

21 July 2023

India | Equity Research | Q1FY24 result review

IndiaMart InterMesh

Internet

Mixed Q1 result; near term margin guidance key to watch out

IndiaMART's strong revenue growth trajectory was maintained in Q1FY24 with ~26% YoY revenue growth. However, new subscriber addition was significantly lower than expectations (4,993 vs I-Sec. est. of 8,000). Our channel checks indicate >10% price increases were taken in base packages (price sensitive) mid-Q1FY24. We believe lower subscriber additions was due to customer pushback to pricing action. EBITDA margin was higher than estimated (27.4% vs I-Sec est.- 26.3%), as employee expense remained flattish QoQ. BUSY revenue grew 15.4% QoQ in Q1FY24, which we believe indicates improving traction for its accounting software service offerings. In addition, the company has announced a buyback of 2.04% equity at INR 4,000 per share. We look forward to more clarity on near term subscriber addition and operating margin outlook in its conference call on Jul 21, '23 at 4pm.

Q1FY24 result highlights

Revenue in Q1FY24 stood at INR 2,821mn, up 4.9% QoQ / 25.6% YoY. Employee expenses at INR 1,243mn were up 0.6% QoQ / 34.4% YoY as the company reinvested in growth. Other expenses at INR 805mn were 1.6% QoQ / 18.6% YoY higher. It reported EBITDA margin of 27.4% (I-Sec: 26.3%). PAT was INR 831mn (I-Sec: Rs850mn).

Other key metrics

Overall traffic in Q1FY24 increased marginally by 0.8% QoQ (down 1.2% YoY). Nearly 79% of the traffic was through mobile. Indian supplier storefronts grew 1.3% QoQ / 5.6% YoY to 7.6mn. Paying subscribers grew 2.3% QoQ / 16% YoY to 207k. ARPU grew 2.7% QoQ to INR 52k pa. Collections in Q1FY24 were at INR 3,210mn (-23.2% QoQ / 26.4% YoY). Deferred revenue amounted to INR 12.02bn (+3.4% QoQ / 25.1% YoY).

Buyback details

The proposal for buyback of 12,50,000 equity shares fully paid up having a face value of INR 10/- each was approved by the Board at the price of INR 4,000 per share. The size of the buyback is INR 5 bn.

Financial summary

Y/E (Rs mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	7,535	9,854	12,787	16,624
EBITDA	3,078	2,679	3,700	5,223
EBITDA Margin (%)	40.9	27.2	28.9	31.4
Net Profit	2,976	2,838	3,499	5,517
EPS (INR)	48.6	46.3	57.1	89.2
EPS % Chg YoY	2.8	(4.6)	23.2	56.1
P/E (x)	59.9	62.5	50.7	32.4
EV/EBITDA (x)	48.4	55.7	40.3	28.5
RoCE (%)	11.7	8.6	11.0	13.2
RoE (%)	17.1	14.4	16.2	22.3

*TP, EPS is adjusted for bonus issue

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Market Data

Market Cap (INR)	178bn
Market Cap (USD)	2,167mn
Bloomberg Code	INMART IN
Reuters Code	INMR BO
52-week Range (INR)	3,051 / 1,964
Free Float (%)	51.0
ADTV-3M (mn) (USD)	8

Price Performance (%)	3m	6m	12m
Absolute	7.6	27.9	39.9
Relative to Sensex	14.1	12.4	23.5

ESG Disclosure	2021	2022	Change
ESG score	31.1	36.3	5.2
Environment	0.9	4.9	4.0
Social	16.2	27.7	11.5
Governance	76.1	76.1	0.0

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Earnings Revisions (%)	FY24E	FY25E
Revenue	(3.1)	(2.7)
EBITDA	(5.9)	(1.4)
EPS	(5.9)	12.0

Previous Reports

01-05-2023: [Q4FY23 results review](#)20-01-2023: [Q3FY23 results review](#)

Valuation

We believe IndiaMART is likely to deliver strong revenue (32%) and EBITDA (41%) CAGR growth trajectory over FY23-FY25E as a key beneficiary of the robust growth in B2B e-commerce expected over the next few years ([link](#)). We maintain BUY, given its likely growth prospects and improving margin trajectory. We maintain our target price at INR 3,500* (~34x FY25E EV/EBITDA).

Key risks

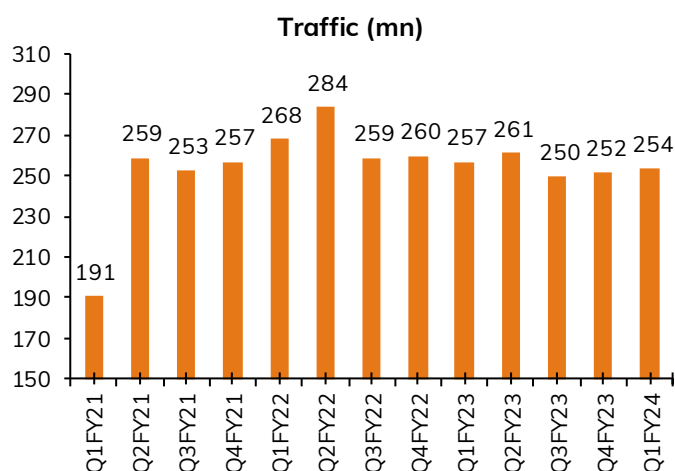
Subdued subscriber addition, margin improvement not playing out.

Exhibit 1: Q1FY24 summary

(INR mn)	Q1FY24	Q4FY23	Q1FY23	QoQ (%)	YoY (%)	I-sec estimates	Diff.
Net Sales	2,821	2,688	2,246	4.9	25.6	2,817	0.1
Employee expenses	1,243	1,235	925	0.6	34.4	1293	-3.8
Other expenses	805	792	679	1.6	18.6	784	2.7
Total Expenses	2,048	2,027	1,604	1.0	27.7	2,076	-1.4
EBITDA	773	661	642	16.9	20.4	741	4.3
EBITDA %	27.4	24.6	28.6	280 bps	(120 bps)	26.3	110bps
Depreciation	74	86	63	-14.0	17.5	85	-12.4
EBIT	699	575	579	21.6	20.7	656	6.5
Finance Cost	22	21	12	4.8	83.3	23	-4.8
Other Income	571	307	10	86.0	5610.0	500	14.2
Recurring pre-tax income	1,248	861	577	44.9	116.3	1,133	10.1
Taxation	293	198	40	48.0	632.5	283	3.4
Recurring Net Income	955	663	537	44.0	77.8	850	12.4
Share of associate and exceptional item	-124	-105	-70				
Recurring Net Income	831	558	467	48.9	77.9	850	-2.2
Ratios (%)							
EBITDA margin	27.4	24.6	28.6			26.3	
EBIT margin	24.8	21.4	25.8			15.7	
Effective tax rate	23.5	23.0	6.9			21.0	
Net profit margins	33.9	24.7	23.9			25.1	

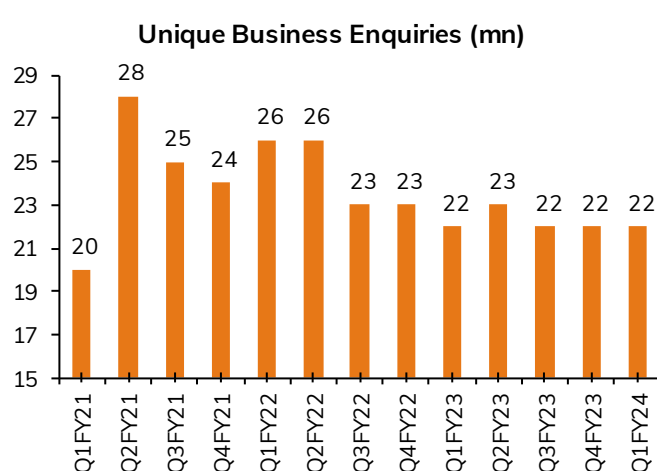
Source: Company data, I-Sec research

Exhibit 2: Traffic increased slightly in Q1FY24

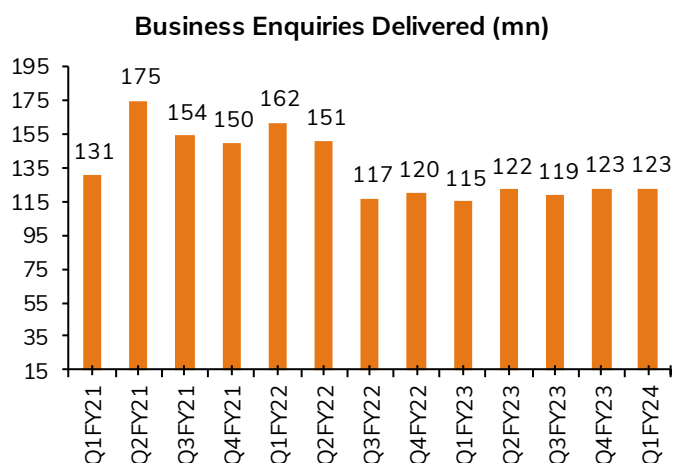


Source: Company data, I-Sec research

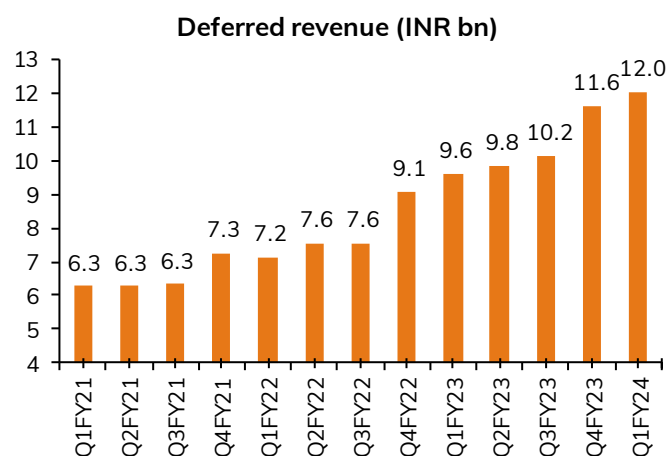
Exhibit 3: Number of unique enquiries was steady



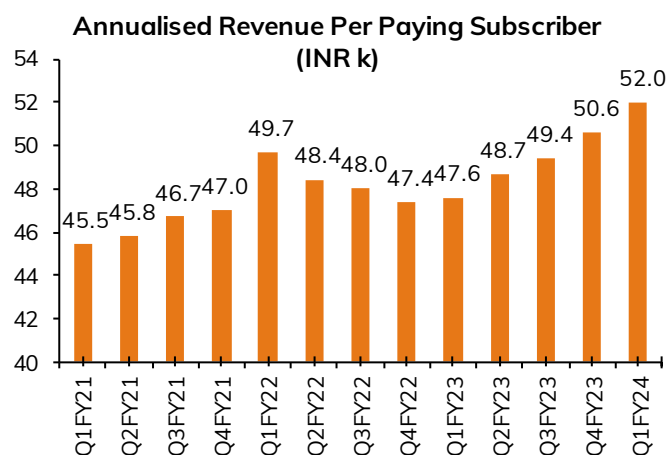
Source: Company data, I-Sec research

Exhibit 4: Stabilisation in enquiries delivered

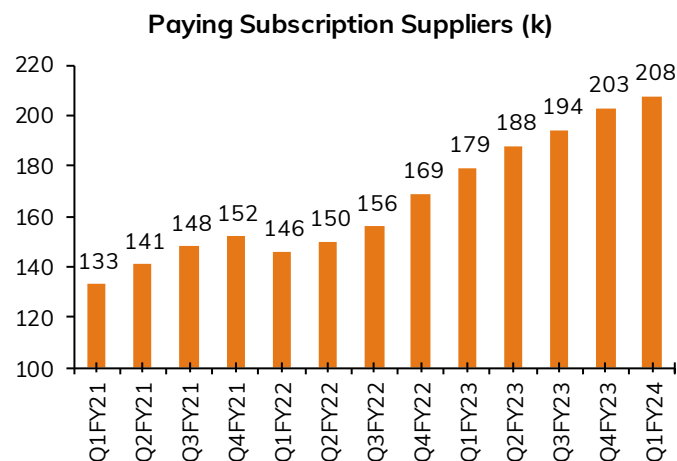
Source: Company data, I-Sec research

Exhibit 5: Deferred revenue increasing steadily

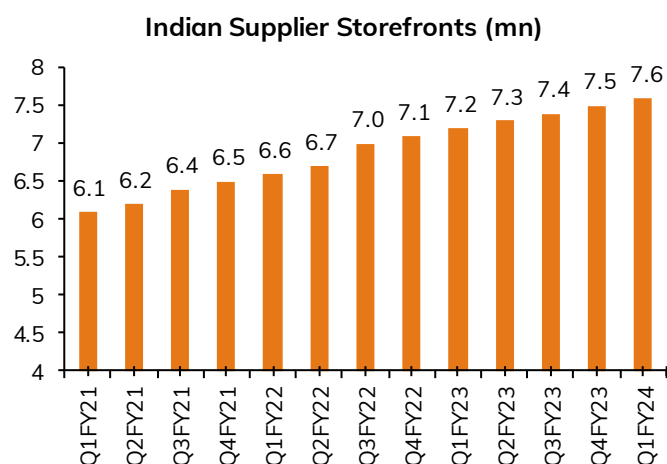
Source: Company data, I-Sec research

Exhibit 6: ARPU is increasing

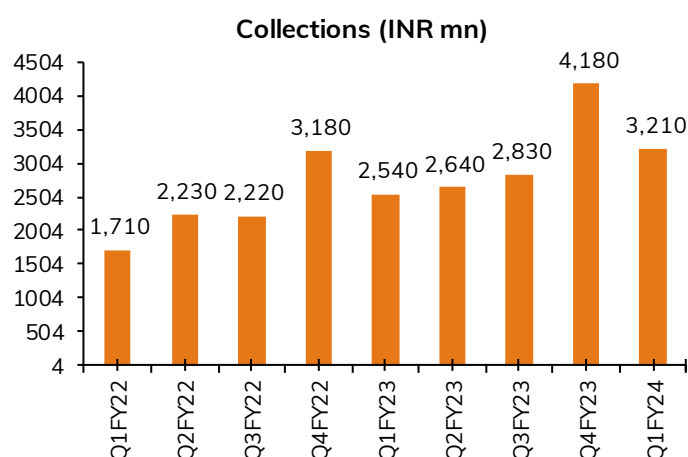
Source: Company data, I-Sec research

Exhibit 7: Increasing number of paying suppliers

Source: Company data, I-Sec research

Exhibit 8: Supplier storefronts remain steady

Source: Company data, I-Sec research

Exhibit 9: Collections grew by 26.4% YoY

Source: Company data, I-Sec research

Exhibit 10: Shareholding pattern

%	Sep'22	Dec'22	Mar'23
Promoters	49.2	49.2	49.2
Institutional investors	30.3	31.2	32.2
MFs and others	4.5	5.1	4.9
Insurance	0.4	0.3	0.3
FII's	25.4	25.8	27.0
Others	20.5	19.6	18.6

Source: Bloomberg, I-Sec research

Exhibit 11: Price chart

Source: Bloomberg, I-Sec research

Financial summary

Exhibit 12: Profit and loss

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	7,535	9,854	12,787	16,624
Operating Expenses	4,456	7,175	9,087	11,401
EBITDA	3,078	2,679	3,700	5,223
EBITDA Margin (%)	40.9	27.2	28.9	31.4
Depreciation & Amortization	119	311	335	436
EBIT	2,959	2,368	3,365	4,787
Interest expenditure	54	81	96	117
Other Non-operating Income	84	1,805	1,371	2,686
Recurring PBT	2,989	4,092	4,640	7,355
Profit / (Loss) from Associates	(122)	(379)	-	-
Less: Taxes	(110)	875	1,141	1,839
PAT	3,099	3,217	3,499	5,517
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	2,976	2,838	3,499	5,517
Net Income (Adjusted)	2,976	2,838	3,499	5,517

Source Company data, I-Sec research

Exhibit 13: Balance sheet

(Rs mn, year ending)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	1,394	916	5,970	13,837
of which cash & cash eqv.	495	581	5,506	13,243
Total Current Liabilities & Provisions	6,638	8,999	10,047	12,147
Net Current Assets	(5,244)	(8,083)	(4,078)	1,690
Investments	25,498	25,469	25,469	25,469
Net Fixed Assets	562	5,533	5,200	4,766
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	-	-	-	-
Other assets	2,033	2,505	2,349	2,711
Deferred Tax assests	-	22	22	22
Total Assets	22,850	25,447	28,963	34,659
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	3,316	4,206	5,544	7,103
provisions	231	196	258	331
other Liabilities	-	-	-	-
Equity Share Capital	18,741	20,585	22,735	26,829
Reserves & Surplus	-	-	-	-
Total Net Worth	18,741	20,585	22,735	26,829
Minority Interest	-	-	-	-
Total Liabilities	22,850	25,447	28,963	34,659

Source Company data, I-Sec research

Exhibit 14: Quarterly trend

(INR mn, year ending)

	Sept-22	Dec-22	Mar-23	Jun-23
Net Sales	2,406	2,514	2,688	2,821
% growth (YOY)	31.9	33.7	33.5	25.6
EBITDA	672	702	661	773
Margin %	27.9	27.9	24.6	27.4
Other Income	466	1,022	307	571
Extraordinaries	0	0	0	-18
Net Profit	684	1,128	558	831

Source Company data, I-Sec research

Exhibit 15: Cashflow statement

(Rs mn, year ending)

	FY22A	FY23A	FY24E	FY25E
Operating Cashflow	4,023	4,759	4,664	6,939
Working Capital Changes	4,994	5,513	5,805	8,778
Capital Commitments	(42)	(160)	(64)	(83)
Free Cashflow	(2)	(12)	-	-
Other investing cashflow	(3,311)	(3,080)	1,636	2,371
Cashflow from Investing Activities	(3,354)	(3,240)	1,572	2,288
Issue of Share Capital	-	-	-	-
Interest Cost	(54)	(47)	(96)	(117)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(455)	(1,307)	(1,225)	(1,423)
Others	(66)	(79)	(34)	(31)
Cash flow from Financing Activities	(575)	(1,433)	(1,355)	(1,571)
Chg. in Cash & Bank balance	94	86	4,881	7,656
Closing cash & balance	495	581	5,462	13,162

Source Company data, I-Sec research

Exhibit 16: Key ratios

(Year ending)

	FY22A	FY23A	FY24E	FY25E
Per Share Data (INR)				
Reported EPS	48.7	46.4	57.2	89.4
Adjusted EPS (Diluted)	48.6	46.3	57.1	89.2
Book Value per share (BV)	9.4	8.6	7.8	6.6
Growth (%)				
Net Sales	12.5	30.8	29.8	30.0
EBITDA	(6.2)	(13.0)	38.1	41.2
EPS (INR)	2.8	(4.6)	23.2	56.1
Valuation Ratios (x)				
P/E	59.9	62.5	50.7	32.4
P/CEPS	28.8	28.2	46.3	30.1
P/BV	9.4	8.8	7.8	6.7
EV / EBITDA	48.4	55.7	40.3	28.5
Operating Ratios				
Gross Profit Margins (%)	64.5	56.9	55.3	57.3
EBITDA Margins (%)	40.9	27.2	28.9	31.4
Effective Tax Rate (%)	(3.7)	21.4	24.6	25.0
Net Profit Margins (%)	41.1	32.6	27.4	33.2
NWC / Total Assets (%)	59.9	42.1	47.5	51.9
Net Debt / Equity (x)	-	-	-	-
Profitability Ratios				
RoCE (%)	11.7	8.6	11.0	13.2
RoE (%)	17.1	14.4	16.2	22.3
RoIC (%)	17.1	14.4	16.2	22.3
Fixed Asset Turnover (x)	13.4	1.8	2.5	3.5
Inventory Turnover Days	1	3	4	4
Receivables Days	1	3	3	3
Payables Days	9	10	10	10

Source Company data, I-Sec research

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