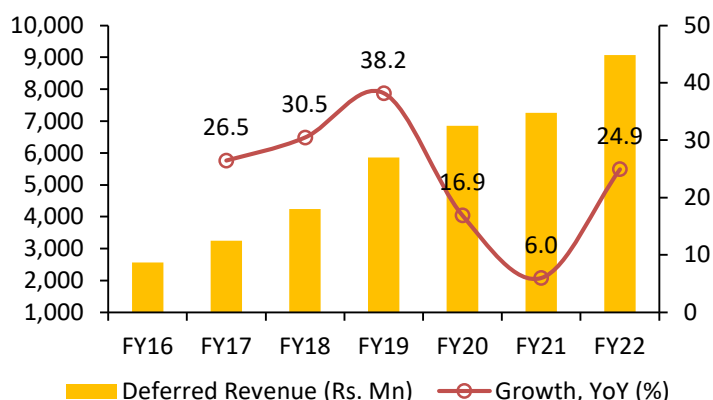
FY22 was an investment year, where IndiaMART invested in talent (sales and servicing), technology and content. Going forward, we investment phase to continue for the near term, but expect incremental revenue to absorb incremental costs.

Upfront Collection from Customers Provides Topline Visibility

IndiaMart primarily provides 4 subscription selection options – monthly, half yearly, annual and multi-year, and therefore, subscription revenue is collected upfront from paying suppliers. This leads to accumulation of deferred revenue which offers visibility on near-term revenue growth. Approximately 60% (63% in FY22), of deferred revenue is recorded as revenue over next 12 months, and rest 40% is recorded beyond 12 months. The average period of deferred revenue is about 20-21 months which indicates that the revenue in the topline is approximately a 20-month moving average of deferred revenues.

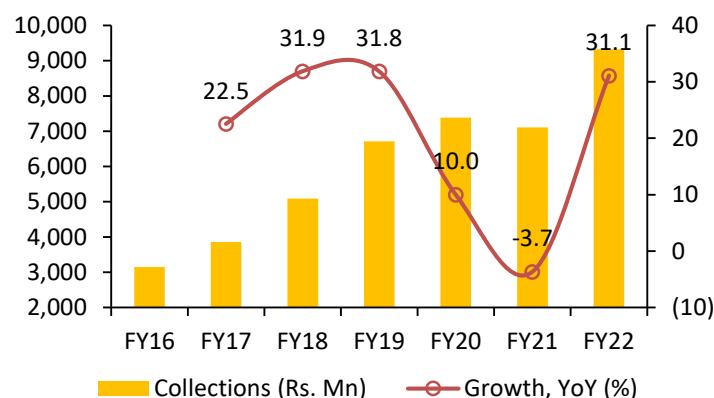
Collections, a leading indicator on revenue traction, has seen an impressive 20% CAGR from FY16-22. While FY21 collections got hit due to pandemic, and severely impacted operations of clients (MSME's) during the early phase of lockdowns. But these collections have picked up sharply in FY22, up 31% YoY. 9MFY23 collections are strong as well, at Rs. 8Bn, up 30% YoY.

Exhibit 38: Deferred Revenue and its Growth



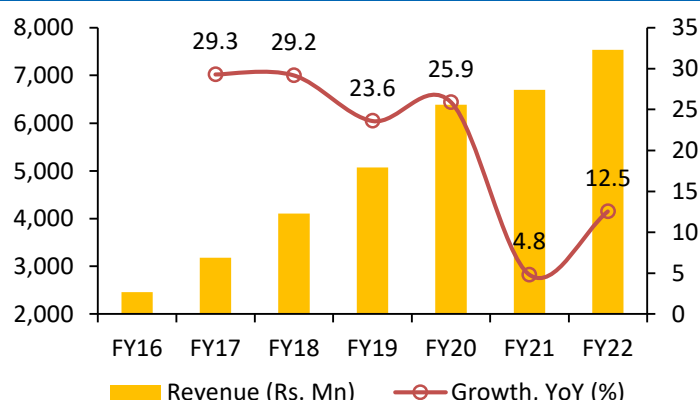
Source: DART, Company

Exhibit 39: Collections provides visibility



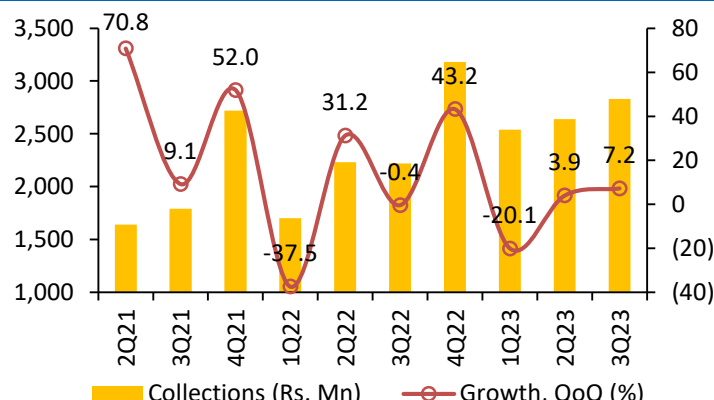
Source: DART, Company

Exhibit 40: Rev CAGR of over 20% over FY16-22



Source: DART, Company

Exhibit 41: Collections Surpassed Pre-COVID Level



Source: DART, Company

Investment Companies

IndiaMart successfully raised Rs 10.7Bn via QIP in Feb'21, with proceeds aimed at both organic and inorganic growth investments, and for investing in companies that have synergies with IndiaMART's overall ecosystem in the area of its operations and its adjacencies. IndiaMart acquired minority/strategic stake in 13 companies and acquired one company, aiming at building a stack of SaaS-based solutions and accounting based offerings that make IndiaMART's platform, a one stop shop for MSMEs. Till date the company has invested about Rs10bn on these investments with most of them going towards small partial investments. At this point it is consolidating only 3 subsidiaries units of these investments and thus accounts for just 5% of total consolidated revenues and rest of the units are only featuring on Gain/losses from minority interest line.

Exhibit 42: Summary of Investment Companies

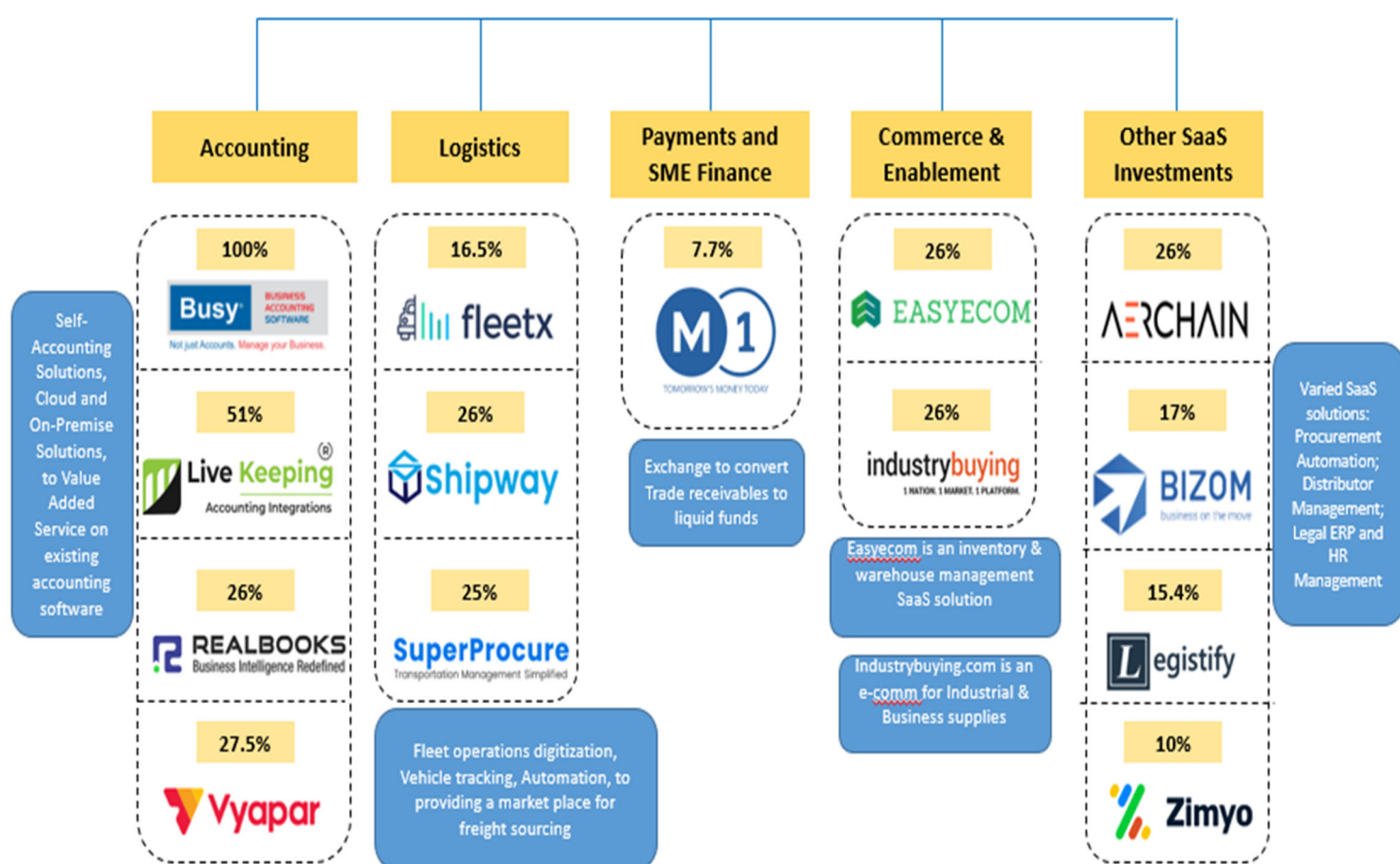
Recent Stake Acquired	Business Name	Stake (%)	Cost of Acquisition (Rs.mn)	FY22 Revenue	Valuation Rev (TTM)/ Multiple	Remark
Apr-21	Shipway	26	182	48	15	E-Commerce Shipping Solution
Aug-21	Aerchain	26	260	38	26	AI-Driven Procurement Platform
Oct-21	M1xchange	8	324	86*	49	Platform for Online Trade Invoice Discounting solutions to SMEs
Dec-21	EasyEcom	26	134	41	13	Inventory and Warehouse Management
Jan-22	Vyapar	27	928	209	16	Mobile-based Business Accounting Software for Small Businesses
Jan-22	Legistify	11	88	26	22	Legal Tech Platform
Feb-22	Real Books	26	138	26*	16	Cloud-Based Online Accounting Software
Feb-22	Fleetx	17	914	256	22	Logistics Automation & Visibility Platform
Feb-22	IndustryBuying	26	1,042	282	14	B2B Commerce Platform (MRO category)
Mar-22	Live Keeping	51	460	21*	27	Accounting Integration
Mar-22	Zimyo	10	170	8*	95	Unified HR and Payroll Software
Apr-22	Busy	100	5,000	424*	12	Business Accounting Software
Apr-22	SuperProcure	25	110	45	10	SaaS for digitizing freight e-sourcing
Nov-22	Bizom	25	366	447	3	Platform for Distribution and Salesforce Management

Source: DART, Company, *FY21 Data taken in case FY22 data not available

Categorization of Portfolio Companies

IndiaMART's 14 key investments can be classified into 5 categories: 1) Accounting, 2) Logistics, 3) Payments & SME Finance, 4) Commerce & Enablement, 5) Other SaaS Investments.

Exhibit 43: IndiaMart has made 14 Key Investments Across Verticals



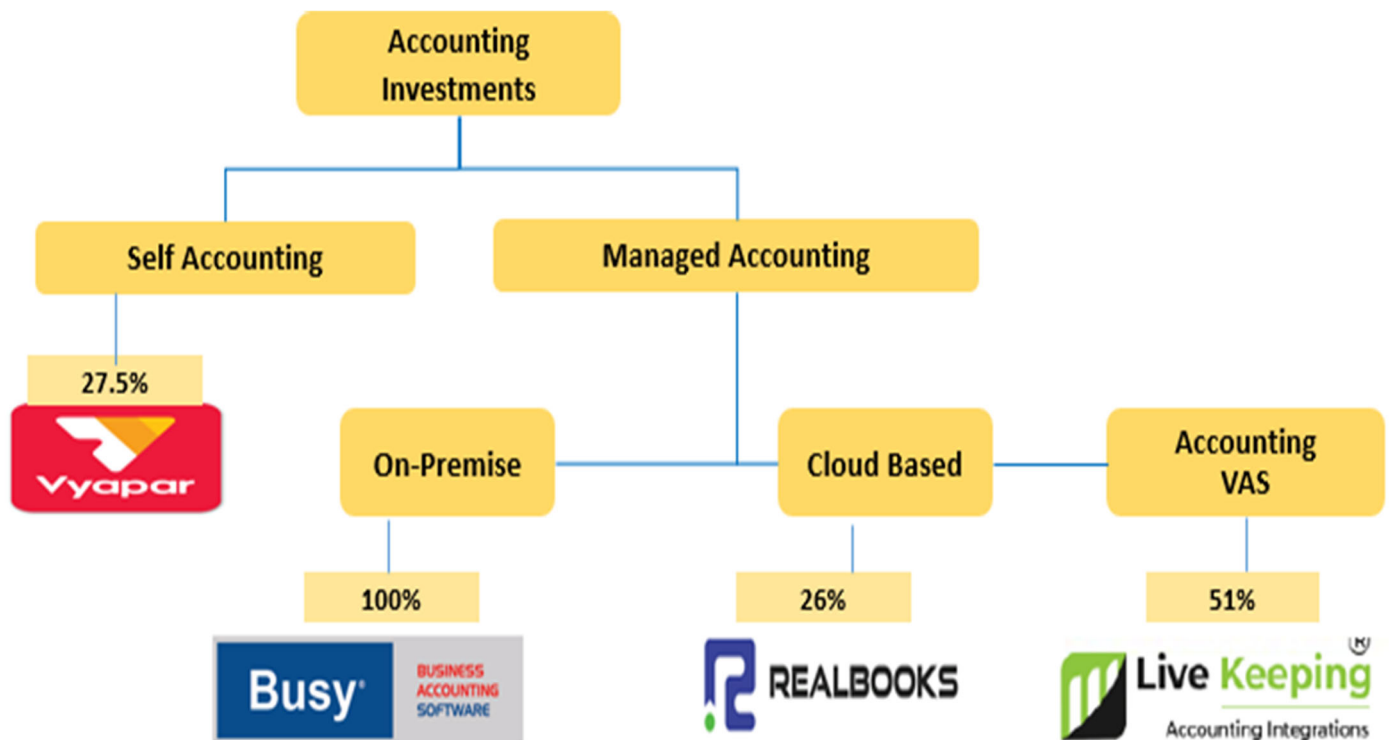
Source: DART, Company

Category 1: Accounting

IndiaMART has positioned 'Accounting Software' as a strategic growth area, and the same is reflected from investments comprising of Vyapar, Busy, Real Books and Live Keeping. About Rs.6.5Bn of Rs. 10Bn of investment outlay has been allocated to this category.

At a macro level, IndiaMart has made a bet on number of MSMEs formally getting included under GST ambit, and their potential need for accounting software and need for digitization. IndiaMART has identified market opportunity for accounting software in India as follows: ~63Mn Registered MSMEs, of which 12Mn GST Registered Businesses. Total Addressable Market is estimated at Rs.50Bn. At a business level, users of accounting software tend to be sticky, providing a recurring revenue stream and periodic software upgrades.

Exhibit 44: Overview of Accounting Investments



Source: DART, Company

The above chart outlines 2 broad categories of accounting investments, viz. a) **Self-serve/DIY Accounting** (Vyapar), and b) **Managed Accounting** (enterprise-wide, multi-user, multi-function) solutions, comprising of: 1) Busy, 2) Realbooks, and 3) Livekeeping.

Busy Infotech Pvt. Ltd. (Busy)

Transaction Details: IndiaMART acquired 100% stake in Busy Infotech in Jan'22 for Rs.5,000mn. Transaction valued at 11.8x of FY21 Revenue.

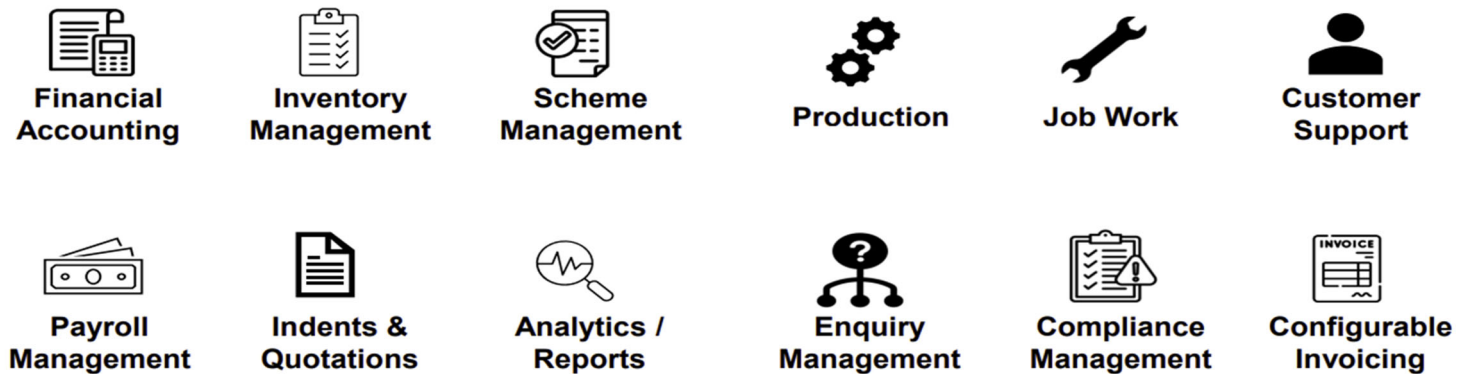
Business Overview: Busy provides accounting and management software solutions such as financial accounting, inventory management, payroll management etc. Busy has ~180 employees. For Q2FY23, Busy sold about 7,000 new licenses, taking overall sold licenses to ~318k.

Exhibit 45: BusyInfotech's Offerings

Busy Infotech Private Limited



An integrated business accounting and management software for MSMEs.



Source: Company

IndiaMART Holding: 100%

Exhibit 46: Yearly Pricing Options (Rs.)

User	Basic	Standard	Enterprise
Single	Rs. 9,000	Rs. 13,500	Rs. 18,000
Multi	Rs. 22,500	Rs. 33,750	Rs. 45,000

Source: DART, Company

Investment Rationale: Busy is IndiaMART's largest acquisition till date. Management is very positive on the accounting software space as believes that customers in this segment are bit stickier and thus provides longer term visibility. Currently, ~73% of Busy's business comes from North India, 11% from East, and 8% each for West and South. IndiaMart believes further room to grow as Busy Infotech expands further in India and also through better conversions into paid plans.

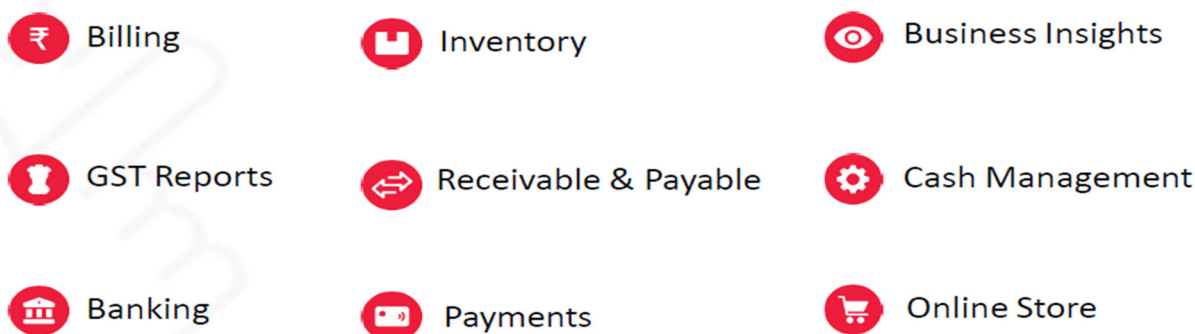
Financial Performance: During Q1FY23, Busy was consolidated, and Q2FY23 Revenue stood at Rs. 108mn and EBIT Margin of 18.5%. FY21 Sales were Rs.424mn, up 22% YoY. FY22 data is unavailable.

Simply Vyapar Apps Pvt. Ltd. (Vyapar) (27.5% Stake)

Transaction Details: IndiaMART bought 26% stake in Simply Vyapar Apps Pvt. Ltd. in Sept'19 for cash consideration of Rs.312mn, valuing entity at Rs.1.2Bn. In Jan'22, IndiaMart added 1% further stake for Rs.615mn, taking stake up to 27%, (at post-money valuation of Rs.8.5Bn), thus making it an associate company. Based on total investment, Vyapar is valued at 16.4x of FY22 Revenue. Remaining investors include Founder (26%), Westbridge (19.7%), India Quotient (15.9%), ESOP Pool (6.6%), Others (4.1%)

Business Overview: "VYAPAR" is a GST-compatible business accounting software aimed daily MSME activities. It has 5mn+ mobile downloads, with a Google Play store rating of 4.6 (out of 5). **Vyapar helps MSMEs become GST compatible, and provide functionalities like invoice dealing, inventory, setting automatic payment reminders and generate critical business reports. Application is free for all users, but paid plans have additional features and priority dedicated support.**

Exhibit 47: Vyapar Overview



Source: Company

Exhibit 48: Vyapar Pricing: Yearly and 3-Year

Pricing (Rs.)	Mobile	Desktop	Mobile+Desktop
1-Year	599	1,999	2,399
3-Year	1,349	4,599	5,499

Source: DART, Company

Vyapar has 10mn+ SME users, of which Paying customers are ~100k+ (as per Dec-21 update, ~10-20% of IndiaMART paying subscribers used Vyapar (as per Sept-21 concall).

Investment Rationale: This strategic investment was made to provide mobile accounting solutions to MSMEs, and better IndiaMART's position in B2B services.

Financial Performance: For FY22, Vyapar had sales of Rs.209mn clocking growth of 79% YoY. Loss widened to Rs.321mn in FY22, from loss of Rs61.8mn in FY21.

Adansa Solutions Pvt. Ltd. (Realbooks) (26% stake)

Transaction: IndiaMart acquired 26% stake in Adansa Solutions Pvt. Ltd., in Feb'22, for Rs.137.5mn. Based on last shared data, transaction is valued at 15.6x of FY22 estimated Revenue of Rs. 33.8m (FY22 estm provided at the time of transaction).

Business Overview: Adansa Solutions Pvt. Ltd. owns Realbooks, which offers a cloud based accounting software product for businesses. It enables businesses to create customized invoices, attach files to vouchers, and manage their inventory. It also enables businesses to manage their different business units at multiple locations from a single dashboard. Real books' has a diversified base of 400+ paying customers with an ARPU of Rs.80,000+ p.a. (assumes 4 plus users).

Exhibit 49: Overview of Offerings



Source: DART, Company

Exhibit 50: Pricing Plans

Pricing (Rs.) Per User	Single User-Free	Professional Edition	Business Edition	Enterprise Edition
Per Month	Free	500	1,000	2,000
Per Year	Free	5,000	10,000	20,000

Source: DART, Company

Investment Rationale: With this acquisition, IndiaMART aims to ride on cloud-based, digital adoption theme in accounting, which IndiaMART believes to become an emerging business need, while providing medium-to-long term synergies with IndiaMART's ecosystem.

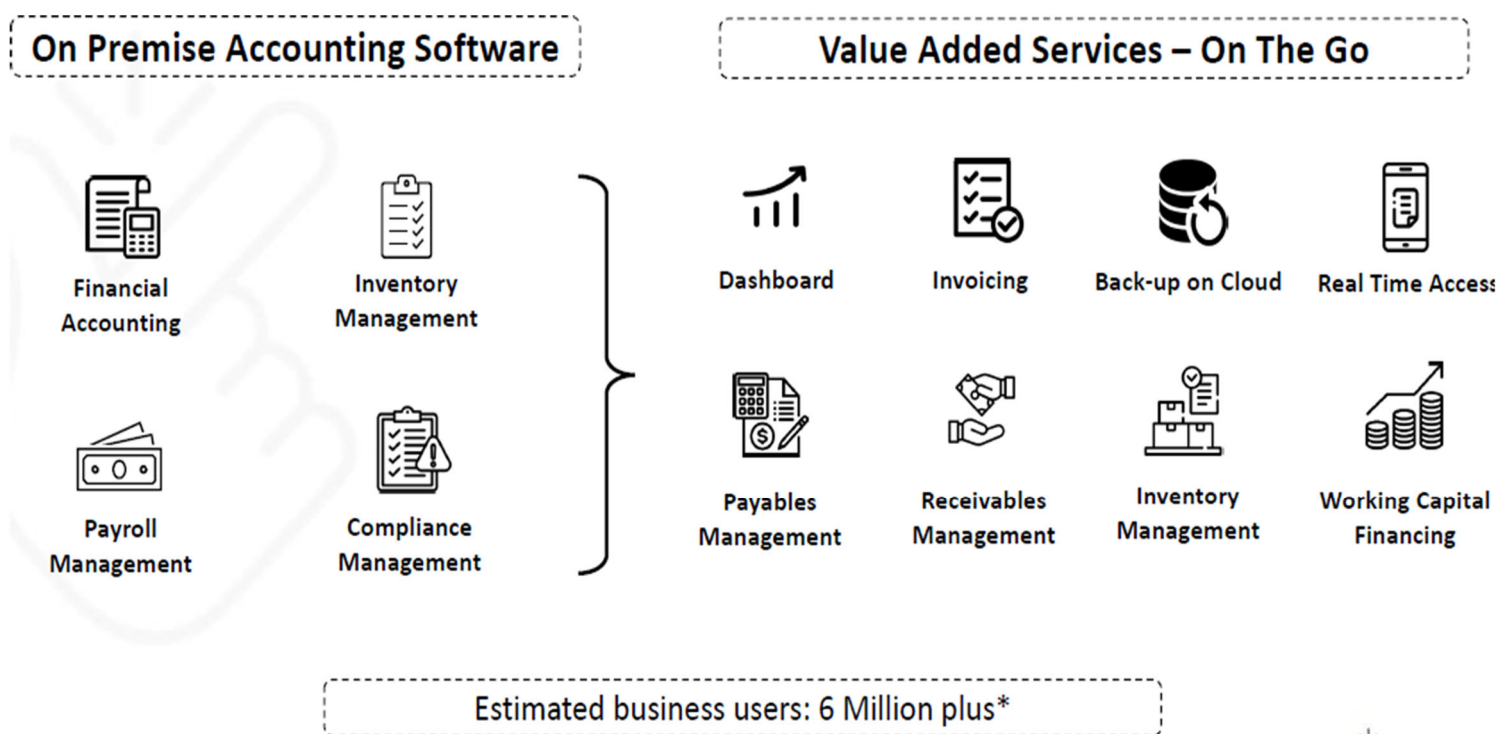
Financial Performance: For FY21, Adansa sales stood at Rs.26mn. At the time of acquisition, management shared that FY22 sales were projected to be Rs. 33.8mn.

Finlite Technologies Pvt. Ltd. ('Live Keeping') (51% Stake)

Transaction Details: IndiaMart acquired 51% stake in Finlite Technologies Pvt. Ltd., in Mar'22, for Rs. 459.8mn. FY22 projected sales are Rs.33.7mn, implying a valuation of 26.7x, last shared at time of transaction.

Business Overview: Live-Keeping is a mobile based SaaS solution (mobile based) providing an Add-on service to the existing on-premises accounting software such as tally. Livekeeping offers a dashboard (financials at glance), real-time access, GST compliant invoices, trade receivable tracker and receivable management and tally backup.

Exhibit 51: Product Offerings



Source: DART, Company

Exhibit 52: Pricing for LiveKeeping

Pricing (Rs.) Per User Per Month	Single User	2 Users
1 Year	2,100	NA
3 Year	4,200	6,300

Source: DART, Company

Investment Rationale: With this acquisition, IndiaMART aims to target accounting VAS on mobile platform. Tally accounting software has a large base of ~6mn users, and as an add-on, Livekeeping can add potentially target these users with its value added services as an on the top application to the Tally software user base.

Financial Performance: For FY21, sales stood at Rs.21mn, growing 105% YoY. FY22 data is unavailable.

Category 2: Logistics

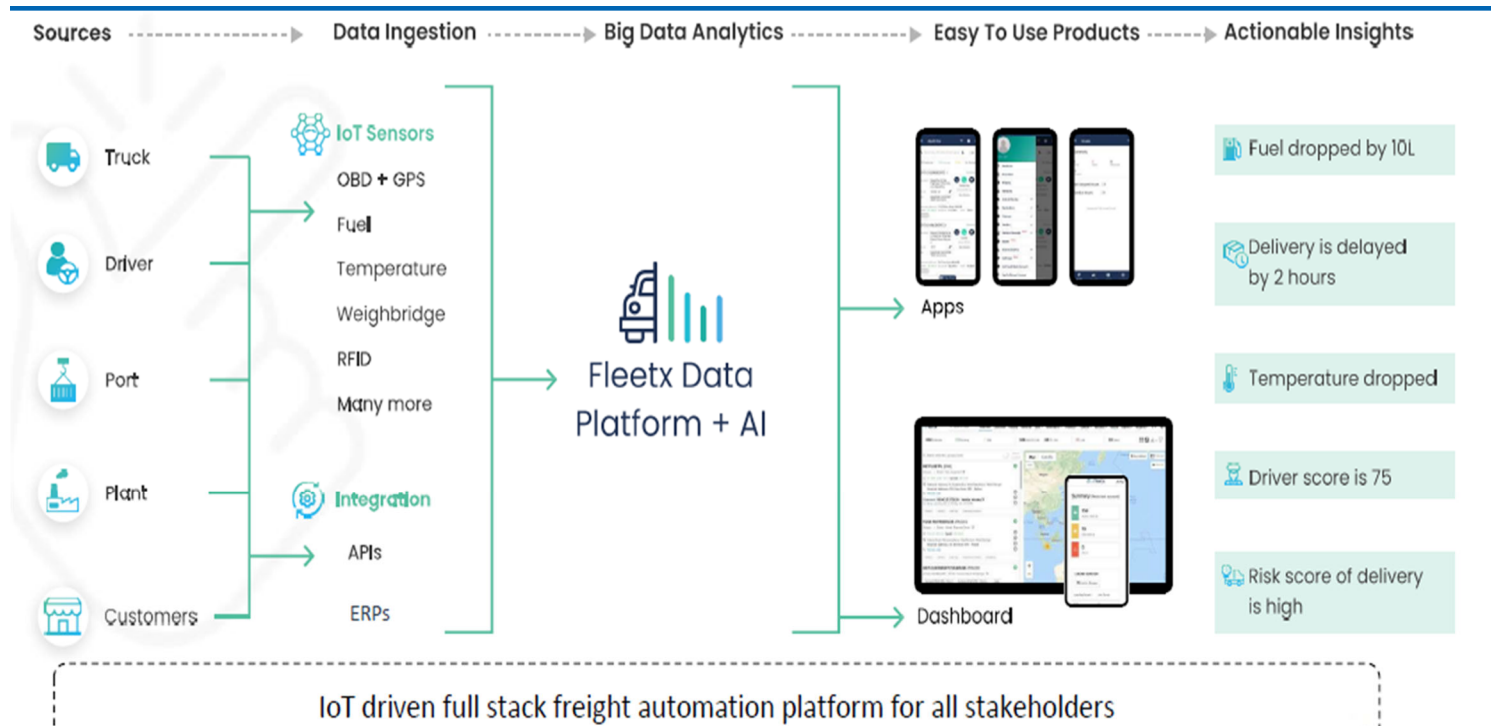
Within logistics space, IndiaMART has invested in Rs. 349mn across 3 businesses. These 3 businesses are primarily SaaS based solutions spanning across freight / fleet management, post purchase automation and freight broker aggregation.

Fleetx Technologies Pvt. Ltd. (Fleetx) (16.5% stake)

Transaction Details: IndiaMart acquired 16.5% stake in Fleetx Technologies Pvt. Ltd. in Feb'22 by investing Rs.914mn. Post FY22 results, transaction implies a valuation of 19.8x for FY22 revenue of Rs. 256mn. Additional investors include Beenext (23.5%), India Quotient (21%), and balance stake of 39% comprising of Founders, Angel investors and ESOP pool.

Business Overview: Fleetx is a freight and fleet management software which helps fleet operators and businesses digitize their logistics operations. Fleetx helps fleet owners reduce operations cost, and improve vehicle utilization, while for manufacturers/business owners, it provides real time visibility in the supply chain and solves challenges like cargo theft, improves delays & detention, driver safety, vendor collaboration etc, with the use of IoT (Internet of Things) and analytics. **Clients include** Ultratech, Delhivery, Tata Steel, Mondelez, etc. **Key Use Cases:** Better Visibility, Asset Utilization, Theft Prevention, Driver Performance and Fuel Management.

Exhibit 53: Fleetx Product Overview



Source: DART, Company

Investment Rationale: Fleetx's solutions for supply chain solution provides actionable insights to logistics issues faced by businesses. IndiaMART shares that Fleetx is one of the market leaders in logistics solutions, with high growth trajectory, and proven customer monetization model, and can provide long term synergies with IndiaMART's ecosystem.

Financial Performance: For FY22, sales stood at Rs. 256mn, growing 92% YoY. FY22 PAT loss stood at Rs.234mn.

Shipway Technology Pvt. Ltd. (Shipway) (26% Stake)

Transaction Details: IndiaMART through its wholly owned subsidiary, Tradezeal Online Pvt. Ltd. acquired 26% stake in Shipway Technology Pvt. Ltd. in April'21, for a cash consideration of Rs.182mn. Based on FY22 sales, implied valuation is 14.7x. Additional investors in Shipway include stakes of Founder (60%) ESOP (10%), and others (4%).

Business Overview: Flagship product 'Shipway' is a platform for D2C brands, providing post-purchase automation - allowing sellers to improve shipping experience, providing branded tracking pages, sending out automatic delivery notifications, and capturing customer feedback. Another product 'Ezyslips', allows sellers to automate their back-office shipping workflows' including courier allocation, bulk label printing, fraud detection and returns management. Shipway has served more than 120mn users from its platform for ~12,000 D2C brands ([Link](#)). It provides 600+ courier integrations, > 200,000 daily shipments tracked and more than 50mn notification sent till date. Prominent clientele includes Henry & Smith, FBB, (Big Bazaar) Shopclues.com, Amydus, All and Mr Button.

Exhibit 54: Shipway Product Overview



Source: DART

Investment Rationale: Aimed to build a portfolio of logistics solutions.

Financial Performance: For FY22, Shipway had sales of Rs.48mn, with PAT loss of Rs0.09mn.

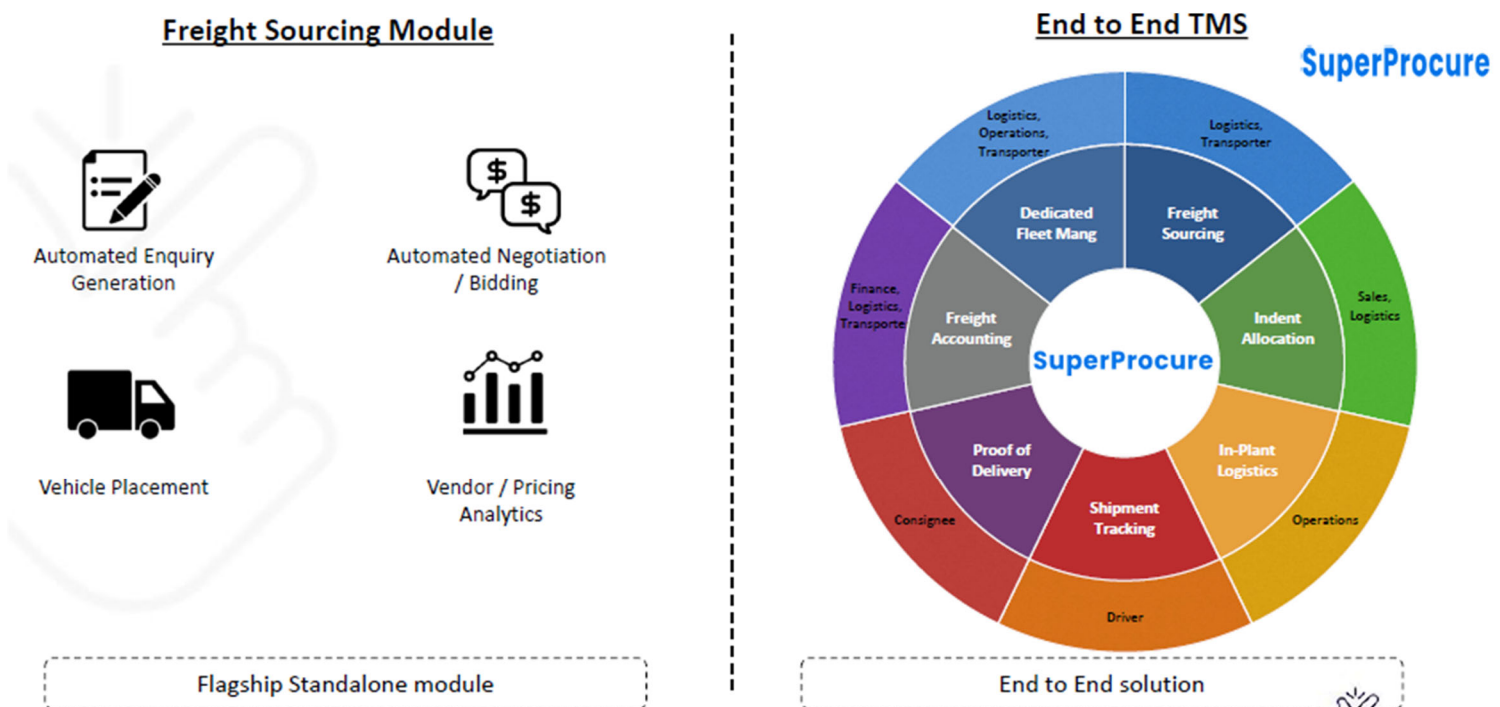
Truckhall Pvt. Ltd.(Super Procure) (25% Stake)

Transaction Details: IndiaMART initially bought 22% of Truckhall Pvt. Ltd. on 17 April 2021, and hiked stake by 3.02% stake on 28 April 2021, totaling to 25.02% for a total consideration of Rs.110.1mn including both transactions. Transaction is valued at 9.4x of FY22 sales. Additional investors include IIM-C Innovation Fund.

Business Overview: Truckhall is Eastern India's largest freight broker and logistics solution provider. Company has a digital SaaS based platform named 'SuperProcure' which digitizes the entire freight sourcing by finding the best possible rates through a transparent bidding and auction structure.

Clients include: Dukes, Tata Global Beverages, Godrej Agrovet, Unistar, L&T Construction, Borosil and many more. As of Mar'22, it has 90 customers (50 customers in Apr'21), and monthly recurring revenue of Rs. 4mn (from Rs.2mn MRR in Apr'21).

Exhibit 55: Product Offerings



Source: DART, Company

Investment Rationale: Logistics remains an area of interest for IndiaMART, and product deployment success was witnessed across different industries.

Financial Performance: For FY22, Revenue stood at Rs. 45.2mn, with a loss of Rs. 34mn. In the past, revenues declined drastically from Rs. 105.3mn in FY18 to Rs. 14.8mn in FY20 due to shift in business model from loss making logistics Services Company to software-based logistics solution provider with better profitability.

Category 3: Payments and SME Finance

IndiaMART owns a minority stake in Mynd solutions, an exchange for receivable and receivable financing.

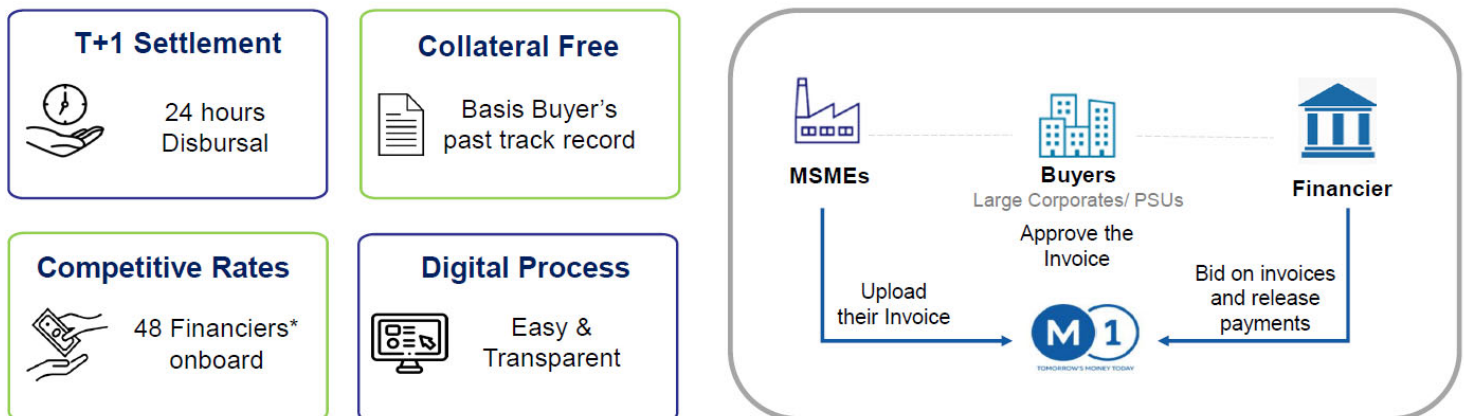
Mynd Solutions (8% Stake)

Transaction Details: IndiaMart has acquired a stake of 7.7% for Rs. 320mn in November 2021. Transaction is valued at 48.9x of FY21 Revenue of Rs.86mn. However, this business has seen rapid growth, growing 61% YoY over FY20 and 125% over FY19, and hence past valuation is less reliable. Additional investors include SIDBI Venture Capital, Beenext, Mayfield VC (U.S) and ASVF (Amazon Smbhav VC).

Business Overview: Mynd Solutions Pvt. Ltd. owns 'M1xchange', which is a TReDS (Trade Receivables Discounting System) platform with a RBI license to offer online trade invoice discounting solutions via an exchange to SMEs. It is one of the three companies in India that is approved by RBI.

Exhibit 56: M1xchange Business Process

M1xchange is a TReDS platform with RBI license offering online trade invoice discounting solutions to SMEs



IndiaMART Holding: 7.7%

Source: Company

Investment Rationale: Aimed to develop fintech offerings including invoice discounting for businesses.

Financial Performance: For FY21, Mynd solutions had sales of Rs.86.2mn, a growth of 61% YoY. FY22 data is unavailable.

View: Management outlined that regulatory limit for investing exchanges for a single entity should not be more than 10%. We believe that since further investment will be capped, this investment is likely to be monetized.

Category 4: Commerce and Enablement

Commerce and Enablement category comprises of 2 investments: Easyecomm (warehousing solution) and IndustryBuying (ecommerce website for industrial tools). IndiaMART invested Rs. 323mn in these 2 investments, which are present in SaaS space.

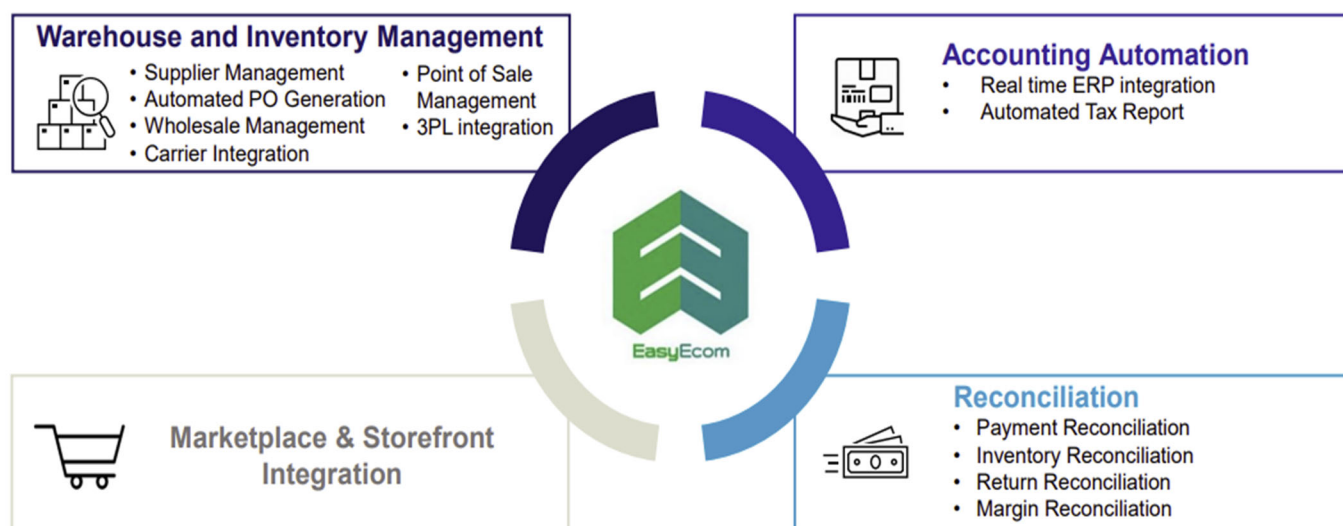
EasyEcom (Edgewise Solutions Pvt Ltd) (26% Stake)

Transaction Details: IndiaMart acquired a stake of 26% in Edgewise Solutions Pvt. Ltd. in Dec'21 for a sum of Rs.300mn. Transaction is valued at 12.6x of FY22 Revenue of Rs. 41mn. Additional investors include: Amistad Ventures (U.S), Bold Ventures and Aneesh Reddy.

Business Overview: The company runs an AI driven, Omnichannel inventory warehouse solution that mainly caters to D2C ecommerce, and offers SaaS solution for multiple applications such as: Inventory automation, warehouse management, reconciliation, accounting, data analytics and operation management to reduce costs and enhance efficiency for e-commerce business & sellers. EasyEcom has partnered with marketplaces players such as Amazon, eBay, Etsy, Walmart, Meesho, Ajio, and logistics companies like DTDC, DHL, FedEx, BlueDart, through which sellers can integrate their services.

Exhibit 57: EasyEcom Offerings

Easy Ecom offers SaaS based commerce enablement solutions to merchants to allocate, track and reconcile inventory across online and offline sales channels



IndiaMART Holding: **26.01%**

Source: Company

Investment Rationale: Aimed to strengthen SaaS offerings for IndiaMART's customer base.
























Financial Performance: For FY22, Edgewise had sales of Rs.41mn, growing 86% YoY, with a PAT of Rs. 4mn.

IB MonotaRO Pvt. Ltd. (IndustryBuying) (26% stake)

Transaction Details: IndiaMart acquired 26% stake in IBMonotaRO Pvt. Ltd. in Feb'22, by investing Rs.914.2m. Based on FY22 sales of Rs. 282mn, implied valuation is 14.2x. Additional investors include: Elevation Capital (27.5%), Kalaari Capital (20.1%), Beenext (6.7%), Founder (32.2%), ESOP (5.8%) and other investors (5.6%).

Business Overview: 'Industry Buying', is engaged in e-commerce business for Industrial and Business supplies in India. It offers utility products in Maintenance, Repairs and Overhaul (MRO) categories like power tools, abrasives, electronics, robotics, hand tools and many more such products to its customers primarily for industrial purposes. It has over 10,000+ registered sellers and more than 100,000 registered businesses - SMEs and large corporates.

Exhibit 58: Industry Buying – Product Offerings

Category	Products				
Material Handling					
Electrical					
Testing					
Automotive					
Safety					
Office Supplies					
Plumbing					
Others					

Product offering across 19 categories and 39 sub-categories

Source: DART, Company

Investment Rationale: Investment can be viewed as a horizontal expansion, gaining access to technology and customer base in utility products in Maintenance, Repairs and Overhaul (MRO) categories like power tools, abrasives, etc. Partnership with IBMonotaRO would allow IndiaMart to build B2B ecommerce business in niche MRO category as well.

Financial Performance: For FY22, IB MonotaRO had sales of Rs.282mn, growing 292%, with PAT loss of Rs. 184mn.

Category 5: Other SaaS Investments

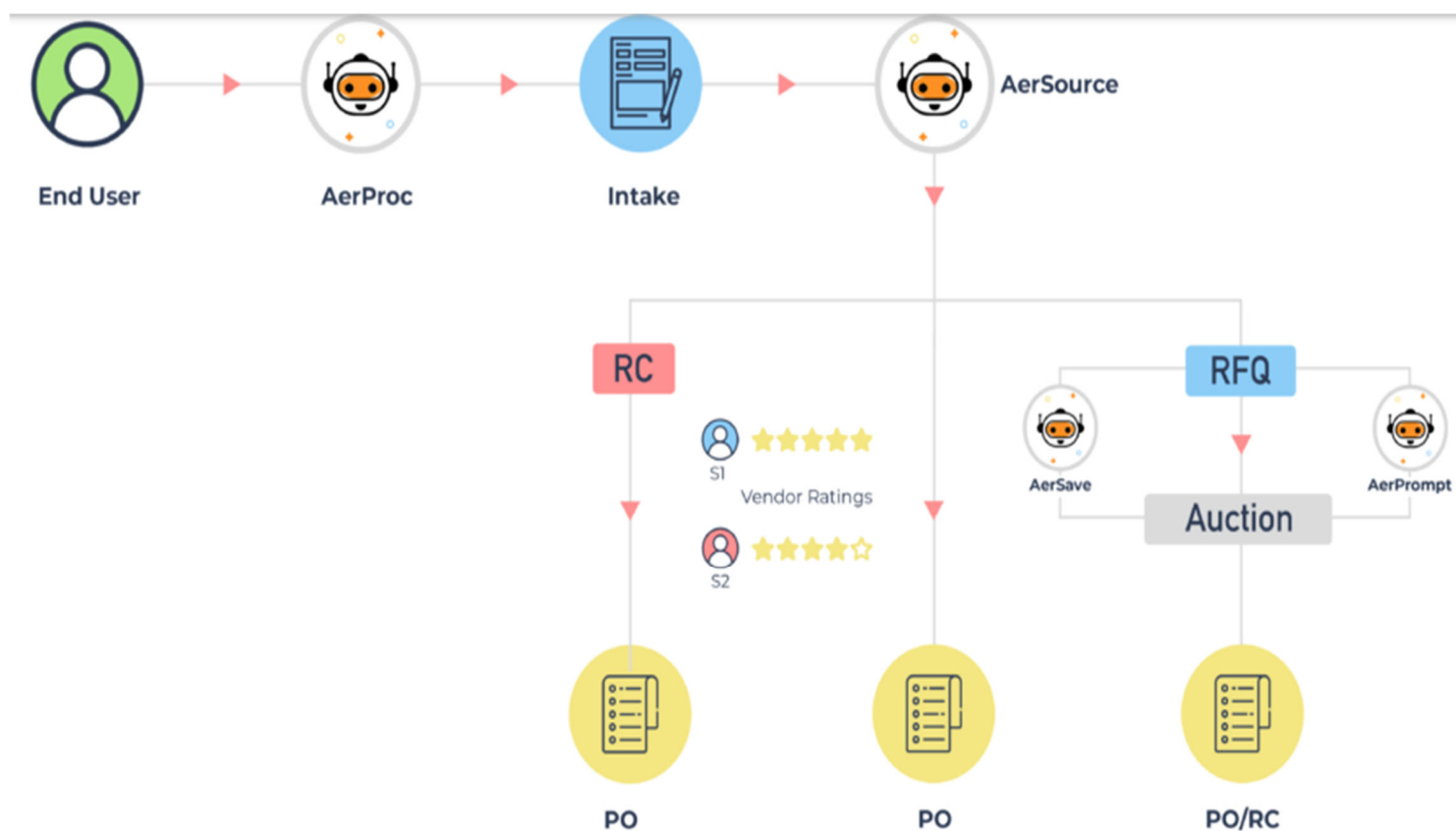
Other SaaS investments comprise of 4 companies – Aerchain, Bizom, Legistify and Zimyo. Investments are varied and solutions span from procurement solutions, retail intelligence platform, ERP solution for legal workflows and HR solutions.

Agillos Pvt Ltd (Aerchain) (26% Stake)

Transaction Details: IndiaMart acquired 26% stake in Agillos Pvt. Ltd. in Aug'21 for Rs.260mn. Based on FY22 sales of Rs. 38mn, transaction is valued at 26.1x. Additional investors include Season Two Ventures (6.1%), Telama Investments (18.3%), and Founder (59.1%).

Business Overview: Agillos Pvt. Ltd., which owns “Aerchain”, a platform helping enterprises optimize their procurement by leveraging Artificial Intelligence. Founded in 2019, Aerchain is an AI driven company that automates the entire chain of procurement, which includes segments like sourcing, negotiation, contract and invoice processing. Aerchain also helps suppliers find new business opportunities. Clients include: WeWork, Cars24, ABInBev, Narayana Health, etc.

Exhibit 59: Aerchain Work flows across its offerings



Source: DART, Company

Investment Rationale: IndiaMART aims to develop an ecosystem of SaaS offerings over long term.

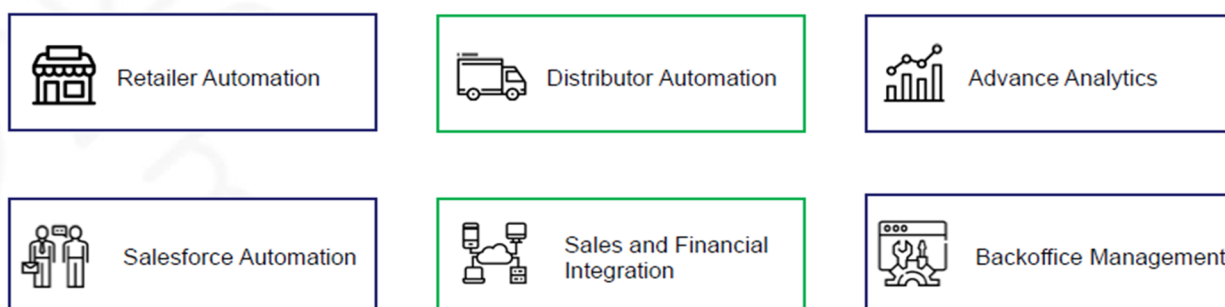
Financial Performance: For FY22, Agillos had sales of Rs. 38mn, with a PAT loss of Rs. 19mn.

Mobisy Technologies Pvt. Ltd. (Bizom) (25% Stake)

Transaction Details: IndiaMART bought 9% stake in Mobisy Technologies Pvt. Ltd. in May'20 for cash consideration of Rs. 100mn. At that time, IndiaMART had an option to increase its stake up to 16% by infusing additional Rs. 100mn, which was undertaken on Sept'21, based on milestone achievement. In Nov-22, IndiaMart raised stake to 25%, acquiring 7.96% stake for Rs. 151.2m. Based on FY22 Revenue of Rs. 447mn and total investment of Rs. 366mn, transaction is valued at 3.3x. Additional investors include Triton Investment advisors (7.5%), RL Partners (5.5%), Ojas Ventures (28.5%), SIDBI Venture (15.9%), and balance pool (17.6%) of Founder and other investors.

Business Overview: Bizom is a SaaS based retail intelligence platform for brands and B2B retailers. It allows businesses to digitize end-to-end sales and distribution platform from Sales Force Automation (SFA), Distributor Management System (DMS), and retail execution and management. It uses a proprietary analytics engine with AI and ML to deliver custom reports, alerts and actionable insights to brands. Clients include: Reckitt Benckiser, Hershey's, Parag Milk Foods, Bausch and Lomb, etc.

Exhibit 60: Business Offerings



An integrated platform launched in 2012 for distribution & salesforce management.

Source: DART, Company

Investment Rationale: IndiaMART reasons that Bizom's investment is an opportunity in high growth business, with cross sell opportunities, long term product synergies and better product/industry insights.

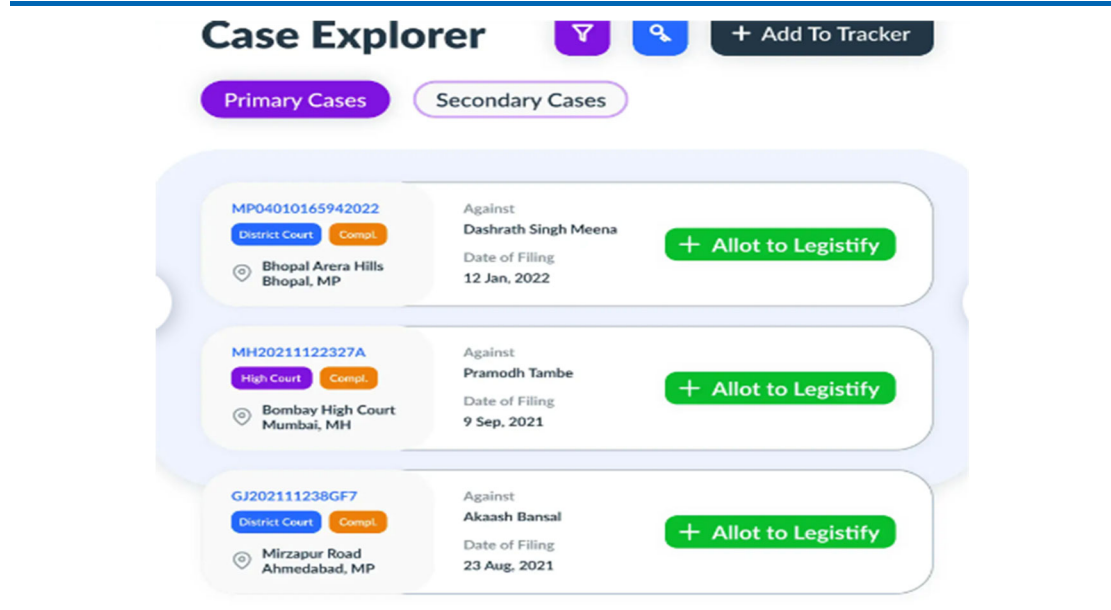
Financial Performance: For FY22, Bizom had sales of Rs.447mn, up 30% YoY, with a PAT loss of Rs.470mn.

Legistify Services Pvt. Ltd. (15.39% Stake)

Transaction Details: IndiaMART indirectly through its fully owned subsidiary, Tradezeal Online Pvt. Ltd., acquired 11.01% of Legistify Services Pvt. Ltd. for consideration of Rs. 13mn. Additionally, in Jan'22, IndiaMART invested Rs 75mn in its Compulsorily Convertible Debentures, which resulted in conversion, and taking stake to 15.39% in July'22. Based on FY22 sales of Rs.26mn and total investment of Rs. 88mn, valuation stood at 22x. Additional investors include Kotla Hydro Power (6.9%), Founder stake (45.3%), Angel investors (21.6%), and balance ESOP pool and others (10.8%).

Business Overview: Legistify is an ERP tool for online legal facilitation that helps businesses in automating their legal workflow. Legistify via its flagship product, Legistrak, which makes legal work more efficient by providing 5X more products than tradition law firms and cost effective by providing 70% reduction in cost. Legistify currently has 160+ paying customers. Legistify has more than 10,000+ registered lawyers, covering 10,000+ courts and presence in about 300 cities. Clientele includes Dell, Acer, Amazon, Snapdeal, Havells, Suzuki, Whirlpool, JCB, OYO, etc.

Exhibit 61: Legistify Overview



The screenshot shows the 'Case Explorer' interface of Legistify. It features a search bar, a filter icon, and a '+ Add To Tracker' button. Below these are two tabs: 'Primary Cases' (selected) and 'Secondary Cases'. The main area displays three case cards, each with a case number, court details, date of filing, and a green button labeled '+ Allot to Legistify'.

Case Number	Court	Against	Date of Filing	Action
MP04010165942022	District Court, Bhopal Arera Hills Bhopal, MP	Dashrath Singh Meena	12 Jan, 2022	+ Allot to Legistify
MH20211122327A	High Court, Bombay High Court Mumbai, MH	Pramodh Tambe	9 Sep, 2021	+ Allot to Legistify
GJ202111238GF7	District Court, Mirzapur Road Ahmedabad, MP	Akaash Bansal	23 Aug, 2021	+ Allot to Legistify

Source: DART

Investment Rationale: Aimed to better overall offerings and building a SaaS ecosystem.

Financial Performance: For FY'22, Legistify had sales of Rs.26mn, a growth of 625%, with PAT loss of Rs. 16mn.

Zimyo Consulting Pvt. Ltd. (Zimyo) (10% stake)

Transaction Details: IndiaMart acquired 10% stake in Zimyo Consulting in Mar'22, for Rs.170.1mn. Based on projected FY22 Revenue of Rs. 18mn, implied valuation is a 94.5x, though we believe that a low-base, high growth business is likely to have better implied valuation in FY23 and beyond. Additional investors include Beenext (15.3%), Founder (48.2%), ESOP pool (8.9%) and Angel (14.9%).

Business Overview: Zimyo is engaged in a business of offering SaaS based human resource management software for the companies. It allows users to carry out critical HR processes including recruitment and onboarding, payroll management, performance management and time & attendance management. It also includes employee benefits modules which offers salary advance, personal loan and health & term insurance to employees.

Exhibit 62: Zimyo Product Offerings



Source: DART, Company

Investment Rationale: Management believes that HR software is one of the beneficiaries in digital adoption theme. Zimyo has 280+ customers with an ARPU of Rs. 50K, and management believes that this business is on a high growth trajectory.

Financial Performance: For FY21, sales stood at Rs. 9mn, growing 89% YoY. IndiaMART projected FY22 sales of Rs. 18mn, implying a valuation of 94.5x of FY22e sales. Reported FY22 data is not available.

View on Investments

IndiaMART invested over Rs.10Bn in investments/acquisitions, of which Rs.5Bn is utilized towards 100% acquisition of Busy, and Rs. 1.5Bn in other accounting solutions, totalling Rs.6.5bn investment within accounting space.

Investment in accounting reflects a clear strategic focus in building a presence in the business value chain. Management has guided that accounting market by aggregate revenue is expected to grow in double digit CAGR over next 10 years, and achieve a billion dollar plus revenue.

Remaining Rs. 3.6Bn has been invested as minority investments, ranging from 8%-26%, in wide ranging companies. Management has shared that raising additional stake in these investments would be undertaken if an entity can demonstrate a significant revenue scale up, ranging from Rs.500mn- Rs. 1Bn. Presently, Mobisy (25%), Fleetx (17%) and IB MonotaRO (26%) have sales more than Rs. 250mn.

We believe that investments in accounting are more strategic at this point in time, as they provide an immediate, known value-accruing product, and having an established user base, and better possibilities of cross-selling. Investments in Logistics, Trade Invoicing Platforms, Commerce Enablement and Other SaaS Investments are more long term in nature, with most investments still in early startup stage of growth, scale and profitability. These investments warrant a period of 2-3 years (at least) before any actual synergies are realized/benefits given to customers are visible.

Key Investments

Investment & Business Name	Cost of Acquisition (Rs.mn)	Stake (%)	FY22 Revenue (Rs.mn)	Last Stake Acquired On	Business	Comments
Simply Vypar Apps Pvt. Ltd. (Vyapar)	928	27	209	Jan-22	Mobile & Desktop based GST Billing Software	Accounting for small. biz. to manage, billing, receivables and inventory, and customized professional GST invoices, stock/ inventory management, receivable/payable management, etc.
Mobisy Technologies Pvt. Ltd (Bizom)	366	25	447	Nov-22	Distribution & Salesforce Management	Integrated platform for distribution & salesforce management: Retailer, Distributor and Salesforce automation, backoffice management, etc.
Shipway Technology Pvt. Ltd.(Shipway)	182	26	48	Apr-21	Shipping Operations Automation	SaaS Solutions for automating shipping operations - Shipping automation, Track & Notify, Branded tracking page, Return & Refunds automation, etc.
Truckhall Pvt. Ltd.(SuperProcure)	110	25	45.	Apr-21	Freight sourcing & dispatch monitoring	Online marketplace for logistics industry, freight sourcing through transparent bidding & auction, 5,000+ verified transporters, real time alerts
Agillos e-commerce Pvt. Ltd.(Aerchain)	260	26	38	Aug-21	Autonomous Procurement Platform	Help enterprises optimize procurement using AI. Strategic sourcing, e-procurement, budgeting, spend analytics, tail-end spend automation
Mynd Solutions Pvt. Ltd. (M1xchange) (*)	324	8	86*	Oct-21	Invoice Discounting & Factoring Exchange	TReDS (Trade Receivables Discounting System) platform with RBI license offering online trade invoice discounting solutions to SMEs. Digital marketplace to sell receivables to banks/ NBFCs set under the approval of RBI.
Edgewise Technologies Pvt. Ltd. (EasyEcom)	134	26	41	Dec-21	Inventory & Warehouse Management	Offers SaaS based commerce enablement solutions to merchants to allocate, track & reconcile inventory across online and offline sales channels
Legistify Services Pvt. Ltd. (Legistify) (*)	88	11	17#	Jan-22	Legal Tech Platform	Helps biz. automate legal workflows.Incl. Case management, Hiring relevant lawyers, Document search, Patent/trademark tracking.
Busy Infotech Pvt. Ltd. (Busy) (*)	5,000	100	424*	Jan-22	Integrated Accounting Software	For MSMEs, incl. Financial accounting, Inventory management, scheme management, Payroll, production, Job work, analytics, compliance, etc.
Fleetx Technologies Pvt. Ltd.(Fleetx) (*)	914	17	133*	Feb-22	Freight and Fleet management platform	SaaS software to help fleet operators and businesses to digitize logistics operations and help improve safety, efficiency and sustainability of vehicles and operations by providing them visibility of vehicles and related IoT based analytics services.
IB MonotaRO Pvt. Ltd. (Industry Buying)	1,042	26	282	Feb-22	E-com biz. for Industrial and Business Supplies	Engaged in e-comm biz. for Industrial & Biz. supplies in India. Offers utility products in Maintenance, Repairs & Overhaul (MRO) categories like power tools, abrasives, electronics, robotics, hand tools and products primarily for industrial purposes.
Adansa Solutions Pvt. Ltd.(Realbooks) (*)	138	26	26*	Feb-22	Cloud Based Accounting	Help businesses create customized invoices, attach files to vouchers, & manage inventory, monitorable at multiple locations with a single dashboard.
Zimyo Consulting Pvt. Ltd. (Zimyo) (*)	170	10	9*	Mar-22	HR SaaS	Help carry out HR processes including recruitment and onboarding, payroll management, performance management and time & attendance management.
Finlite Tech. Pvt. Ltd. ("Livekeeping") (*)	460	51	21*	Mar-22	SaaS Add-On-Service to existing on-prem.a/c software such as tally	Offers value added services to biz. over their existing on premise accounting software like Tally. Businesses can access, analyze and share accounting information like sales, receivables, outstanding payments in real time through Livekeeping application.

Source: DART, Company
(*) FY2021 Financials. (#) FY2020 Financials

Financial Performance of Acquired Entities

Particulars (Rs.mn)	Date Acquired	Stake	FY2022	FY2021	% YoY	FY2020	% YoY	FY2019	% YoY	FY2018	% YoY	Cost of Acquisition	Valuation	FY2022 PAT
SimplyVyapar	Aug-19	27	209	117	79	56	109	15	273	N.A		928	16.1	(321)
MobisyTech (Bizom)	May-20	25	447	345	30	360.2	(4)	280	29	N.A		366	3.3	(470)
Shipway Tech. (Shipway)	Apr-21	26	48	N.A		26.3		18	47	7.3	145	182	14.7	(0)
Truckhall	Apr-21	25	45	N.A		14.8		37	(60)	105.3	(65)	110	9.7	(34)
Agillos (Aerchain)	Aug-21	26	38	N.A		2.9		49	(94)	39.0	26	260	26.1	(19)
Mynd Solutions (M1xchange)	Nov-21	8	N.A	86		53.6	61	24	125	N.A		324	48.9	N.A
Edgewise Tech. (EasyEcom)	Dec-21	26	41	22	86	11	100	0	15614	N.A		134	12.6	4
Legistify (Legistrak)	Jan-22	11	26.0	16.0	63	17.3	(8)	7	134	2.60	185	88	22.0	(16)
Busy Infotech (Busy)	Jan-22	100	N.A	424		348	22	374	(7)	N.A		5,000	11.8	N.A
Fleetx Tech. (Fleetx)	Feb-22	17	256	133	92	82	62	13	531	N.A		914	21.6	(234)
IB MonotaRO	Feb-22	26	282	72	292	-		-		N.A		1,042	14.2	(184)
Adansa Sol. (Realbooks) (*)	Feb-22	26	N.A	26		21.9	20	22	0	N.A		138	15.6	N.A
Zimyo Consulting(Zimyo) (#)	Mar-22	10	N.A	9	N.A	5	89	3	36	N.A		170	94.5	N.A
Finlite Technologies Pvt. Ltd.	Mar-22	51	N.A	21		10	105	7	43	N.A		460	26.7	N.A

Source: DART, Company

Risk Analysis

- **Macro-Economic Risks:** Slowdown in economy along with restriction in business activities due to lockdown can make small business to cut their discretionary cost of advertising on IndiaMART. Relatively smaller units have been severely impacted over last 5 years due to demonetization, GST and pandemic. Unorganized sector contributes ~50% of India's GDP. Without adequate government support, funding, handholding in formalization, and overall macroeconomic revival, many MSMEs face grave risks. Such macroeconomic risks can potentially hurt addressable market, existing paying subscriber base and impact collections.
- **Technology Spend & Business Model Outdating Risk:** Inability to continuously stay ahead of the technology curve can lead to company's platform and business model becoming outdated. Although company's platform maintains market leadership with highest buyers and sellers, but improving user friendliness, customer experience and expand offerings, to tackling issues such as fake buy leads, efficient tracking of counterfeit goods, etc., will require IndiaMart to continuously invest. IndiaMart & JD Mart follow a subscription based business model, while Udaan, Moglix follow a transaction based model. While subscription revenue collected provides visibility, fruitful completion of final transaction is difficult to ascertain.
- **High Funding-led Competition:** Intensified competition with new entrant and new-age startups that are willing to burn cash and work on operating losses can lead to loss of market share along with decline in annualized revenue per supplier and lead to rise in advertising and marketing expenses. Over last 2 years, 5 start-ups (Infra.market, Zetwerk, Moglix, OfBusiness, Bizongo) have cumulatively raised funding of about \$2.1bn (Source: Traxcn). These startups do operate in niche areas, but can potentially disrupt the market and affect IndiaMART supplier base. These startups not only act to provide B2B marketplace, but are also resolving certain pain points faced by businesses. e.g., providing logistics facility (Udaan), Working capital funding (Of Business' NBFC arm), or specialized offerings (Infra.market providing a marketplace for building materials).
- **Opacity on Investments:** Company's strategic roadmap of investing in many SaaS and Fintech adjacent companies have not culminated into any meaningful outcome for the Core business till date. This leads to risk of capital misallocation and continuous tracking of investments in newer businesses thus become critical. Over last 2 years, IndiaMart has made 13 investments in various companies, including a single 100% acquisition, and multiple minority investments. Existing users of these investments may add to overall subscriber base, but shifting existing organic subscriber base of IndiaMart towards these investments remains to be seen.

Peer Group

Keeping Competitors at Bay

Differentiating from the Peers

Most of the competitors of IndiaMART in B2B Marketplace space are focused on B2B FMCG wholesale (Food and FMCG ~75% of Udaan's Revenue) or specific industry vertical like Power2SME, Industrybuying or Moglix. We believe that Udaan's commission on transaction value model is unlikely disrupt as addition of another layer of transaction cost in a B2B transaction will lower a supplier's margins. IndiaMART edges out peers as it can focus wide as well as deep, e.g., most competitors deal primarily into standard, high volume, off-the-shelf products that are dispatched, bought, and sold quickly, whereas IndiaMART is able to deal into custom products with much higher order value compared to its peers. New competitors like OfBusiness (Raw material procurement), ElasticRun (FMCG distribution), Zetwerk (Custom parts/machine parts) also operate in niche areas rather than wide coverage of IndiaMart. In the past, IndiaMart had experimented with providing logistics services via their subsidiary, Tolexo, but it was discontinued, as it witnessed greater consolidation in logistics industry. Thus is now very clearly focused on subscription based lead generation model and no other way of monetization.

Peers following Subscription / Lead Generation Business Model

JDMart: Just Dial, originally a B2C phone and web-based local search services provider, launched JDMart which is its exclusive B2B portal for a new wholesale experience in Feb'21. Similar to IndiaMART, JDMart aids in discovering vendors offering from a selection of products to cater to buyer's B2B needs, and is closest competitor to IndiaMART. B2B sales are ~26% of Revenue. Overall FY22 Revenue was Rs. 6,469mn, EBIT loss of (Rs.320mn) and PAT of Rs.708mn. (Note: Like for Like metrics shared in Exhibit: 7-9)

JDMart has 7-8mn listed business for B2B, out of 31.4mn listings (Source: Q4FY21 concall, but no further update, Q2FY23 listings stand at 33.9), but traffic & monetization is much lower compared to IMART. JDMart has 100,000 paying subscribers as of Q1FY23 (No further update; while IndiaMart: 194,000).

Our take: We believe that presently, JDMart is unlikely to disrupt IndiaMART as Just Dial prioritizes strengthening core B2C segment and other divisions like JD Xperts. Long term strategy is less clear for Just Dial under new parent Reliance Retail.

Tradeindia: Tradeindia is another Indian B2B marketplace for MSMEs. TradeIndia assists manufacturers, suppliers, wholesalers, and exporters in growing their business. TradeIndia has 4.09mn sellers and 5.21mn buyers, and follows a subscription based business model. Last available data on TradeIndia is for FY21, which had Sales of Rs. 987mn and PAT of Rs. 192mn. In July-22, TradeIndia launched a new division, TI Lending, which aggregates lenders such as Mintifi, ICICI Bank, Indifi, Flexiloans, IIFL Finance, etc. and disburses loans to SMEs. Till Jan-23, TI Lending has disbursed loans worth Rs. 500mn.

ExportersIndia: Founded in 1997, ExporterIndia's multi-seller portal helps Indian manufacturers and sellers to sell their products in India or in foreign markets. It offers free sign up for sellers and buyers and offers a new business channel for businesses

looking to expand their reach. ExportersIndia Mobile App brings together B2B Exporters, Manufacturers, Suppliers, Retailers, Wholesale Suppliers, and Buyers from India and over 39 major countries on a single common platform. Like IndiaMART and Trade India, Exporters India is also a subscription based model. Last available data on ExportersIndia is for FY21, which had Sales of Rs. 389mn and PAT of Rs. 17mn.

Our take: *We do not expect either TradeIndia or Exporters India to become meaningful competitors. As listed in Exhibits 7-9, both companies lag in all metrics. In terms of financial size, TradeIndia and ExportersIndia are 13% and 5% of IndiaMART's FY22 Sales, hence unlikely to make a dent in IndiaMART's market share.*

Key Startup Peers:

In March 2016, Government of India allowed 100% FDI for B2B e-commerce players via automatic route. This has led to substantial growth in no. of B2B ecommerce players as well as attract funding to startups focused on resolving various challenges in B2B space.

Udaan: Founded in 2016, Udaan is a B2B trade platform that brings traders, wholesalers, retailers, manufacturers, and brands in India onto a single platform. It provides products in >0.5mn categories, although 65-70% of sales come from FMCG division. It is one of largest B2B platform in India with 30lakh +retailers, 25000+sellers and is present in over 900+ cities.

Revenue model: Udaan revenues are transaction based and thus books the entire GMV into its revenue line and not comparable to IMART on like-for-like basis. Mounting losses, high cash burn in the business suggest that company would not pose as significant threat in near future. Recent news articles ([Link](#)) also direct that Udaan has undertaken layoffs for 1,000+ employees, which suggests that company is now prioritizing profit over aggressive growth.

Financials and Valuation: FY22 Revenue stood at Rs.96Bn, up 62% YoY, while PAT loss widened to Rs. 30Bn in FY22 from Rs. 24.8Bn a year earlier. Udaan was last valued at \$3.1Bn in Jan-2022. Total funds raised are \$1.5Bn. Investors include: Lightspeed Ventures (32.7%), DST Global (12.9%), Tencent (5.6%), Arcturus (4.5%), Other investors (21.6%) and Founder (22.6%).

OfBusiness: Founded in 2015, OfBusiness is a tech-enabled platform that facilitates raw material procurement and credit for SMEs with focus in the manufacturing and infrastructure sectors. SMEs are provided access to cash flow-based financing for buying raw materials through its NBFC 'Oxyzo Financial Services'. OfBusiness also offers a host of tech services for SMEs including BidAssist for new growth opportunities. It has 0.7mn registered SMEs, across 24 states in India and transactions undertaken in 35+ countries.

Revenue model: Ofbusiness revenues are transaction based and thus the books the entire GMV into its revenue line and thus not comparable to IMART on like-for-like basis. Healthy profitability can be explained by company's threefold focus of providing raw material procurement solutions, financing and software platform for bidding (Bid Assist). Quick glance at financials reveal that Gross margins stood at 9% for FY22, implying that OfBusiness keeps stock of raw material inventory to have better control over supply chain.

Financials and Valuation: FY22 revenue was Rs. 72.7Bn, up 312% YoY, while PAT grew to Rs.2Bn, up 261% YoY. OfBusiness was last valued at \$4.8Bn in Dec-2021. Total fund raised is \$885mn. The investors include Softbank (9.5%), Tiger Global (5.9%), Matrix Partners (10%), Falcon Edge (10.5%), Creation Investments (12.1%), Norwest (8.4%), Founder (26.1%), ESOP (4.2%), and Others (13.3%).

Moglix: Founded in 2015, Moglix is a B2B e-commerce platform for industrial tools and equipment and managing supply chain. The company is engaged in marketing industrial supplies, in particular, MRO, Safety, Electrical & Lighting, Cleaning & Laundry Supplies, Office Supplies, Tools and many more industry essentials. Supply chain is operated as a network comprising of 16,000 suppliers, and operating across 40 warehouses along with an in-house logistics infrastructure. Moglix has a database of 500,000 products across 50+ Categories, and also has a digital lending platform, Credlix, for supply chain financing.

Revenue model: The company books entire GMV as revenues and thus not comparable. Large losses and the asset heavy model (warehouse) would mean that the return ratios would not be attractive or comparable in this business model.

Financials and Valuation: While FY22 data has not been disclosed, FY21 sales stood at Rs.7.7Bn, up 107% YoY, and PAT loss widened to Rs.818mn from Rs.807mn. Moglix was last valued at \$2.5Bn in Feb-22. Total funding stands at \$471mn. The investors include Tiger Global (13.8%), Accel Partners (13.3%), Alpha Wave Global (12.5%), Founder (11.9%), ESOP (6.2%) and other investors (40.5%).

Bizongo: Founded in 2015, Bizongo is B2B supply-chain marketplace catering to the packaging, apparel and material handling industries. Bizongo also has an IoT-powered 'cloud factory' for made-to-order goods, a SaaS-based solution aimed at enabling manufacturers to provide their customers with real-time visibility, control, and intelligence across the entire supply chain. Bizongo has a network of 1,500+ manufacturers in India with 120+ clients.

Revenue model: The company books entire GMV as revenues and thus not comparable. Despite being an asset light model, losses are mounting.

Financials and Valuation: FY22 Revenue was Rs. 17Bn, up 443% YoY, while PAT loss widened to Rs.1Bn in FY22 from Rs.860mn in FY21. Bizongo was last valued at \$600mn in Dec'21. Total fund raised is \$213mn. Investors include Accel Partners (17.5%), IFC (12.5%), B Capital Group (12.4%), Founder (15.7%), ESOP (4.3%) and Other investors (35.6%).

Zetwerks: Founded in 2017, Zetwerks is a platform that connects manufacturing companies with vendors and suppliers for industrial machine components and consumer products. Platform has partnered with more than 3,000 suppliers and delivered at least 1,000 projects across 15 countries including India, China, Saudi Arabia, and The Philippines. Its customer base includes Tata Steel, Delhi Metro, BHEL among other major industrial and manufacturing companies in India and Southeast Asia. Company has 1,800 active customers and 80,000 suppliers.

Revenue model: The company books entire GMV as revenues and thus not comparable.

Financials and Valuation: FY22 Revenue was Rs.49.6Bn, up 494% YoY, while PAT loss widened to Rs. 597mn in FY22, from Rs. 411mn loss in FY21. Zetwerks was last valued at \$2.7Bn in Dec-2021. Total fund raised is \$544mn. Investors include: Lightspeed Ventures (12.5%), Sequoia Partners (14.8%), Greenoaks (23.7%), Founder (17.4%), and Other investors (27.1%).

Elasticrun: Founded in 2014, Elasticrun offers a logistics and distribution platform that caters to FMCG, food, manufacturing and e-commerce industries. Elasticrun connects FMCG and Grocery brands to the rural markets through network of small stores/kirana shops, and also enables B2C eCommerce companies to reach rural customers through its logistics network. It also brings banks and financial institutions closer to underserved SME customers from its rural Kirana network. Elasticrun has presence in 30 states, and has a network of 400+ brands. **Revenue model:** The company books entire GMV as revenues and thus not comparable.

Financials and Valuation: FY22 Sales were Rs.38Bn, up 252%, while PAT loss widened to Rs.597mn in FY22, from Rs.411mn loss in FY21. Elasticrun was last valued at \$1.5Bn in Feb-2022. Total funding stands at \$430mn. Investors include: Kalaari Capital (15.1%), Avataar Ventures (17.9%), Prosus (20.5%), Founder (21.2%), ESOP (7.6%), and Other investors (15.4%).

Infra.Market: Founded in 2016, Infra.Market is an online marketplace for procuring construction and building materials. Building materials include: RMC (Ready Mix Cement), Walling Solutions (Tile Mix, Ready Mix Plaster, AAC Block), Aggregates (Sand, Coarse and Fine Aggregates) and Steel Products. Lifestyle Products include: Tiles, Sanitaryware and Electricals. Key clients include developers like Hiranandani, L&T, Shriram Properties, Godrej Properties, etc. Key projects include Kochi Metro, Delhi Metro, Delhi-Meerut RRTS, Navi Mumbai Airport, Apple Assembly Unit, Amazon Data unit, etc.

Revenue model: The company books entire GMV as revenues and thus not comparable.

Financials and Valuation: FY22 Sales were Rs.62.3Bn, up 402% YoY, while PAT stood at Rs.1.8Bn, up 417%. Infra.Market was last valued at \$2.4Bn in Jan'22. In Mar'22, I.T department conducted raids on the entity on suspicion of tax evasion of Rs.15Bn. Present status of the case is not yet known, but we believe that legal issues can mar day-to-day business momentum.

Total funding stands at \$505mn. Investors include: Bizzaro Advisory (5.9%), Nexus Venture Partners (8.5%), Accel Partners (16.9%), Tiger Global (21.3%), Bizzaro Advisors (5.9%), Founder (24%), ESOP (10.2%), and Other investors (11.1%).

Our take: These peers are largely report GMV as Revenue, and hence comparison with IndiaMART's Revenue is not meaningful. Also, only 2 of 7 peers – OfBusiness and Infra.Market are profitable. OfBusiness' aims at raw material procurement, financing and bidding. Infra.market is a marketplace, similar to IndiaMART, but has heavy exposure to infrastructure segment. Thus, the former follows a different business model, while the latter is focused on a single vertical, limiting like-for-like comparison. Funding winter in private market amid weak global macros would limit competitive aggression of balance 5 peers.

Startup Peers

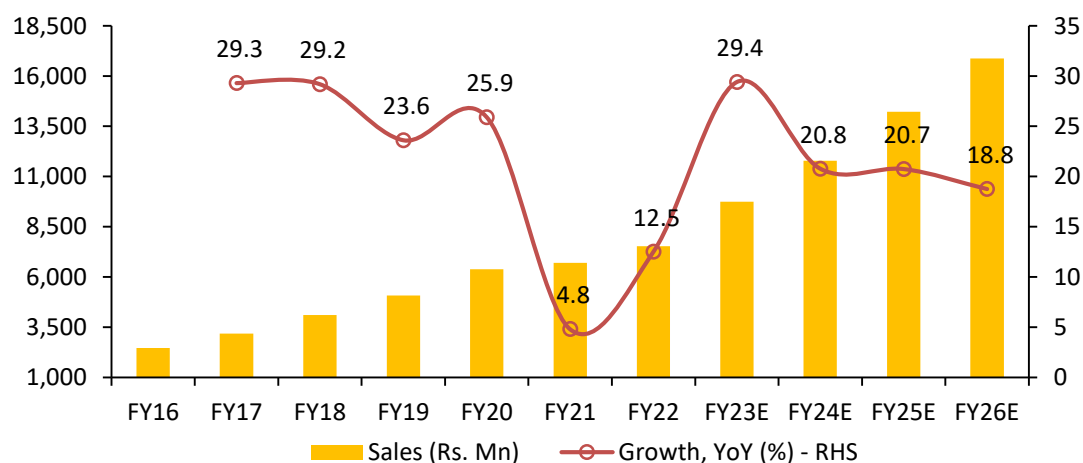
Startup	Udaan	OfBusiness	Moglix	Bizongo	Zetwerk	Elasticrun	Infra.Market
Founded	2016	2015	2015	2015	2017	2016	2016
Business	Mass-market e-commerce, Clients/Sectors: Food & FMCG contributed ~75% of sales	Raw material procurement platform and providing credit to (SMEs) via its NBFC, Oxyzo Financial Services. Clients/Sectors: Across Steel, TMT Bar, Cement, Agri, Textile, Polymer, Solar Panel, Petroleum, Leather & Paper Industries.	Online marketplace for Business/Office supplies and Industrial Equipment. Clients/Sectors: Industrial Goods, Construction Co., Manufacturing Industries	Digital Vendor Management, Supply Chain Automation & Financing Clients/Sectors: Fashion & lifestyle, pharma, Cons. Discretionary & Staples, Packaging, Textiles, Apparel & other contract manufacturing goods.	Contract Manufacturing Platform that connects mid-to-large OEMs that require custom products and machine parts. Clients/Sectors: Engineering, Construction and Manufacturing	Helps eComm companies reach customers in rural areas via Elasticrun's crowdsourced logistics network Clients/Sectors: FMCG Companies	Online marketplace for Construction material, infrastructure goods, & technical equipment. Clients: Across Auto, Cement, Real Estate, Steel, Infrastructure, & Chemical
Total Funding	\$1.6Bn	\$892mn	\$471mn	\$213mn	\$547mn	\$430mn	\$505mn
Last Known Valuation	\$3.1Bn	\$4.8Bn	\$2.5Bn	\$600mn	\$2.7Bn	\$1.5Bn	\$2.4Bn
Date of Valuation	Jan-22	Dec-21	Feb-22	Dec-21	Dec-21	Feb-22	Jan-22
FY 2022 Sales (Rs.mn)	96,110	72,690	22,707	17,110	49,605	38,000	62,360
FY 2021 Sales (Rs.mn)	59,190	17,480	7,767	3,152	8,354	10,810	12,430
FY2020 Sales (Rs.mn)	9,780	8,500	3,758	2,475	3,217	5,100	3,510
FY 2022 PAT/(Loss) (Rs.mn)	(30,300)	2,010	(1,454)	(1,000)	(597)	(3,730)	1,860
FY 2021 PAT/(Loss) (Rs.mn)	(24,823)	557	(818)	(860)	(411)	(1,010)	360
FY2020 PAT/(Loss) (Rs.mn)	(25,187)	323	(807)	(1,345)	(6,611)	(918)	87
FY22 Sales Growth %	62%	316%	192%	443%	494%	252%	402%
FY21 Sales Growth %	505%	106%	107%	27%	160%	112%	254%
FY22 PAT Growth %	LTL	261%	LTL	LTL	LTL	LTL	417%
FY21 PAT Growth %	LTL	72%	LTL	LTL	LTL	LTL	314%
Employees	3,634	1,287	959	294	1,103	3,168	1,816

Source: DART, Company; LTL: Loss to Loss

Financial Performance

Steady revenue growth momentum to persist: IndiaMART's is placed in a sweet spot in India's MSME growth story and its formalization. Macro tailwinds include: growing no. of MSMEs and formalization into GST (GST Payers now at 14mn, growing at 4 year CAGR of 19% since July'17), and increased digital adoption for using it as key channel of customer onboarding. We believe rising number of Indian enterprises that are able to scale beyond a certain threshold (Ex: Turnover above Rs.5mn p.a.) suggest expanding potential customer base for IndiaMART. Note: Our estimate assumes a business would achieve the base revenue scale up of atleast Rs5mn and has a lower risk of failure (in other words, MSME mortality is low as business scale beyond this size) and thus over time can become a potential customer for platform like IndiaMART. As per the GST data base we have witnessed significant expansion in number of enterprises in the turnover buckets of Rs5mn from 3.3mn in FY20 to 3.9mn businesses in FY22 suggesting 15% growth in 'potential customer pool' for IndiaMART, while the current penetration itself is just 5% in this universe.

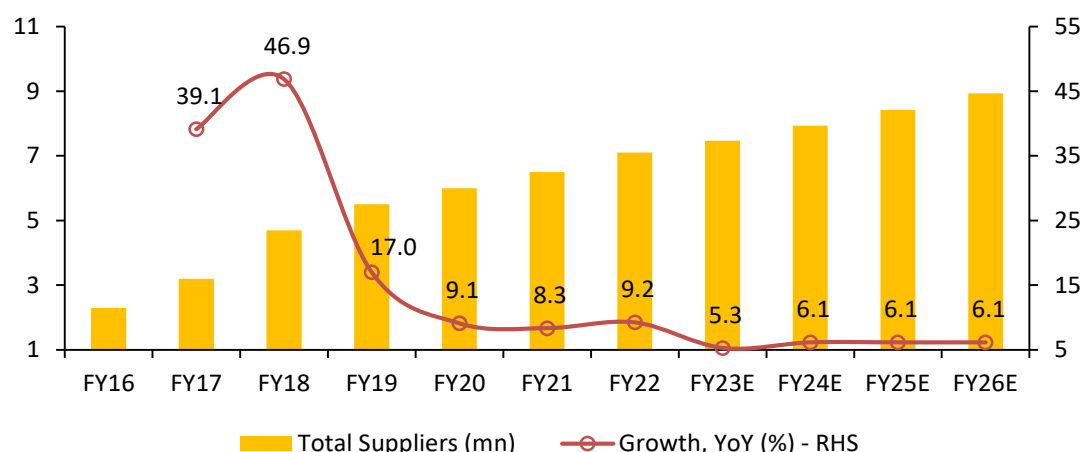
Exhibit 63: IndiaMart to deliver revenue CAGR of 22%(FY22-FY26E)



Source: DART, Company

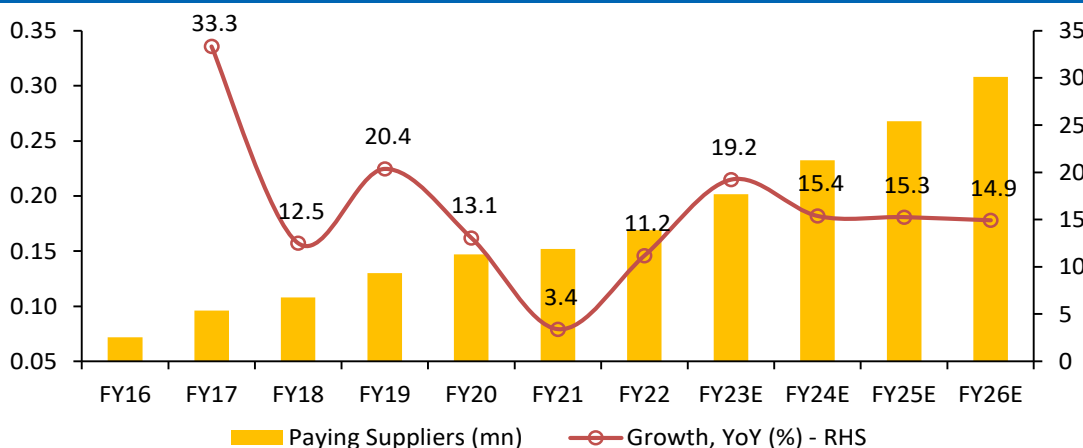
Strong Network Effect to ensure sustained revenue momentum: Large, diversified base of registered buyers and suppliers, product discovery and AI driven matchmaking, ensures IndiaMART platform remains healthy. Supplier success results in higher conversion to paid subscription suppliers and gradual increase in paid subscribers upgrading to Gold and Platinum plans would help in increase in annualized revenue per paying subscribers. In near term, management has guided supplier addition of 8-9k per quarter, with healthy growth in ARPU (ARPU has compounded @8% PA over FY17-FY22 to reach Rs47,400 in FY22), to pursue growth. Boost in traffic volumes on the platform and increase in buyers will attract many suppliers to platform, we expect total number of registered suppliers to advance at a CAGR of 5.9% over FY22-FY26E.

Exhibit 64: Platform traction & Increasing buyers to attract more suppliers



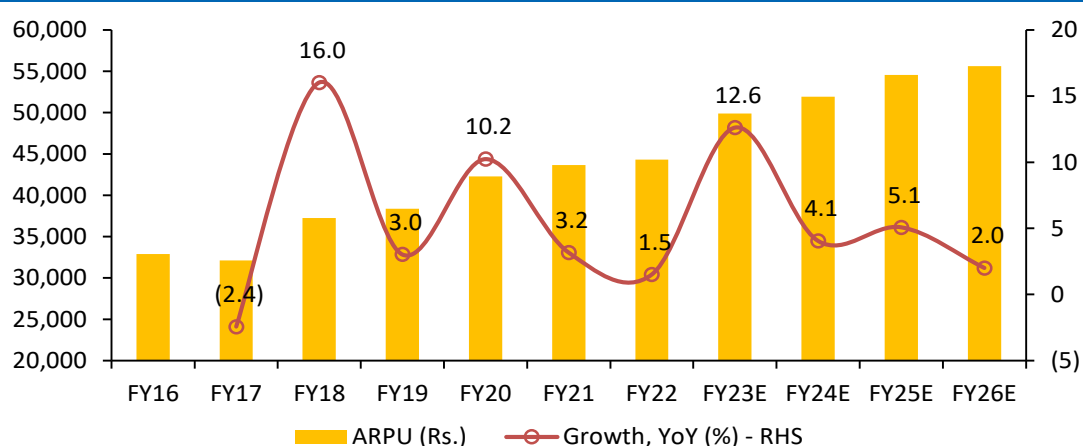
Source: DART, Company

Exhibit 65: Need for digital presence to drive growth in paying suppliers



Source: DART, Company

Exhibit 66: Improving value proposition for sellers will lead to higher ARPU



Source: DART, Company

Conversion of those registered suppliers to paying suppliers is forecasted to grow at a CAGR of 17% over FY22-FY25E, as the company will use its buyer's behavioral data insight to target new customers. Rising contribution from Top-10 customers, i.e., Gold and Platinum, integration of SaaS and other technology investments will help in increasing ARPU over a period and we expect it to grow at a stable CAGR of 4.8% over FY22-FY25E.

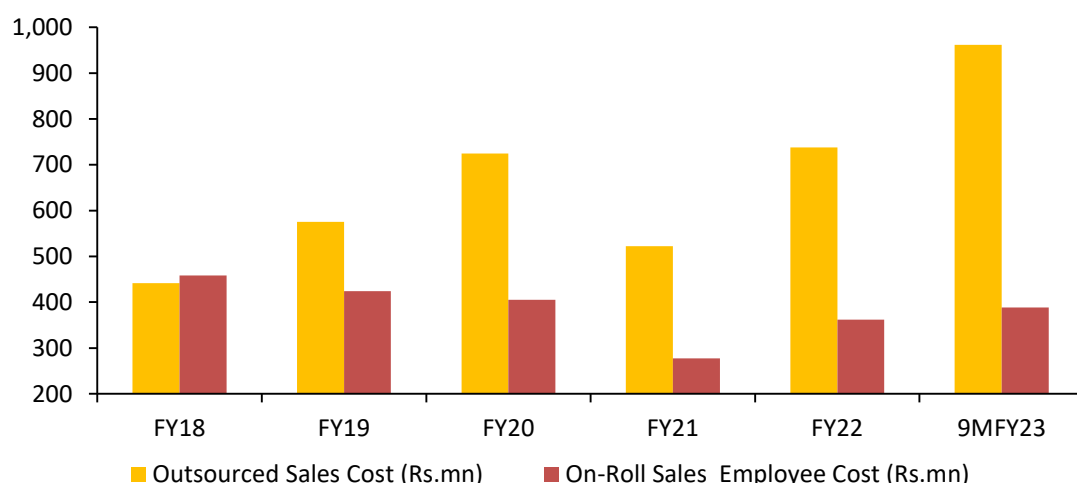
At company level, IndiaMART's dominant market share with wide range of offerings, low entry point for users, and strong brand recall reflect its strong positioning. The company had a robust revenue growth at a CAGR of 21% during FY16-FY22 and we believe that these strengths continues and would slowly accelerate over time as Digital becomes an important channel for B2B manufacturer for seeking out new customer/revenue channel in the market.

Factoring these, we expect IndiaMART to report revenue CAGR of 24% over FY22-FY25E. The growth would be led by sustained traction in the new subscription sales for I Mart (17% CAGR in paid subscriber over FY22-FY25E), steady client mining led gains in ARPU (4.8% CAGR gains) and also assuming robust growth in revenues from Busy software sale (23% CAGR over FY23-FY25E).

Additionally, improved performance, cross-selling leverage and learnings of synergy of investee companies (Vyapar, Truckhall, Shipway, Mobisy, Legistify, etc.) can provide further upside to our estimates (though these are not accounted for in the revenue/OI at this point).

Sales cost is getting outsourced, while focus high on mining team: IndiaMART has been raising its focus on outsourced sales and channel partners, since last 18 months. Sales Supervision and Servicing employees (on IndiaMART's roll), saw employee addition of ~1,250 over Mar-21-Dec-22. However, over Sept-21 to Dec-22, IndiaMART added 100+ channel partners with 2,400+ employees to boost sales. On-roll Sales employee cost, as presented in exhibit 23, has remained flat over last five years. While Outsourced sales cost has grown by more than 130% over the same period.

Exhibit 67: Employee Cost and Outsourced Costs

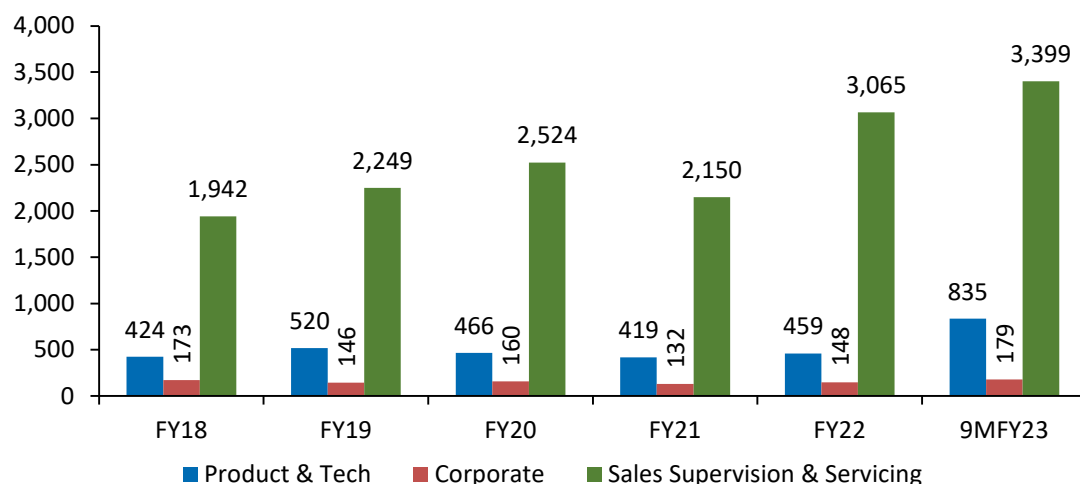


Source: DART, Company

IndiaMART has seen steady growth in its Sales Supervision and Servicing team that has grown by 75% over last five years from a count of 1942 in FY18 to 3399 resources at the end of 9MFY23. The team internally is divided between Key Clients Group (hyper focusing on Top platinum clients) and normal client servicing department (70-80 customers are mapped to each servicing staff at IndiaMART).

Product & Tech team has remained stable over FY18-FY22 but has increased sharply by 82% in 9MFY23 to 835 resources as the company is empowering its offerings beyond basic IndiaMART platform and adding more integrated offerings such as Shipwith.IndiaMART.com (a logistic support to IndiaMART supplier – wherein the Buyer/supplier can book any transportation related services from this platform, be it Courier Services, Part Load Services, or Full Truck Load Services).

Exhibit 68: IndiaMART's On-Roll Employee Count by Function



Source: DART, Company

Profitability transformation is done, but platform's true potential remains untapped

Profitability has transformed enormously in phases for IndiaMART during last 8 years and can be characterized into three different phases: **1) Phase I (FY15-FY19)**:- wherein company turned break even from very high losses, **2) Phase II (FY19-FY21)** wherein the profitability scaled up to 47% and **3) Phase III (FY22 – ongoing)** wherein the profitability is getting rediscovered with renewed cost/customer acquisition mode.

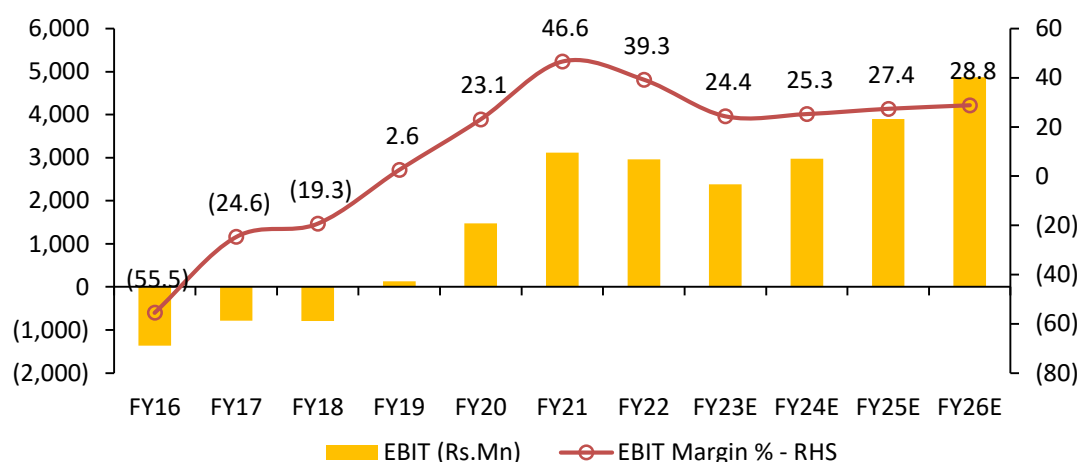
Phase 1 (FY15-FY19): Prior to FY14-FY15 the company use to incur heavy losses as the business was small sub-scale in size and customer acquisition was entirely on field-force led. However, this changed materially after that as the IndiaMART found its offering to be product market fit with the domestic suppliers (originally created the offering for exporters) and also moved its customer acquisition activity to email/phone versus on-field sales model. **In this phase revenues grew at over 30% CAGR and scaled up from Rs2bn to Rs5bn and also its operating margins (EBIT margins) rise from -55% in FY16 to +2.6% in FY19.**

Phase 2 (FY19 – FY21): During this period the company saw growth moderation to ~15% CAGR but saw significant savings in costs as due to COVID, the business model took another transformation from being regional office led to complete phone led customer acquisition model. This also resulted in nearly 14% reduction in headcount as primary focus was retention of client while customer acquisition process was getting externalized through introduction of Channel Partner model. **As a result the customer acquisition run rate slowed down significantly in FY21 with just net addition in paid subscriber by just 3% (5000 in absolute terms). All these factors resulted in significant savings in operating costs and EBIT margins of the company rose significantly from 2.6% in FY19 to 46.6% in FY21.**

Phase 3 (FY21 – 9MFY23): During this period the focus moved back on subscriber growth and thus company invested both in terms of creating large channel partner teams to scale up new paid subscribers count. As a result the company was able to add 17k/25k incremental paid subscriber in FY22/9MFY23 respectively. The massive addition in subscriber led to upfront investments on team additions (headcount went up by 63% over last 7 quarters to 4,413 at the end of Q3FY23) which also coincided with normalization of general business expenses (office re-opening, increased hiring on client servicing and so on), thus impacting profitability wherein it got dropped to 39.3%/24.5% as of FY22/Q3FY23 respectively.

Profitability to expand gradually heron: Management has guided that hiring activity to service present customer base and technical talent to improve platform has been largely completed. Going forward, hiring will be undertaken in-line with customer growth. Another significant cost to take note of is Outsourced sales cost (13.4% of 9MFY23 Revenue), which refers to addition of Channel partners for new customer acquisition. IndiaMART presently has 100+ channel partners. Espousing similar commentary of own company employee hiring, management does not expect aggressive channel partner addition (may add few more in southern India). Thus, we believe that the current level of profitability is more normalized and would see only small gradual gains as size of the business scales up hereon. We expect EBIT margins to expand from around 25.0% in 9MFY23 to 27.4% in FY25 (28.8% in FY26E).

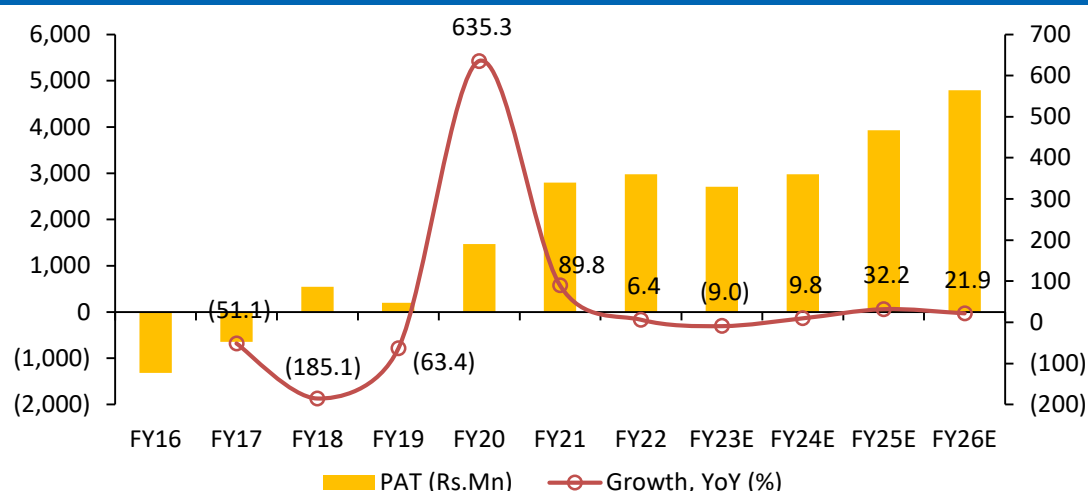
Exhibit 69: OPM to expand with Revenue & Normalized Employee Spends



Source: DART, Company

Net Profit: IndiaMART reported PAT of Rs. 2,279mn in 9MFY23. We expect PAT to grow at a rate of 12.6% over FY23-26E respectively (Note: the growth in Pat after adjusting for one-time gains is about 26% CAGR over FY23-FY26E). We expect finance costs to remain range-bound, averaging 0.3% of Revenue over FY23-FY27E. Potential upside/downside risk to PAT includes revision in fair value of investee companies, and resultant gain/loss on realized and unrealized investments leading to fluctuation in other income estimate. We expect ETR to average at 25.1% over FY23E-FY27E.

Exhibit 70: PAT Growth of 12.6% over FY22-FY26E (Adj basis 26% CAGR)

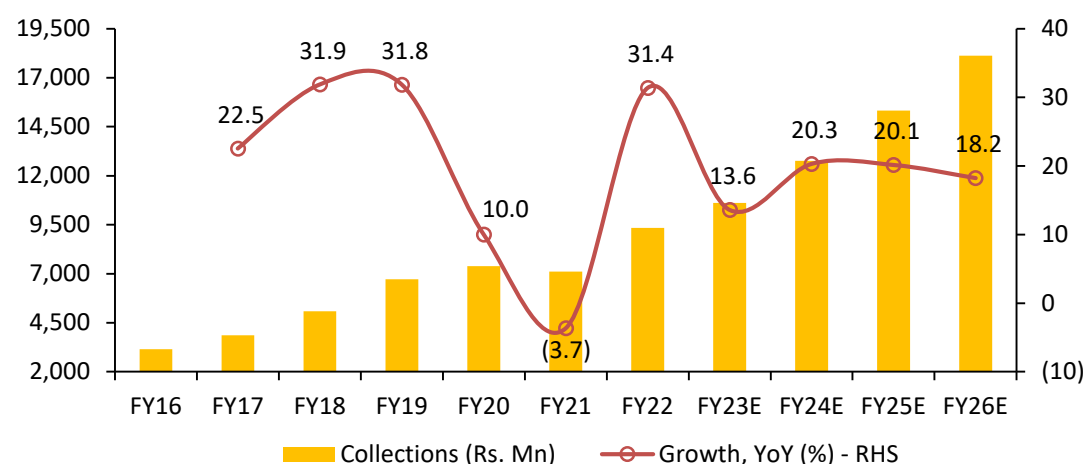


Source: DART, Company

Note: Q3FY23 included one-time gain of Rs. 670mn on revaluation of investment. Hence, FY23E PAT is adjusted for this amount.

Robust Free Cash Flow Generation: IndiaMART turned around its negative OCF of Rs.555mn in FY16 to positive OCF of Rs. 4,023mn in FY22, driven by achieving positive profitability at operating level and improved collections. Additionally, company operates with negative working-capital cycle as it collects the entire subscription amount upfront from their customers, and more than 70% of the suppliers are in yearly plans (Collections typically has average tenure of 22-24months).

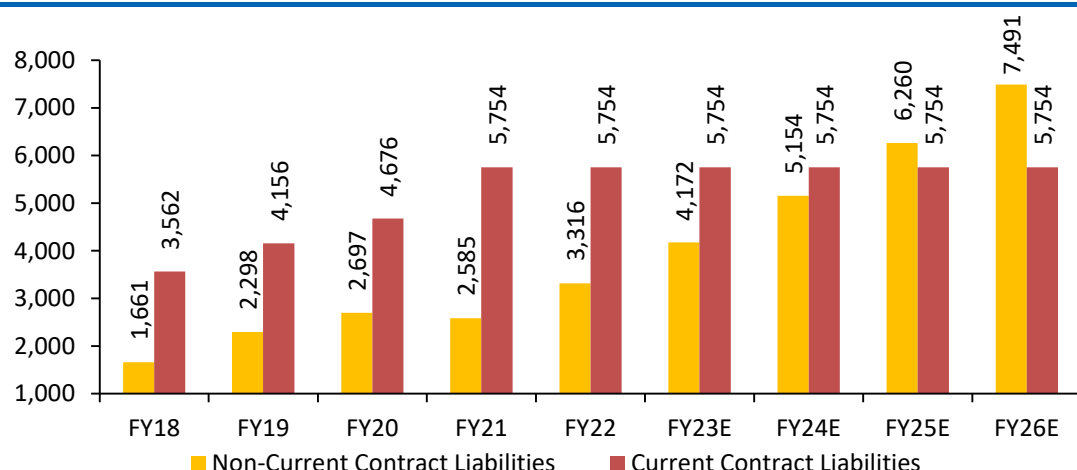
Exhibit 71: Collections to witness CAGR growth of 18% over FY22-FY26E



Source: DART, Company

Deferred revenue advanced at a robust CAGR of 23% over FY16-FY22. Also, the company operates a capital light business model with Capex as percent of sales at less than 1% leading to marginal investments requirement to scale the business.

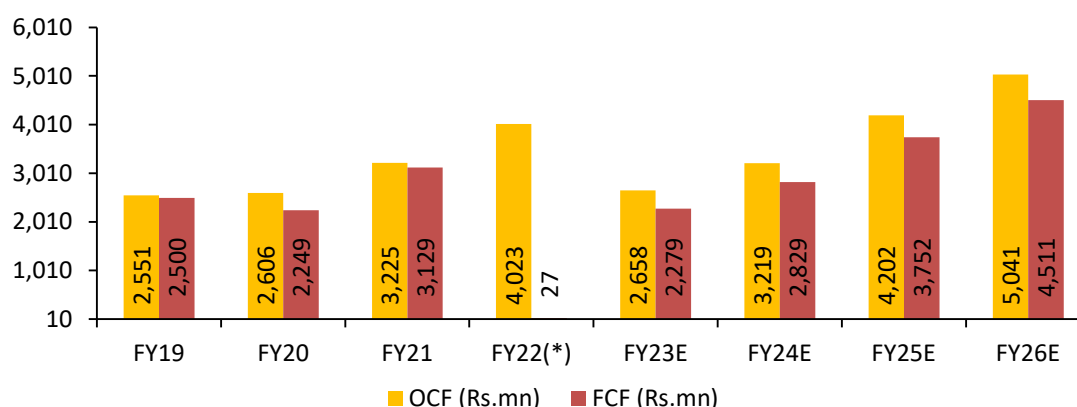
Exhibit 72: Current and Non-current contract liabilities (Rs mn)



Source: DART, Company

We expect these factors to keep contributing in the coming years and the company will keep generating robust OCF/FCF, which eventually be used to build peripheral businesses around the existing platform via multiple minority stake acquisitions or investments.

Exhibit 73: Post Investment Year of FY22, OCF and FCF to Remain Robust



Source: DART, Company

Note: FY22 was an investment year, witnessing investments in various entities (invested for minority/strategic opportunities) of ~Rs.9.5Bn. Hence, FCF is lower. We believe going forward, IndiaMART would focus on synergy, cross-selling, and leveraging strengths of these entities and pace of investments to slow, and maintain a healthy free cash flow.

Payouts: Company also plans to return back at least 30% of its earnings in form of Dividend/Buyback. The Company did a buyback worth Rs1bn at Rs6250/share reducing the equity base by 0.52%. Also, it has paid cumulative dividend of Rs27 in last three year. Thus, over FY20-FY22, company has paid which implies nearly 32% of its cumulative PAT for the same period.

Exhibit 74: Quarterly Performance Trend

Particulars (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	QoQ (%)	YoY (%)	9MFY22	9MFY23	YoY (%)
USD Revenue	25	27	29	30	30	2.7	21.1	74	89	19.7
INR Revenue	1,881	2,014	2,246	2,407	2,514	4.5	33.7	5,521	7,167	29.8
Operating Exp.	1,093	1,441	1,602	1,734	1,811	4.4	65.7	3,015	5,148	70.7
Employee Exp.	648	873	925	1,005	1,083	7.8	67.3	1,802	3,013	67.2
as % of sales	34.4	43.4	41.2	41.7	43.1	135 bps	865 bps	32.6	42.0	941 bps
Other Expenses	445	568	677	730	728	(0.2)	63.4	1,213	2,134	76.0
as % of sales	23.7	28.2	30.1	30.3	29.0	(136 bps)	526 bps	22.0	29.8	781 bps
EBITDA	787	573	642	672	703	4.6	(10.7)	2,506	2,017	(19.5)
Depreciation	30	29	63	76	86	13.6	191.4	90	225	150.3
EBIT	758	543	579	596	617	3.4	(18.6)	2,416	1,792	(25.8)
Net Other Income	206	282	(2)	440	1,000	127.1	386.6	786	1,438	83.1
PBT	933	767	507	927	1,523	64.3	63.2	3,138	2,957	(5.8)
Tax	231	193	40	243	395	62.3	70.8	735	678	(7.8)
Reported PAT	702	574	467	684	1,128	65.1	60.7	2,402	2,279	(5.1)
Reported EPS	22.8	18.7	15.2	22.4	36.9	65.0	61.6	78	74	(4.7)
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	41.9	28.4	28.6	27.9	28.0	2 bps	(1391 bps)	45.4	28.1	(1724 bps)
EBIT	40.3	27.0	25.8	24.8	24.5	(25 bps)	(1577 bps)	43.8	25.0	(1876 bps)
PBT	49.6	38.1	22.6	38.5	60.6	2207 bps	1095 bps	56.8	41.3	(1558 bps)
PAT	37.3	28.5	20.8	28.4	44.9	1648 bps	754 bps	43.5	31.8	(1172 bps)
Effective Tax rate	24.8	25.2	7.9	26.2	25.9	(33 bps)	116 bps	23.4	22.9	(51 bps)

Source: DART, Company

Revenue: Growth continues in the current fiscal led by steady rise in paying subscribers, from 156K in Q3FY22 to 194K in Q3FY23 up 24% YoY, while ARPU growth was 3% YoY. Lead indicators such as headcount addition, collections continue to see healthy trend, growing 39% YoY and 30% YoY respectively (on 9M basis). While additional metrics like traffic, LTM business enquiries have seen mild decline or muted growth, these are largely a result of normalization post COVID related product/SKUs enquiries. Going forward, we expect healthy subscriber addition and collections to continue leading strong revenue growth performance on quarterly basis.

OPM Margin: Margins declined from 45.4% in 9MFY22 to 28.1% in 9MFY23. Margin decline reflects re-investment efforts in winning back customer growth momentum which was lost during COVID, which includes higher employee costs (towards servicing) and outsourced sales cost (New Account Acquisition). While Q3 margins are lower on seasonality, we expect margins to have stabilized, and expand hereon.

PAT: 9MFY23 PAT comprises of one-time gain of Rs670mn in investee company, Procmart. Lower operating leverage (due to investments employee and sales outsourcing), reduced PAT, and resulting in decline by 5.1% over 9MFY22. Adjusted for this gain, PAT declined by 12%. In-line with margin expansion, expect PAT accretion to improve.

Valuation

Indiamart remains a dominant player in India's B2B business space, gaining from digital adoption and steady progress by MSMEs. Indiamart's platform paid supplier growth is a result of a matured, yet evolving platform that drives efficient matchmaking for buyers. We believe that as businesses in India adopt digital channel the value of 'customer lead' would increase multifold, and in the process would drive significant growth for Indiamart.

DCF assumptions: We expect Revenue to grow steadily at 19% CAGR over FY23-FY32E in stage 1 (led by consistent growth in sub-adds and ARPU expansion) and would slightly moderate to 15% CAGR in stage 2 over FY32-FY40E. We also expect margins to consistently improve over time from current 24% level to 35% (average 32% for the entire forecast period). We have factored in Cost of Capital of 11% and Terminal growth rate of 2% (beyond FY40e) in our DCF assumptions. Taking these assumptions, we initiate coverage with a Buy rating, and a DCF based T.P of Rs.6,000 (implies 25x of EV/EBITDA and 47x on PER on FY25E estimates).

Key Assumptions: We expect Indiamart's supplier base to grow from 169K in FY22 to 268K in FY25E, and ARPU to grow from Rs. 47K to Rs. 55K growing at 16% and 4% CAGR over FY22-FY25E. This growth is backed by: a) Growing addressable market (IMART subscriptions, keyword monetization, Busy software, b) Multi-tier packages, c) large untapped pricing potential and d) Investments in in-house as well as channel partner sales network.

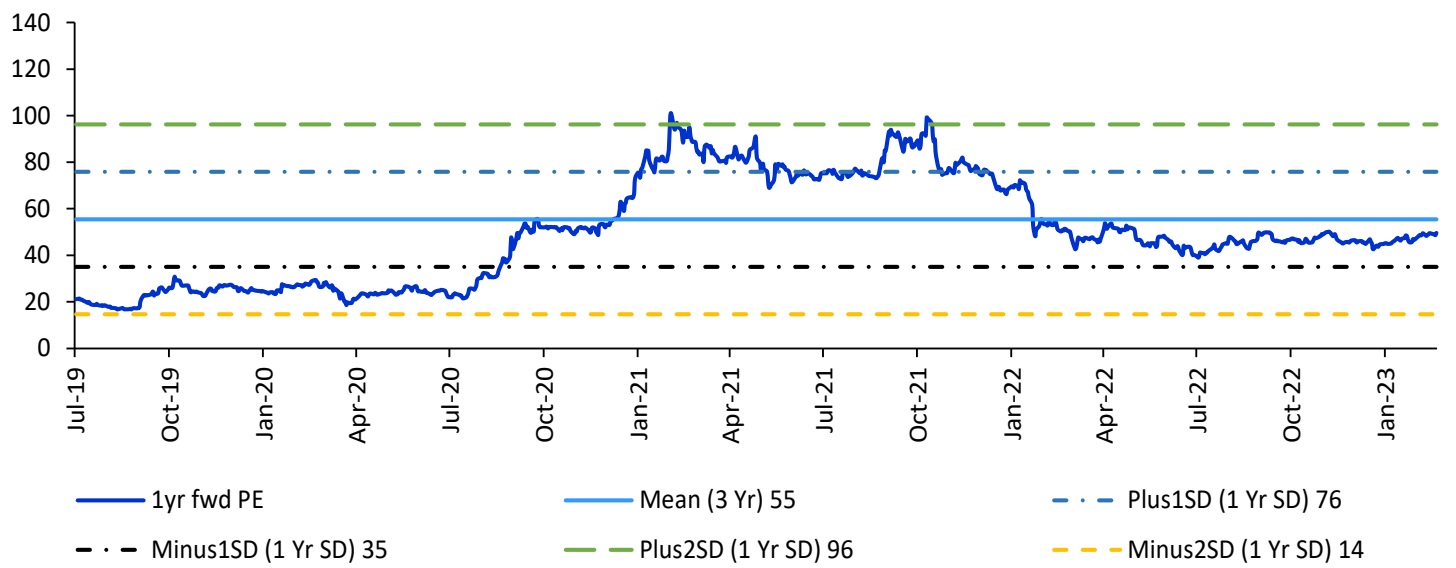
Growth in subsidiary business, will be largely led by Busy Accounting (acquired in Q1FY23), which is expected to grow at 22% CAGR over FY23-FY25E, backed by rising GST compliance and fulfilling need for accounting software for all businesses. Re-investment in people (including Sales outsourced cost), technology, and corporate overheads, which was paused during COVID period, has now resumed, lowering 9MFY23 margins as compared to FY21/FY22. The investments would now normalized at current base and thus would see platform leveraged profitability gains hereon and expect EBIT margins to improve from 24.4% in FY23E to 27.4% in FY25E.

Exhibit 75: Key Assumptions in our estimates

Metrics	FY21A	FY22A	FY23E	FY24E	FY25E
Paid Suppliers (abs)	152,000	169,000	201,500	232,500	268,000
Growth YoY	3.4	11.2	19.2	15.4	15.3
ARPU (Rs.)	47,004	47,400	49,894	51,915	54,552
ARPU growth YoY	4.5	0.8	5.3	4.1	5.1
Standalone Biz Growth	6.6	12.9	23.8	20.9	20.5
Subsidiary Biz. Growth	NM	NM	NM	19.2	25.8
Consol. EBIT Margins (%)	46.6	39.3	24.4	25.3	27.4
Consol. EPS growth (%)	88.3	2.4	(2.6)	3.2	32.2

Source: DART, Company

Exhibit 76: Valuation: 1yr Fwd PER Band Chart



Source: DART, Bloomberg

Annexure

Q1FY20 Con-Call Takeaways

- **Overview and Listing:** IndiaMART started in 1999 and got listed on the 4th of July'19. Company has a two-way discovery model with 88 million registered buyers and 5.6 million registered suppliers. It displays 60 million products and services further categorized into 138,000 categories from 54 industries.
- **Enquiries:** The website had 723 million visits in FY19. This resulted in 37 million enquiries with suppliers per month, which is 15 matchmakings per second. 75% of the visits came from Mobile website or Mobile App. Almost 100% of the traffic is organic and no money is spent on advertising to attract buyers or sellers. Cost of buyer acquisition is near zero.
- **Revenue Model:** The website offers free services to registered buyers. Revenue is earned from advertisement listings and subscriptions packages for suppliers. RFQ's depend on the subscription tier and premium members get access to advanced lead management systems. These systems are designed internally by IndiaMART. Monies through subscriptions and advertisements are collected upfront and revenue is recognized for the period of the contract. This results in higher cash from operation, as against EBITDA. FY19 cash from operations was Rs. 2550mn against EBIT of Rs.820mn. **Company has 133,000 paying subscribers.**
- **Technology:** Buyer satisfaction is at the forefront of IndiaMART's business model. Buyer searches are personalized by matching behavior-based preference of buyers with respect to location and product categories. This is currently done through using a traditional algorithm. IndiaMART is also experimenting on machine learning based artificial intelligence algorithm to use supplier behavioral data to improve matchmaking.
- **Buyers and Suppliers:** IndiaMART has a wide geographical buyer base with 35%-36% buyers from metro cities and the other two thirds from tier 1, tier 2, tier 3, and tier 4 cities in India. **While the supplier base is concentrated with over 50% of paying suppliers were from metro cities.** The company has a strong SME base of suppliers, along with this the company has started attracting bigger brands and larger suppliers such as Tata Motors, Tata Steel, Pidilite, Fevicol etc.
- **Financial Outlook:** Consolidated income stood at Rs.1,670mn in Q1FY20, a growth of 37% YoY. Growth came primarily from increase in number of paying subscribers by 17% YoY, coupled with higher realization from existing customers. EBIT margins have improved from 11% to 22% year on year in Q1 driven by increase in revenues as well as optimum utilization of resources during the period. Deferred revenue has increase by 32% reflecting the strength of the business model to provide visibility of revenues in the future. Profitability has been achieved by growing revenues by 30% while containing cost increase to 16%-17%.
- **Industry Outlook:** B2B market is a \$700Bn opportunity (Source: CII-Deloitte Report, Nov 2017 - <https://tinyurl.com/yrkwwucz>), and digital advertising market is set to grow to Rs.250Bn by CY2021 (Source: Dentsu Aegis Report - <https://tinyurl.com/56whthys>). The market is growing in double digits beyond the company's penetration of growth. The 60% market share only refers to the

B2B segment not taking advertising and search segment into account. **Of 63 million SME's only 17% use the internet.** The launch of GST, Aadhar, push for digital payments by the government should result in a higher adoption rate. The company believes it can hold its 25% +/- growth through customer acquisition and ARPU. Historically the growth stood at 15%-20%, the growth of revenue has come from increased realisation from revenue per customer.

Q2FY20 Con-Call Takeaways

- **Customer Addition:** Company's platforms had 193mn visits in Q2FY20, and generated 123mn buy enquiries. Although IndiaMART saw improved customer additions of 4,000 new paying customers in Q2FY20 vs. 3,000 customer adds in Q1FY20, management is of the view that 4,000 adds is still lower than long-term average of 5,000 per quarter. 2/3rd of the subscriber base is on annual subscriptions and 1/3rd on monthly subscriptions. The churn rate stands at 20% p.a. for monthly subscribers.
- **Challenging Economic Environment:** Management believes that present environment to be challenging, and aims to navigate this cycle via increasing sales and service manpower, though it may lead to pressure on margins in the short term. Management has clarified that all price changes will happen pan India for the foreseeable future.
- **Increased Costs:** Employee cost has risen from Rs.650mn to Rs. 870mn due to increments coming into effect 1st June 2019. Company also hired 300 new employees to the workforce. The total workforce stands at 4,500. Out of these 1,350 employees are outsourced. The company has also planned to recruit an additional 200 employees in the next quarter.
- **Muted Growth in Paying Subscribers:** Paid subscriber base grew by 3% QoQ to 137mn subscribers, adding 4,000 subscribers. Management believes that there are enough buyer enquiries to ensure suppliers have sufficient leads. The challenge in acquiring new suppliers is many are habituated with dealer-based distribution and store walk-ins. The process of lead generation is a struggle for many businesses big or small. Another important reason for the muted growth is the timing of the price hike on 1st Jan'19 (and this hike has not yet been absorbed, even after 10 months). The management feels that the timing of this hike was wrong. Going forward, Company believes that sustainable subscriber growth will come from focusing on the 12 million GST registered business that can be verified through one time password (OTP) on both Mobile and Email, as GST registered businesses will also ensure buyer trust.
- **Investments (Vyapar):** IndiaMART acquired 26% stake in SimplyVyapar, for Rs. 312mn. Vyapar is an accounting, invoicing, and inventory software for SME's. The management believes Vyapar will benefit SMEs as the most important thing after lead generations and lead management is accounting, invoicing, and inventory. This will help SME's keep an account of inventory, billing and accounting compliance eliminating the need of an accountant who understands P/L, debit, credit, and balance sheets. IndiaMART wants Vyapar to grow independently for 2-3 years and the eventual goal is to integrate certain features to give more value to the customer. With a cash balance of Rs. 7800mn the company will look for adjacencies in the SME SaaS space, B2B SaaS space and also Fintech.

Q3FY20 Con-Call Takeaways

- **Customer Acquisition:** New customer acquisition stood 4,500 still lower than the long-term average of 5000. Management believes a weak economic environment is hurting customer acquisitions.
- **Muted Revenue Growth Expectation:** Revenue stood at Rs. 1,649mn, up 5.3% QoQ, while Deferred Revenue Rs.6,490mn, up 3% QoQ. Revenue recognition is a result of flow from deferred revenue, and 60% of deferred revenue is current in nature, of which is ~60% current in nature .i.e. to be realized in next 12 months. Average age of deferred revenue is 20-21 months, and figure reported in quarterly result is a 20-month moving average. Compared to Q3FY19, collections grew by 30% in Q3FY20, but 9MFY20 collection growth was only 15% YoY. YoY Revenue growth for Q1/Q2/Q3 in FY2020 was 30%/28%/23% respectively. Management estimates that collection growth rate below 20% would make revenue start to trend on the same lines.
- **Website Visits:** The company has 9 Indian languages to search its platform that is essential to penetrate Tier 2, Tier 3 cities. IndiaMART platform visits are 60 million per month. Registered buyers stand at 100 million. 90 days repeat rate at 55%. Daily enquiries at 19 million per quarter translating to 30 million 12 months active. Traffic had exponential growth between FY16-FY19 due to buyer fulfilment rates doubling from 20% to 40% coupled with government initiatives like push for digital, GST. Compulsory income tax filings etc. The plateau in traffic has come due to the slowdown in the economy according to management.
- **Competition (UDAAN):** IndiaMART has a long list of categories while Udaan focuses on specific categories which are FMCG or dealer distribution categories. They are focusing on building logistics, warehouses, and transportation. IndiaMART management believes B2B logistics is a consolidated industry where goods have been moving through air, road, and sea for a long time. Thus, they do not believe they can add much more value especially after their experimentation with Tolexo. The credit business of Udaan interests the IndiaMART management.
- **Churn Rates:** For the Gold and Platinum categories the churn rate remains at 1% monthly and 10%-12% per year. Overall, across all subscription categories churn rate stands at 20% while renewal rate at 80%.
- **The subscriber base is as follows:** 1/3rd monthly subscribers, 2/3rds annual subscribers. The top 10% of subscribers are on the platinum subscription.
- **Average Revenue Per User:** ARPU growth expected at 5% to 7%. As of now 40% of revenues come from top 10% customers. Entry level ARPU stands at approximately Rs30,000. Gold Plus ARPU stands at approximately Rs.44000 Top 10% or platinum level ARPU stands at approximately Rs. 160000.

Q4FY20 Con-Call Takeaways

- **Paying Suppliers and Traffic:** Paying suppliers in Q4 increased by 5,000 to 147,000 paying suppliers. Co. **expects 10%-20% of its subscriber base to be severely affected due to COVID and expects ARPU to drop significantly.**
- **COVID Impact:** De-acceleration in sales growth (3.2% QoQ growth vs. avg. 5.4% over past 4 quarters) has led the company to adopt several cost

optimization steps such as relooking at the cost structure, variable costs, renegotiating vendor contracts and deferment of appraisals. All categories have witnessed a negative impact other than the categories that come under essential items. Thus, general business activity has come to a standstill.

- **Cost Management: High Enquiries COVID Related Supplies:** There is significant growth in categories such as sanitization, hygiene, pharmaceuticals, and hospital equipment, as well as in indirect categories such as Chemicals, packaging and raw materials related to the aforementioned items. IndiaMART plans to ramp up suppliers in all categories that come under essential items.
- **Employee Base:** IndiaMART has decided to not induce any layoffs. Management feels sales and collections will remain suppressed until the lockdown is withdrawn, and life comes back to normal. **Variable pay for employees has been cut. Employees are receiving 80% of their salary compared to pre-COVID levels.**
- **On-Going SME Stress Compounded:** IndiaMART SME customers already facing a financial crunch during October-November when the economic slowdown happened, and they now face a difficult challenge due to sudden lockdown.
- **Customer Retention Focus:** Company's priority remains customer retention over ARPU and new customer acquisitions. For this the company has undertaken several customer retention initiatives such as discounts and relaxed payment terms for suppliers.
- **Silver Lining:** Adoption of the internet will improve as everyone is working from home, hence exposing them to the internet. Make in India should boost manufacturing intensity in India potentially enlarging IndiaMART's TAM.
- **Well-Positioned to Ride Through:** Inherent strength of the company's business model with a negative working capital and a huge cash reserves has put IndiaMART in a strong position. Top 10% of IndiaMART customers are on yearly or multiyear subscription contracts. 50% of that 10% of customers have already paid for their subscription. Entire physical businesses were closed due to lockdown while IndiaMART is still witnessing 50% traffic on their website.
- **Investments (Mobisy):** Invested Rs100mn for 8.98% stake in Bengaluru based SaaS platform Bizom (along with another investor Triton Investment Advisors). FY19 sales stood at Rs.280mn, implying a valuation of 3.9x on FY19 sales. Mobisy offers mobile first cloud solutions on sales force automation and distribution management systems to medium/large enterprises, enables digital transformation of sales and supply channels of consumer brands that are distributing through retail stores. Management expects FY20 Revenue at ~ Rs.300-350mn, growing at 50-60% p.a.
- **Competitive Pressure:** Udaan offers are very different to what IndiaMART offers. One variable is Average Order Value, for Udaan that stands at \$60 while for IndiaMART that stands at \$600, hence the categories are very different.
- **Churn:** Platinum accounts for 10% of customer base and 40% of revenue and has a churn rate of about 5%-6% of the annual churn. Gold customers account for around 35% of customer base where the annual churn is 10%-12%. Silver accounts for almost 50% of customer base with an annual churn of 20%-25%.

Q1FY21 Con-Call Takeaways:

- **Paying suppliers and Traffic:** Paying supplier base declined by 10% to 133,000 from 147,000 in the previous quarter. However, there are early signs of recovery in the economic activity and internet adoption. Despite a 50% decrease in buyer traffic during the month of April, the complete quarter saw a growth of 6% on QoQ basis.
- **EBITDA Margin:** Due to increase in cost savings during the quarter, the company's EBITDA margin increased to 48%. However, these margins are not sustainable, as 50% of these cost savings were temporary and will come back as the business gains traction and the remaining other half of these savings are permanent in nature and can be sustainable going forward.
- **Increase in the Online Adoption:** Use of the platform among buyers/ suppliers has increased aided by ongoing pandemic as the occasional customers are now engaging more frequently on the platform. Almost all of IndiaMART's sales and collection during the quarter came through online and telephone-based sources online payments. (Previously 2/3rd of sales and collection came through field sales operations and 1/3rd via online/telephone-based source.)
- **COVID-19 Impact on Industry Categories:** Around 1/3rd of the industries such as hospitality, hotels & restaurants, automobile, fashion industry in the economy are severely impacted by the pandemic and business restrictions. These industries may not recover immediately. However, the 2/3rd of the other industries are probably going to be more important with expectation of immediate recovery and will negate de-growth in other categories.
- **Artificial Intelligence:** Company is getting the knack of AI/ML and can process the emails and calls faster because of it. With the use of artificial intelligence along with machine learning, the Company has trained their data for misspelled identifications as India being a diverse country with different language and users can always mix English with their languages.
- **Associate's Performance:** Vyapar performed well even during these tough times as it saw a slight boom in the total number of active users in the initial phase of lockdown but then they were back up again quickly by May. Their free and paying customers are at the best levels and also management is optimistic about the same in the future. Their app rating is the highest in its category with more than 1mn app downloads.
- **Brand Marketing:** Management believes that brand marketing does not have a direct impact on the traffic and the number of subscribers but impacts the brand value in the market. Hence, management would spend on advertising only when market conditions indicate that brand perception needs updation/greater visibility.

Q2FY21 Con-Call Takeaways

- **Platform Traffic:** Traffic stood at 259mn, up 36% QoQ. Performance in Q2FY21 improved on: 1) Increase in online adoption and 2) Boost in economic activity post lockdown relaxations, resulting in overall rise in buyer side traction.
- **Repeat Buyers:** Its 90 days repeat buyers have been increasing stably over the last 2-3 years from around 50% - 51% to about 60% currently. This reflects

trust in the increasing value proposition of the platform and further strengthening the network effect of the platform.

- **EBITDA Margin (50.1%):** As compared to 2QFY20 EBITDA margin of 23.2%, margins more than doubled driven by decrease in employee benefit expenses due to cutback in salaries/incentive pay. Cost savings was witnessed in other expenses related to office items and **expects half of these savings to sustain, and half of the costs to come back as volumes recover to pre-COVID levels.**
- **Suppliers Growth:** Paying subscribers stood at 141K, up 6% QoQ. COVID has brought in transformation of business models for many industries, along with increased online business engagements. **So, company expects many more customers to try IndiaMART's platform over the next couple of years, as well as many customers leaving the platform.** So, the next year will be a phase where there will be faster supplier entry and faster supplier churn, in order to find the right set of suppliers, who will stay with IndiaMART for a longer duration. Historically, event leading to increase in online adoption among business (demonetization, Jio, GST) witnesses' traction among suppliers and then it settles down at the consistent growth rate of 15% - 20%.
- **Buyer Behavior:** From July-21 onwards, most industries fully opened their operations. Management does not expect significant change in the buyer/supplier behavior, with improved digital adoption on structural basis.
- **Credit and Logistics:** IndiaMART's current focus is on CRM platform and in future when payments and lead management platform mature, then they will look at providing of any kind of a credit facility. Company does not expect themselves undertake logistics as B2B caters to a variety of customized products and both buyers and suppliers talk to each other to arrive at product design and quantity.
- **Collections and Renewals:** Existing customers keep renewing and keep upgrading. **So, if one divides those ~140,000 customers into monthly, annually, and multi-year contracts, the company gets approximately 5,000 renewals every month.** So, a large portion of collection comes from the renewals and upgrades during renewals. Out of 8,000 additions in paying suppliers, about 80% of them are recovered from the previous quarter and around 2,000 of them are net new customers.
- **CRM Tools:** Suppliers now better realize importance of their customers' data and their prospective customer data. IndiaMART witnessed significant adoption in users for CRM tools and usage of buyer RFQ.
- **Competitors:** Competitors like Amazon business and Udaan focuses on B2B wholesale (FMCG). Most of the products they deal into are standard shelf product which can be dispatched, bought and sold. Whereas IndiaMART's products are not standard but customized products. Also, companies like Power2SME, Industrybuying or Moglix focuses more on a particular vertical.
- **Re-Launch of Export Service:** As world is looking at India as a supply chain diversification option and government focus on Atmanirbhar, digital adoption and Make in India, **the company has re-launched their export services in the month of September 2020.**

- **JD Mart:** Entry of JD Mart (Launched in Feb'21) will aid in expanding the market in terms of education and training of SMEs. Company believes it has strong network effects and buyers and sellers will use platform with high ROI or value proposition. Does not expect higher advertising spend, and will keep it Rs.250-300mn p.a. range, unless a brand building/recall is required.

Q3FY21 Con-Call Takeaways

- **Buyers Traffic:** IndiaMART continued to witness buyer traffic sustain above 250mn, at 253mn in Q3FY21 (259mn in Q2FY21), up 35% YoY., reflecting approximately 85mn visits per month. Additionally, business inquiries delivered increased annually by 37% to 154mn, while its 90 days repeat buyer stood at about ~60%.
- **Revenue and Collections:** Sales advanced by 5% YoY to Rs.1,735mn, primarily driven by an increase in paying subscribers (at 148K, up 4.2% YoY), and improvement in ARPU (at Rs 46,707, up 3% YoY). Customer Collections stood at Rs. 1,790mn, up 9% QoQ, but down 3% YoY.
- **EBITDA** (Rs.880mn) and EBITDA Mgn 50.6%: was able to sustain margins as offices were closed (hence saving on travel, rental, electricity and office overhead costs), and hiring has only started off lately.
- **Cost Savings:** Cost savings was due to reduction in employee expenses on account of lesser variable payment and closure of offices led to savings on office related items. Company expects half of these savings to sustain, and half of these will come back as the business volume recovers to pre-COVID levels. Sustained savings will include lower requirement of multiple office spaces, use of channel partners to make cost more variable, and reduction in travel cost substituted by online meetings.
- **Suppliers:** Company's paying suppliers bounced back to pre-COVID levels, after couple of subdued quarters. **During 3QFY21, ~7,000 clients were added to the net paying subscribers resulting in 1,48,000 customers at the end of the quarter. 15-20% of these suppliers came from recovery of moratorium subscribers and about 5,500 came from new additions.** New addition of suppliers increased from 5,000 to 5,500 and the management expects it to increase further in the coming quarters.
- **Funding for Inorganic Growth:** Company received Board's approval to raise up to Rs.11bn to pursue organic and inorganic growth opportunities. The company intends to make investments or acquisitions in the strategic spaces which can leverage IndiaMART's ecosystem. Broader categorized for acquisition or investments are into Fintech, SaaS and vertical commerce.
- **Legal battle against JD Mart:** The court has granted an interim injunction in favor of IndiaMART for legal case against Just Dial related to IP theft for their recent B2B initiative. Just Dial is yet to revert with their response to grievances in front of the court. The next hearing date is on 25th Jan'21.
- **Change in Entry Level Pricing:** IMART previously offered a monthly package of Rs 3,000 plus taxes and Rs. 5,000 upfront setup charges. But now, the company has dropped the Rs. 5,000 setup fee which will help in signing up more suppliers. This simplifies to sell one kind of a package and lowers the entry price from Rs.8,000 to Rs.3,540.

- **BuyLeads:** It has started offering daily buy leads together with buyleads on weekly basis. It has introduced the daily quota to make the customers come back on a daily basis as well as the weekly basis. Consumption of buyleads/RFQ's has increased from 7-10 days a month to 15 days a month by introduction of these daily expiry packages. This has led to improved traction.
- **Investment's Integration:** Vyapar continues to perform well, with current quarterly revenue run rate ~Rs. 30mn and significant increase in number of customers from 25,000 to ~70k-75k customers. IndiaMART aids Vyapar in lead generation, and IndiaMART aims to capitalize on their seller data network to further increase reach. **Company believes that they still have some distance to cover before Vyapar is integrated with the main business. For Bizom, company plans to integrate their distribution management capabilities for large organization. Just like Vyapar, consideration to integrate Bizom will take place only after couple of years.**
- **End-to-end service provider for the SME:** Company started with the CRM tool which was completely built in-house. Facilitating payment with Pay with IndiaMART Pvt Ltd. IndiaMART also invested into order management system in one of its subsidiaries, where it develops the manufacturing management system. Investment in Vyapar which provides invoicing and accounting based software. Bizom, aids with dealer distribution management and sales force optimization. **So, the company is trying to build a one stop shop for SMEs and continuously improve its customer experience engagement and expand the network for monetization.**

Q4FY21 Con-Call Takeaways

- **QIP:** The Company successfully raised Rs10.07bn via QIP. The proceeds of the same would be utilized for both organic/inorganic growth opportunities and for investing in companies that have synergies within its ecosystem.
- **Recent Investments:** IndiaMART recently invested in three companies. 1) 11% stake in Legistify for Rs.12mn which offers Legistrak, SaaS based tool which allows enterprises to manage their legal workflows and track the legal cases, 2) 25% stake in TruckHall for Rs.110mn, which operates superprocured.com and provides SaaS based tools to help large businesses manage their supply chain and real time freight sourcing operations. 3) 26% stake in shipway.in for Rs.182mn, which aids businesses to automate their shipping operations.
- **Future Investment Strategy:** IndiaMART will continue to invest behind in organic and inorganic growth strategy. The company expects to make one large investment within a year or two and multiple smaller investments, along with internal development for organic growth.
- **Change in Entry Level Pricing:** used to offer a monthly package of Rs 3,000 plus taxes and Rs. 5,000 upfront setup charges. But now, the company has dropped the Rs. 5,000 setup fee which will help in signing up more suppliers.
- **Collection:** Company's collection figures were the highest till date, due to positive seasonality impact as companies finalize their budget before the end of fiscal year. However, on an annual basis, collections from customers slightly declined by 3.6% in FY21, mainly due to subdued first half of the year.

- **Channel Partners:** Company has shifted from having their own employees to now having channel partners via tele-mode or under free sales mode to acquire new customers. About 25% of company's sales, new customer acquisition has started to come beyond the older pre-pandemic channels of their own sales force.
- **On Monetizing Other SaaS Offerings:** Management mentioned that it would first look forward to building a portfolio of 5 to 10 SaaS/Fintech offerings, and then look for monetization in terms of bundling, integration, cross selling, etc.
- **Stringent Supplier Acquisition:** has become very stringent in supplier's acquisition. Supplier's mobile/email must be OTP verified, and supplier must have a GST number. This has led to slow growth in paying suppliers. But in longer term, this will help in increasing ARPU and moreover contain churn. Around 98%-99% of paying suppliers are GST registered and there are some older suppliers who are exempt from submission.
- **Churn:** Platinum customers witnessed annual churn of less than 6% (less than 0.5% monthly). Similarly, gold customer annual churn was in the range of 10-12% (~1% monthly). Silver annual customers usually witness an annual churn rate of ~25% (~2% monthly) but during FY21 there might be ~10% increase in annual churn for silver annual customers which can be short-term because of businesses gone out of favor. On a broader level, total paid supplier's renewal rate decline by 10% from the start of COVID-19 pandemic.
- **Customers Ageing:** Out of the total **152,000 paying suppliers**, **~33% of the suppliers are on IndiaMART's platform for less than one year. Similarly, ~30% suppliers are ageing between one to three years, and ~40% of suppliers are connected with IndiaMART for more than three years.**
- **Net Supplier Addition Guidance:** Co. aspires to achieve top line growth of ~25%, and this aspiration would be achievable if supplier net addition stands at 25,000-30,000 annually (6,250-7,500 per quarter). As the business and economy stabilize, the Management is confident of delivering value for 25k to 30k customers via its platform.
- **Supplier Penetration:** There are around 10mn to 12mn total GST registered suppliers in the country. B2B product-oriented suppliers will be around 2mn to 3mn. The company targets penetration of 10 to 20% of the B2B product-oriented GST registered suppliers (~0.3mn to 0.6mn paying suppliers considering 3mn user as TAM).

Q1FY22 Con-Call Takeaways

- **Paying Customers and Repeat Buyers:** Second wave of COVID had a major impact on paying customers, standing at 133K, and IndiaMart lost 14,000 customers over Q4FY21. A silver lining was that even during second wave of COVID, the 90 day repeat buyers stood at 55%.
- **ARPU:** 80%-90% of the decline in paying subscribers is attributed to silver monthly subscriptions. Hence, ARPU has seen a big jump to Rs. 45,452 (highest ever till date) as the customers which left or downgraded were the lowest ARPU customers. Management believes this number will normalize around Rs. 45,000 levels once the monthly customer growth restarts. ARPU is calculated by dividing the revenue recognized during quarter with total number of paying customers at the end of the quarter.
- **Technology Focus:** IndiaMART has been able to work on buyer and supplier behavioral data, gathered over 10 years. Every year IndiaMart gets 55% repeat visits, which is utilized towards behavioral matchmaking using AI/M.L and different data analytic techniques. Technology team at IndiaMart is hiring aggressively to explore vertical growth in technology.
- **Supplier Personalization:** Companies like amazon focus on user personalization where a user visits their website every couple of days but when it comes to IndiaMART the company focuses on supplier personalization. IndiaMART's supplier tools aims to bring back suppliers to the website every day, and in some cases even every hour. Example: The RFQ system, lead management system, call pick up system, telephony system brings back the supplier almost multiple times a day. Suppliers then end up doing activities on the kind of leads generated of potential buyers.
- **Advanced Buyer Profiling:** If a buyer comes to buy a chair and makes an enquiry, and then follows up with an enquiry for a sofa, and eventually enquires for sofa fabric, software will identify this profile as sofa fabricator and give this insight to its paying suppliers.
- **Important Indicators:** Indian supplier storefronts have grown at CAGR 23% to 6.5mn as of March'21. The quarterly trend for the same has been 8% CAGR to 6.6mn as of June'21. Business enquiries delivered have grown at CAGR of 40% to 610mn on a yearly basis from FY16 to FY22. Quarterly business enquiries have grown at 24% CAGR to 162mn from Q1FY21 to Q1FY22. Traffic on website yearly has grown at CAGR of 30% to 960mn from FY16 to FY22.
- **Competition:** The number of internet users has gone up tremendously in the last couple of years and so have their needs for software and commerce. Thus, there is an opportunity to channel different kinds of things, and this cannot be done by one IndiaMART or Google or Just Dial alone. Coexistence of players is possible if they all cater to different verticals in the industry. Hence more players, entrepreneurs or industrialists are welcome.

Q2FY22 Con-Call Takeaways

- For Q2FY22, collections stood at Rs2.23bn a growth of 36% YoY (YoY Growth in Collections was negative in first 3 quarters of pandemic, i.e. Q1FY21-Q3FY21, and collections have been growing YoY since Q3FY21).
- Cash and Investments as of 30th Sep'21 stood at Rs24.5bn

- **EBITDA Outlook (Q2FY22 EBITDA: 45.6%):** Historically, i.e., Pre-COVID level EBITDA was around 28%, but Q2FY22 EBITDA is unusually high. EBITDA jump is primarily due to automation efforts undertaken in the past, even as collection trends remained negative. Present revenue generation is a result of collections done in prior periods, while automation/investment was expensed immediately in the past, hence EBITDA Margin is close to 50%. Management has guided for stable EBITDA number is 38%.
- **Traffic:** Traffic has grown to 284mn in Q2 leading to 26mn unique business enquiries. Monthly basis, the portal is attracting ~90mn visitors. Due to better Artificial intelligence and Machine learning the company has increased buyer fulfilment with lesser number of matchmakings. Going forward, while unique business enquiries remain the same, the total business enquiries will start to come down in the coming quarters. Business Enquiries/Traffic stood at 68%/53% for Q2FY21/Q2FY22, reflecting a sharp decline in enquiries per traffic. However, Unique Business Enquiries/Traffic ratio has been relatively steadier, at 11%/9% for Q2FY21/Q2FY22.
- **Update on Investments:** IndiaMART acquired 26% stake in Agillos E-Commerce Pvt. Ltd, which owns SaaS solution 'Aerchain', for Rs. 260mn. FY20 Sales stood at Rs.2.9mn, implying valuation of 341x of FY20 Sales. (FY19 Sales, however, stood at 49mn, which would have implied a valuation of 20.2x). Aerchain aims to automate procurement of operations on the basis of AI/ML and mobile medium. IndiaMart also raised its stake in Mobisy Technologies (Bizom), from 8.98% to 15.98%, and invested Rs. 100mn. Acquisition of additional 7% stake, was done on FY21 sales of Rs. 344.6mn, implying a valuation of 4.1x of FY21 Sales.
- **Update on Vyapar (27% stake):** Vyapar has grown its user base from 10K to 100K. According to management Vyapar is the company's most promising investment. Through feedback the management understands that there is a 10%-20% overlap between the paying customers of IndiaMART and Vyapar.
- **Competition:** Co. is confident that its established network effect of buyers driving suppliers and vice versa, and management experience of building and running a B2B business should help the company stay in a leadership position. Management does not see any threat from JDmart as of now.
- **Lingering COVID Effect:** Customers who were satisfied with IndiaMART are waiting for markets to open and looking to upgrade their subscriptions as and when everything comes back to normal. Some from Silver to Gold and some from Gold to Platinum.
- **Churn:** Recovery in churn has happened in the last 2-4 months. According to management the churn was a bigger concern than new customer acquisitions and upselling. Churn rate is just a few notches off pre-COVID levels.
- **Creating New Channels:** COVID has played one crucial role, which is to instill that SME's need to have a hybrid presence both online and offline. COVID has opened up opportunities to acquire customers in 2 new ways: Telephone and online. Thus, there is a clear shift in the mindset of SME owners.

Q3FY22 Con-Call Takeaways

- **Traffic and Enquiries:** Monthly enquiries during the quarter stood at 90mn while total enquiries were approximately 270mn. Unique enquiries during the quarter stood at 23mn.
- **Subscriber Addition:** Subscribers grew by 5,833 to a total of 156,000. Management has guided addition of 6000-7000 paying subscribers per quarter. Currently, 25% of the paying subscribers are in the silver monthly category while 50% are in the multiyear subscriptions.
- **Investments and Acquisitions:** Co. has made three new investments:
- **A) Busy Infotech (100% Acquisition for Rs.5Bn):** FY21 Sales and PAT stood at Rs 424mn and Rs.110mn respectively, implying a valuation of 11.8x on FY21Sales and 45x on FY21earnings. Busy is an accounting and management software that offers financial accounting, inventory management, payroll management to MSME's. Busy has a 10-20% overlap with IndiaMart Customers, and management nature of accounting of an accounting business, was having a very sticky customer base. Geography wise, 66% of Busy's business came in North India, and 25% from Western region, which was largely Maharashtra.
- **B) Mynd Solutions (M1xchange, 7.7% stake for Rs.324mn):** FY21 sales stood at Rs.86mn, implying valuation of 48x on FY21Sales. Mynd Solutions owns 'M1xchange', a digital market place to buy/sell receivables (invoice discounting) for SME's., and is approved by RBI.
- **C) Edgewise Technologies (EasyEcom, 26% stake for Rs.133.5mn):** FY21 sales stood at Rs.22mn, implying a valuation of 23x in FY21 Sales. Edgewise owns 'EasyEcom', an inventory and warehouse management solution that allow merchants to allocate, track, and reconcile inventory, using AI across various online and offline sales channels, under D2C ecommerce.
- **Future Investment Plans:** IndiaMart aims to complete one acquisition per year aside from 1-2 minority investments.
- **Higher Manpower Cost (Rs. 648mn, ~34% of Rev, up 7% QoQ):** 265 new employees were added in the quarter, a much higher count compared for earlier guidance of 100 per quarter. Management mentioned that due to an industry-wide talent crunch, salary re-rating was undertaken to retain existing talent base. Management expects manpower cost to further increase next quarter.
- **Growth and Competition:** Management feels competitive intensity from other players in the industry has remained the same, i.e., neither heightened nor any decline. **Guidance for Revenue growth remains at 20%-30% over the next 3 years barring any new lockdowns.**

Q4FY22 Con-Call Takeaways

- **Customer Addition:** IndiaMART customer base stood at 169K for Q4FY22, and company added net 13k subscribers at end of Mar-22. Management expects to add 8-9k subscribers every quarter. ARPU is expected to take a minor impact in near term (as more customers are added in silver monthly), but is expected to get better with differential pricing over time. Distribution and

sales channels that were squeezed during COVID have now opened up, and hence customer addition is expected to be positive.

- **Employee Addition & Margin Contraction:** Increased headcount by 15% QoQ to 3,672 (added 487, highest in ever in a quarter). Employee cost grew by 35% YoY (Rs.873mn), accompanied by increase in salaries, leading to margin pressures. Management expects margins to remain subdued for growth related investments. Employees added primarily in metros and tier-2 cities as metros were most affected by COVID in past 2 years.
- **Investments:** Acquired stakes in following companies: a) IB Monotaro, a B2B ecom for industrial supplies (26% stake for Rs.1,040mn), b) FleetX, freight and fleet management SaaS (16.5% stake for Rs.910mn), c) Live Keeping, accounting VAS software (51% stake for Rs.460mn), d) Zimyo, a SaaS based HR management software for SME (10% stake for Rs.170mn), and e) Realbooks, a Cloud accounting software (26% stake for Rs.140mn). Hiked stake to 27% (from 26%) in Vyapar accounting software for Rs.616mn. For Busy Accounting software, management aims to double revenues (FY22: Rs.450mn) and grow customer base. Going forward, investments in newer companies will be lower, and cash generation will be utilized for investments primarily in existing, already made investments.
- **Churn Rate:** For Gold and Platinum customers, churn rate is less than 10% p.a. For Silver monthly and Silver annual customers, churn rate remains high at 25-30% p.a. Management added that churn rate is also a function of customer vintage, i.e., resulting in a declining trend after year 1 of membership.
- **Investment Integration:** IndiaMART has started offering 1 year free usage of Vyapar in an effort to start integrating various investments cross-selling.
- **Tech Spend:** shared that conventionally, tech spend used to be Rs.200mn per quarter (implying ~11% of Sales), and has now risen to Rs.320mn (implying ~17% of Sales) and is directed at better matchmaking and conversion.
- **Buyback:** On 28th April'22, IndiaMart announced a proposal for buyback up to Rs.1,000mn, for 0.16mn shares ,via tender route, at a price of Rs.6,250 per share, comprising of 0.52% of O/S Equity capital.
- **Competitive Pressure:** Management mentioned that it has not yet witnessed any incremental, material competitive pressure in classifieds market, from Just Dial, especially post acquisition of majority stake by Reliance Industries (Sep'21). Even JD Mart, Just Dial's B2B venture, has not led to any meaningful impact on IndiaMART's sales efforts, and this B2B venture continues to be in infancy stage (despite launch in Feb-21).
- **EBITDA Margin Outlook:** Management expects that FY2023 will be an investment year for growth, as IndiaMart invests in expanding sales, as well as customer servicing teams (responsible for renewals and upselling to existing customers). EBITDA margin is expected to be in 25-30% range.

Q1FY23 Con-Call Takeaways

- **Customer Additions:** Company targets an annual customer addition of 35,000 plus or 8,000-9,000 per quarter.
- **Costs Outlook:** Costs will remain elevated as for next 2-3 quarters. However, for the standalone business (excluding Busy and other Associate companies), Revenue and Cost growth rates will be similar, and standalone business can maintain 30% EBITDA margin.
- **Customer Addition via Channel Partners:** About 50% of customer additions are sourced from own sales teams, while remaining 50% are added from outsourced/channel partners' sales efforts. Management expects outsourced sales cost (Rs.330mn, ~14% of Revenue) to stabilize over next few quarters.
- **Competition Pressure:** Management mentioned that competitive pressure is low, as no competitors are able to provide a full discovery solution. For IndiaMART as well as competitors, success ratio of buyers and sellers undertaking actual/final transaction is low and volatile. Its presence in price, model and supply discovery, and a comprehensive base of 7.2mn suppliers, and 86mn products provides the widest variety to buyers and suppliers.
- **YoY Decline in Business Enquiries:** Q1FY23 Business Enquiries declined 29% YoY at 115mn and can be attributed to fading demand for COVID-19 related products (masks, PPE kit, etc.). Management shared that post April-22, rise in overall inflation and volatile prices may have affected some enquiries. Better AI/ML has resulted in reducing multiplicity on business enquiries by now only targeting even deeper relevance on multiple parameters.
- **Enquiries to Order Conversion:** Q1FY23 had 115mn business enquiries, and management shared that customers are able to convert 5-10% of enquiries received. Hence ~8.6mn enquiries were converted to orders.
- **Average Order Value:** Management mentioned that a precise AOV value would be difficult to assess, due to a wide variety of items being transacted and larger orders that are undertaken outside 'Pay with IndiaMart' gateway.
- **Strong Hiring in Product and Development:** For Q1FY23, Product & Development employee base stood at 685 employees (~18% of total employee base), witnessing 226 employee addition over preceding quarter. Strong hiring in this division is aimed to improve product portfolio, better buyer & supplier engagement, and category improvement.
- **ARPU:** ARPU for Top-1% customers is Rs.7,90,000 p.a, while ARPU for Top-10% customers is around Rs.2,20,000 p.a. However silver customers' ARPU is Rs. 2,500 per month or Rs. 30,000 p.a. Management is now aiming at ARPU CAGR of 5-6% for its subscribers. At present, customer additions are primarily in silver, so, in near term, ARPU is expected to remain flat or muted. While IndiaMART won't be providing discounts in silver package, but gold and platinum, will receive customized pricing.
- **Ad Spends:** Management expects ad spends to be at Rs.300-400mn p.a. (~5% of FY22 sales). Management also shared that till date, 100% of buyer acquisition has been organic, and will remain so for next 1 year.
- **Churn Rate:** For gold and platinum customers, churn remains less than 10% p.a. In silver annual, it is 20-25%.

- **Customer Addition:** Customer addition starts primarily from Silver monthly packages, ~2/3 of customer of **new customer addition in silver, approx. 2/3rd start with monthly mode, and approx. 20% upgrade in a year's time. For Gold and Platinum package, customers upgrades only over time.**
- **Investee Co. Business update:** For Q1FY23, Busy did sales of Rs.105mn, and earned EBITDA of Rs. 49mn, or EBITDA Margin of 47%. Immediate plan for Busy would be to better sales, and target 20-25% growth rate, and increase overall licenses. Over next 10 years, aim to scale this business to Rs5bn.
- **Difference of Accounting Solutions:** Busy operates at small and medium biz. and is an on-premise solution, while Vyapar (27% stake) operates at micro and small biz and is largely a mobile based solution. Realbooks (Adansa Solutions, 26% stake) provides Cloud based GST accounting for inventory & payroll, while Livekeeping (Finlite Solutions ~51% stake), is an add-on, SaaS service to existing on-premise software like Tally.
- **Threat from (Open Network for Digital Commerce):** Management is of the view that ONDC network's usage is at present limited to B2C, and on boarding merchants and B2B will take a couple of more years to build scale.

Q2FY23 Con-Call Takeaways

- **Customer Addition:** IndiaMART added 9K customers in Q2FY23, and expects to add 8,000-9,000 per quarter. For full-year FY2023, customer base is expected to grow by 20%.
- **Gross Margin** (Sales less Customer Service Cost, part of functional P&L): Q2FY23 margin stood at 76%, and management aspires to achieve 80% by end of FY24e.
- **Monthly Churn:** For Gold and Platinum customers, churn remains stable at less than 1% per month. For Silver annual/multi-year, churn is at ~2.5% per month. Silvery monthly churn remains high at 5-6% per month.
- **ARPU Trajectory:** **ARPU (Rs.48.7K for Q2FY23) is expected to grow by 5% YoY for FY2023, assuming customer base grows by 20% YoY. Silver monthly ARPU remains at ~Rs. 2,500 per month, and is expected to remain at this level. Top 1% of customers contribute 18% of Revenue, with ARPU of Rs. 877K (Q1FY23: Rs. 790K), Top-10% ARPU ~Rs. 229K (Q1FY23: Rs. 220K).**
- **Conversion to Upgraded Packages:** For upgrading customers to Gold and Platinum packages, pitching starts only after 3rd month of good usage, and approximately 2% of customers upgrade every month.
- **Busy Accounting Software:** Busy sold 7.3K licenses in Q2, totaling to 0.32mn licenses sold till date. Billing stood at Rs.115mn (Q1FY23: Rs. 130mn). Revenue/EBITDA stood Rs. 108mn/Rs. 30mn (vs. Q1FY23 Revenue/EBITDA of Rs.105mn/Rs.49mn). Decline in EBITDA (-39% QoQ) was due to higher investments in growth, primarily towards building manpower across sales, servicing, product, and technology.
- **3 goals for Busy:** a) Doubling growth rate (reported 3% QoQ growth in Q2FY23), b) Invest in building a strong team and create product awareness, and c) Increase the overall no. of licenses sold (0.32mn sold till date).

- **Impact of Q4 Seasonality on EBITDA:** Management expects Q4 margin to be weaker, as costs related to bettering collections are incurred (higher incentives for employees meeting their targets) and these costs escalate in line with higher collections.
- **Guidance/Outlook:** Revenue guidance of 20% YoY growth for FY23 with ~28% EBITDA margin. Daily business enquiries, which used to be in the range of 24-25 million earlier, should return to 23-24 million going forward.
- **Additional Points:** 90 day repeat buyers stood at ~53%, continued to augur well for the platform strength.

Q3FY23 Con-Call Takeaways

- **Slower no. of Net Adds** (6,000 in Q3): Q3 saw slower paid supplier additions due to festive seasonality. For Q4FY23, management is confident of achieving 8K plus customer addition. IndiaMART expects customer base to grow by 20% YoY over the long term.
- **Decline in Traffic** (250mn in Q3, down 4% QoQ): Traffic lowered due to typical lower traffic in festive season. Traffic had hit high during COVID times, i.e., Q1FY22 traffic was 268mn, but has witnessed normalization, and seen some inflation impact. Management expects that traffic should sustain at 260mn.
- **Busy Accounting:** This segment's priority remains on stabilizing operations, and improving penetration beyond North India (73% of cumulative license sold). Management for Busy shared hiring of sales team is near completion, and expressed confidence on doubling of growth rate in FY23.
- **Improving ARPU** (Rs. 49.4K, up 1.4% QoQ): ARPU increase largely takes place for Gold and Platinum customers, and less for Silver monthly, annual or multi-year. As more customers migrate towards Gold & Platinum, overall ARPU will improve. Broadly, IndiaMART has guided for ARPU growth at 4-6% CAGR over the long term.
- **Employee Base** (Q3: 4,413): Added 325 employees over Q2. Management mentions that current team base is enough for growth/scale up plans, and going forward, employee addition would be in line with (actual) customer growth.
- **Higher Other Income:** Comprised of Rs.500mn realized and unrealized gain on ProcMart, and Rs.170mn unrealized gain in other investments.
- **EBITDA Margin** (28% in Q3): Management shared that prior high margins of 40%+ were unsustainable, as it reflected lack of investments during COVID period. IndiaMART is now catching up on growth investments, and present EBITDA margins reflect increased wage inflation. Current level of EBITDA margin of 28%, would see expansion after 1-2 quarters. Margins have bottomed out on a YoY basis, but for Q4, margins would be 2-3% lower as per Q4 trend.
- **Higher Outsourced Sales Cost** (Rs. 321mn in Q3FY23, up 83% YoY, down 3% QoQ): Higher outsourced cost reflects cost of new customer addition. IndiaMART has built a network of 100plus channel partners over last 18 months. Channel partners are given handholding period of ~6months (induction/training, fixed salary, etc.), after which incentive is on per sale basis/variable pay. Productivity at outsourced sales needs to deliver better.

- **Advertising:** Since FY16, advertising spend has continued to trend downwards (FY16: Rs. 468mn or 19% of Rev, **9MFY23:** Rs. 16mn, or 0.2% of Rev). Management shared that advertising spends, going forward, would be limited to enhancing brand recall, and not towards increasing traffic.
- **Capital Allocation:** Management shared that it would aim to distribute 1/3rd of the cash generated, via dividend/buyback. Balance amount would be used for business growth and M&A opportunities.
- **Customer Servicing:** For every 65-66 customers, there is one employee in sales and servicing. Total sales and servicing employees as of Q3 is 3,339 (out of 4,413). Management estimates that headcount for sales and servicing will rise by another 100-200 to service current customer base of 194K.
- **Cash Margin:** Management defines cash margin as Cash flow from Operations/Collections. For Q3FY23 Standalone, CFO stood at Rs. 1,150mn, which was ~40% of collections (Rs. 2,830mn). Adjusting for one time tax refund of Rs. 170mn, cash margin stood at 35%.
- **Addressable Market for Busy:** Overall sales for accounting software stands at ~Rs. 20Bn (for FY22). Management expects that market for accounting software usage by businesses to deliver double digit CAGR over next 5-10 year time frame, given higher government focus on tax and GST compliance. Management expects ARPUs to improve materially over the next decade (compared to ARPU's realized in the past years, which were relatively stagnant). Overall market opportunity size can be \$1Bn plus.
- **Top 10% Customers:** Contribute 46% of Revenue and ~80% of profits. In FY19, Top-10 customers contributed 40% of Total Revenue of Rs.5,074mn, or Rs.2,030mn for 13,000 paying subscribers. Now, Top-10% or 19,400 customers contribute to 46% of Revenue. ARPU for Top-10% customers has grown from Rs.175K to Rs.225K.
- **Investments:** IndiaMART raised stake in Bizom from 15.98% to 25.08% in Nov-22 for Rs. 151mn. Bizom, Vyapar and Fleetx have enough capital and their revenues are growing well. Investment in IBMonotaro (Industry Buying, 26% stake) is aimed to improve understanding of e-comm business of industrial products, but this business remains a cash guzzler at present. Going forward, few investee companies will require additional capital/round of investments, and IndiaMART will evaluate when needed, and management believes that quantum of additional investments, however, won't be substantial.
- **Born Platinum Customers:** Management shared that not more than 200-300 of paying subscribers would be 'born' platinum. Amongst Top-10% customers, out of 19,400 customers, ~95% customer base would have followed the organic journey of silver annual to gold to platinum.
- **Targeting cohort basis:** ~95% of customers consume leads within their packages. If a customer shows trend of buying additional leads (as add-ons), IndiaMART would aim to upgrade him to a higher package.

Financial Performance

Profit and Loss Account

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
Revenue	7,535	9,751	11,777	14,221
Total Expense	4,456	7,059	8,432	9,934
COGS	0	0	0	0
Employees Cost	2,676	4,160	5,058	5,900
Other expenses	1,781	2,898	3,374	4,033
EBIDTA	3,078	2,692	3,345	4,287
Depreciation	119	313	366	389
EBIT	2,959	2,379	2,980	3,898
Interest	54	70	42	38
Other Income	1,122	1,793	1,247	1,423
Exc. / E.O. items	0	0	0	0
EBT	4,027	4,101	4,185	5,283
Tax	928	895	1,051	1,331
RPAT	2,976	2,883	2,974	3,932
Minority Interest	0	0	0	0
Profit/Loss share of associates	(122)	(324)	(160)	(20)
APAT	2,976	2,883	2,974	3,932

Balance Sheet

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
Sources of Funds				
Equity Capital	306	306	306	306
Minority Interest	0	0	0	0
Reserves & Surplus	18,435	20,707	22,917	25,932
Net Worth	18,741	21,012	23,222	26,237
Total Debt	0	0	0	0
Net Deferred Tax Liability	156	156	156	156
Total Capital Employed	18,897	21,169	23,379	26,393

Applications of Funds

Net Block	561	602	627	688
CWIP	2	2	2	2
Investments	4,209	4,209	4,209	4,209
Current Assets, Loans & Advances	24,717	28,231	31,579	35,891
Inventories	0	0	0	0
Receivables	13	17	21	25
Cash and Bank Balances	495	3,785	6,805	10,275
Loans and Advances	449	449	449	449
Other Current Assets	478	575	649	736
Less: Current Liabilities & Provisions	10,592	11,876	13,039	14,397
Payables	9,254	10,225	11,256	12,430
Other Current Liabilities	1,338	1,651	1,783	1,967
<i>sub total</i>				
Net Current Assets	14,125	16,355	18,541	21,494
Total Assets	18,897	21,169	23,379	26,393

E – Estimates

Important Ratios

Particulars	FY22A	FY23E	FY24E	FY25E
(A) Margins (%)				
Gross Profit Margin	100.0	100.0	100.0	100.0
EBIDTA Margin	40.9	27.6	28.4	30.1
EBIT Margin	39.3	24.4	25.3	27.4
Tax rate	23.1	21.8	25.1	25.2
Net Profit Margin	39.5	29.6	25.3	27.6
(B) As Percentage of Net Sales (%)				
COGS	0.0	0.0	0.0	0.0
Employee	35.5	42.7	43.0	41.5
Other	23.6	29.7	28.6	28.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	54.8	33.8	70.9	102.6
Inventory days	0	0	0	0
Debtors days	1	1	1	1
Average Cost of Debt				
Payable days	448	383	349	319
Working Capital days	684	612	575	552
FA T/O	13.4	16.2	18.8	20.7
(D) Measures of Investment				
AEPS (Rs)	97.3	94.3	97.3	128.6
CEPS (Rs)	101.2	104.5	109.2	141.3
DPS (Rs)	2.0	20.0	25.0	30.0
Dividend Payout (%)	2.0	21.2	25.7	23.3
BVPS (Rs)	612.9	687.2	759.5	858.1
RoANW (%)	17.1	14.5	13.4	15.9
RoACE (%)	17.9	16.4	14.3	16.0
RoAIC (%)	17.2	13.3	17.5	23.8
(E) Valuation Ratios				
CMP (Rs)	4789	4789	4789	4789
P/E	49.2	50.8	49.2	37.2
Mcap (Rs Mn)	1,46,419	1,46,419	1,46,419	1,46,419
MCap/ Sales	19.4	15.0	12.4	10.3
EV	1,22,644	1,19,229	1,15,959	1,11,739
EV/Sales	16.3	12.2	9.8	7.9
EV/EBITDA	39.8	44.3	34.7	26.1
P/BV	7.8	7.0	6.3	5.6
Dividend Yield (%)	0.0	0.4	0.5	0.6
(F) Growth Rate (%)				
Revenue	12.5	29.4	20.8	20.7
EBITDA	(6.2)	(12.5)	24.3	28.1
EBIT	(5.2)	(19.6)	25.2	30.8
PBT	2.7	1.9	2.0	26.2
APAT	6.4	(3.1)	3.2	32.2
EPS	6.4	(3.1)	3.2	32.2

E – Estimates

Cash Flow

Particulars	FY22A	FY23E	FY24E	FY25E
Profit before tax	3,904	3,778	4,025	5,263
Depreciation & w.o.	119	313	366	389
Net Interest Exp	(7)	(1,722)	(1,205)	(1,385)
Direct taxes paid	(971)	(895)	(1,051)	(1,331)
Change in Working Capital	1,800	1,184	1,084	1,267
Non Cash	(823)	0	0	0
(A) CF from Operating Activities	4,023	2,658	3,219	4,202
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	3,981	2,303	2,829	3,752
Free Cash Flow	27	2,279	2,829	3,752
(Inc.)/ Dec. in Investments	468	(125)	(250)	(750)
Other	175	1,793	1,247	1,423
(B) CF from Investing Activities	(3,354)	1,289	607	223
Issue of Equity/ Preference	5	0	0	0
Inc./(Dec.) in Debt	0	0	0	0
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	(455)	(611)	(764)	(917)
Other	(125)	(47)	(42)	(38)
(C) CF from Financing	(575)	(658)	(806)	(955)
Net Change in Cash	94	3,289	3,020	3,470
Opening Cash balances	401	495	3,785	6,805
Closing Cash balances	495	3,785	6,805	10,275

E – Estimates

Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

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Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

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