

01 May 2024

India | Equity Research | Q4FY24 results review

IndiaMart InterMesh

Internet

Net customer additions showing early signs of recovery; long way to go still

In Q4FY24, IndiaMart InterMesh (IndiaMart) added ~2.7k net subscribers, which is an improvement from ~1.9k added in Q3FY24. We believe this metric is likely to improve sequentially going ahead as the proportion of new subscribers (<1-year-old who have historically been more susceptible to churn) in FY25E may be lower vs FY24. We estimate 5-6k quarterly net subscriber addition by Q2FY25E. Management also sounded more confident of reverting to >20% YoY collection and revenue growth with >100bps YoY EBITDA margin expansion in the near term. Given the stock has remained rangebound over the last year on account of limited visibility on growth, improving earnings outlook could drive re-rating. Maintain **BUY** with TP of INR 3,500.

Q4FY24 result highlights

Revenue in Q4FY24 was INR 3,147mn, up 3.1% QoQ/17.1% YoY. Employee expenses at INR 1,489mn were up 7.5% QoQ/20.6% YoY as 198 employees were added in Q4FY24. Other expenses at INR 774mn. IndiaMart reported consolidated EBITDA margin of 28.1%. Recurring net income was INR 996mn.

Other key metrics

Overall, traffic in Q4FY24 grew 6.7% YoY (down 1.1% QoQ) to 269mn. Total supplier storefronts grew 1.3% QoQ/5.3% YoY to 7.9mn. Paid suppliers grew 1.3% QoQ/5.5% YoY to 214k. Nett. 2,683 subscribers were added in Q4FY24. ARPU grew 1.5% QoQ/10.5% YoY to INR 55.9k p.a. Collections in Q4FY24 were at INR 4,840mn (+45.8% QoQ/ 15.8% YoY). Deferred revenue amounted to INR 11.62bn (down 8.5% QoQ/ flattish YoY).

Management commentary

According to the management, ~16% growth in collections was primarily led by improving mix/realisation (increase in ARPU of ~10%). This was below management guidance of >20% YoY collection growth and was due to subdued net subscriber addition. However, it maintained >20% collection growth guidance.

Management believes higher churn in 'silver monthly' category was somewhat attributable to suppliers upgrading to higher categories and not a function of reduced affordability. Therefore, price cuts do not seem like a viable option to reverse churn.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	9,854	11,968	14,209	17,366
EBITDA	2,679	3,314	4,136	5,483
EBITDA Margin (%)	27.2	27.7	29.1	31.6
Net Profit	2,838	3,762	4,475	5,610
EPS (INR)	92.7	62.6	73.8	91.5
EPS % Chg YoY	(4.9)	(32.5)	17.8	24.1
P/E (x)	28.4	42.1	35.8	28.8
EV/EBITDA (x)	49.8	40.3	32.3	24.3
RoCE (%)	8.6	12.7	13.4	15.1
RoE (%)	14.4	19.8	23.7	25.0

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Market Data

Market Cap (INR)	159bn
Market Cap (USD)	1,901mn
Bloomberg Code	INMART IN
Reuters Code	INMR BO
52-week Range (INR)	3,336 /2,393
Free Float (%)	51.0
ADTV-3M (mn) (USD)	6.0

Price Performance (%)	3m	6m	12m
Absolute	4.9	(0.2)	(1.5)
Relative to Sensex	1.1	(16.8)	(23.3)

Previous Reports

19-01-2024: [Q3FY24 results review](#)

29-10-2023: [Q2FY24 results review](#)

Management mentioned it is now feeling more confident of sustaining >30% EBITDA margin and guided for >100bps EBITDA margin expansion in FY25. In FY24, it improved EBITDA margin by +140 bps YoY for standalone business aided by rationalisation of cost across sales, marketing, product development and technology front. Management highlighted that to counter employee attrition, it plans to on-board ~1K employees (who were on third-party payroll) onto IndiaMart's payroll over the next two quarters and therefore 'manpower expenses' increased in Q4FY24, while 'outsourced sales cost' declined sequentially. IndiaMart announced a dividend of INR 20 per share

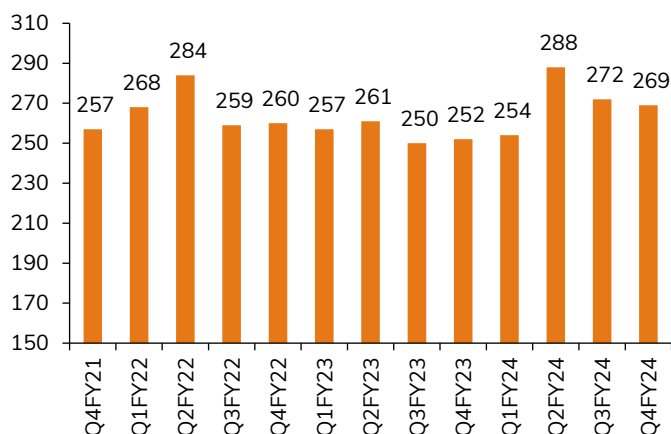
Valuation

We maintain BUY on the stock with target price of INR 3,500 (based on 32x 1-year forward EV/EBITDA multiple). Key risks: Subdued subscriber addition; and margin improvement not playing out.

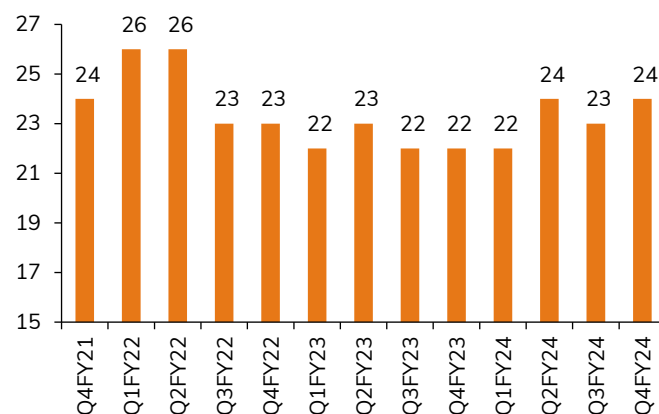
Exhibit 1: Q4FY24 review

(INR mn)	Q4FY24	Q3FY24	Q4FY23	QoQ (%)	YoY (%)	I-sec estimates	Diff.
Net Sales	3,147	3,053	2,688	3.1	17.1	3,156	-0.3
Employee expenses	1,489	1,385	1,235	7.5	20.6	1470	1.3
Other expenses	774	811	792	-4.6	-2.3	848	-8.7
Total Expenses	2,263	2,196	2,027	3.1	11.6	2,318	-2.4
EBITDA	884	857	661	3.2	33.7	838	5.5
EBITDA %	28.1	28.1	24.6	1 bps	349 bps	26.6	153 bps
Depreciation	127	84	86	51.2	47.7	86	48.2
EBIT	757	773	575	-2.1	31.7	752	0.6
Finance Cost	22	22	21	0.0	4.8	25	-13.0
Other Income	772	417	307	85.1	151.5	417	85.1
Recurring pre-tax income	1,507	1,168	861	29.0	75.0	1,144	31.7
Taxation	395	277	198	42.6	99.5	268	47.4
Recurring Net Income	1,112	891	663	24.8	67.7	876	26.9
Share of associates and extraordinary items	-116	-72	-105	61.1	10.5	-72	61.1
Reported Net Income	996	819	558	21.6	78.5	804	23.9
Ratios (%)							
EBITDA margin	28.1	28.1	24.6			26.6	
EBIT margin	24.1	25.3	21.4			15.7	
Effective tax rate	26.2	23.7	23.0			21.0	
Net profit margins	35.3	29.2	24.7			25.1	

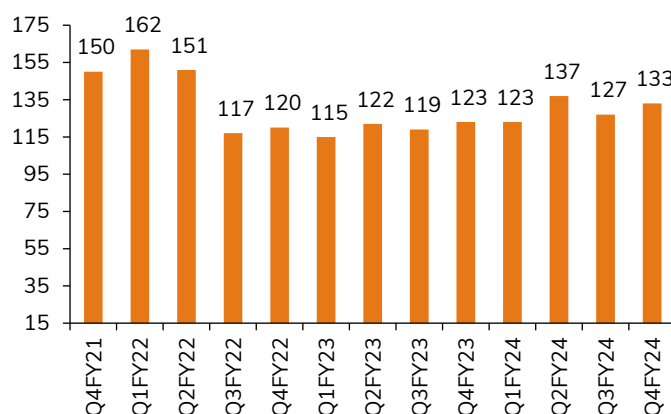
Source: I-Sec research, Company data

Exhibit 2: Traffic (mn)

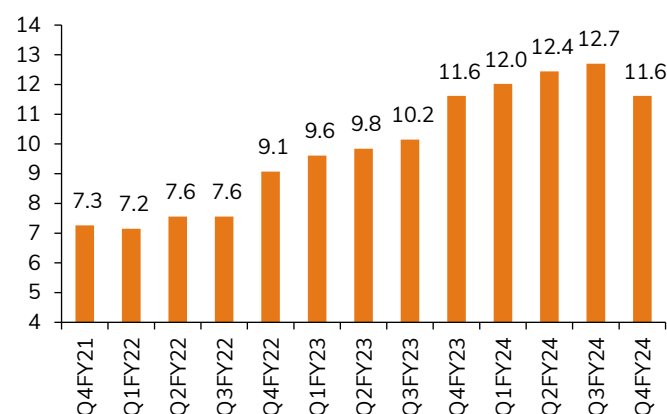
Source: I-Sec research, Company data

Exhibit 3: Unique business inquiries (mn)

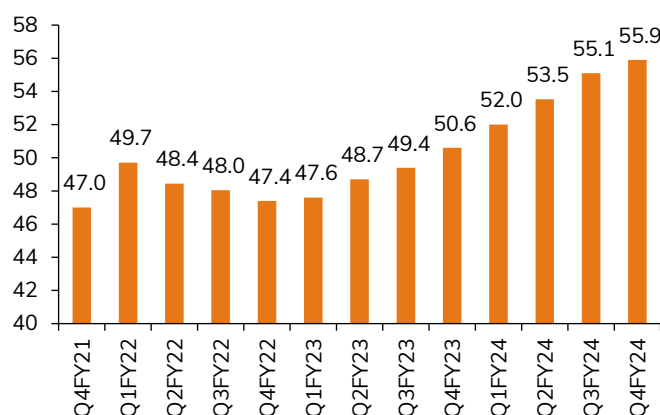
Source: I-Sec research, Company data

Exhibit 4: Business enquiries delivered (mn)

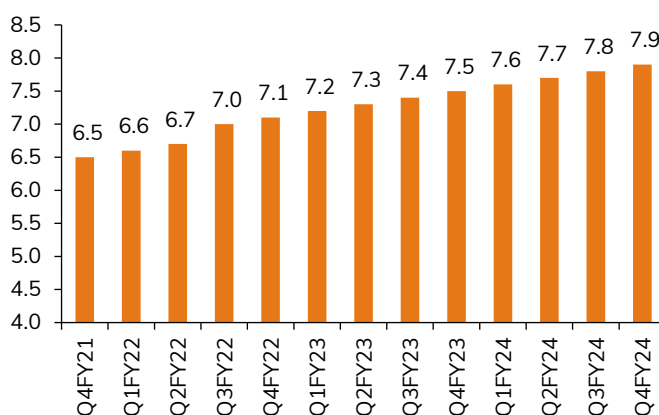
Source: I-Sec research, Company data

Exhibit 5: Deferred revenue (INR bn)

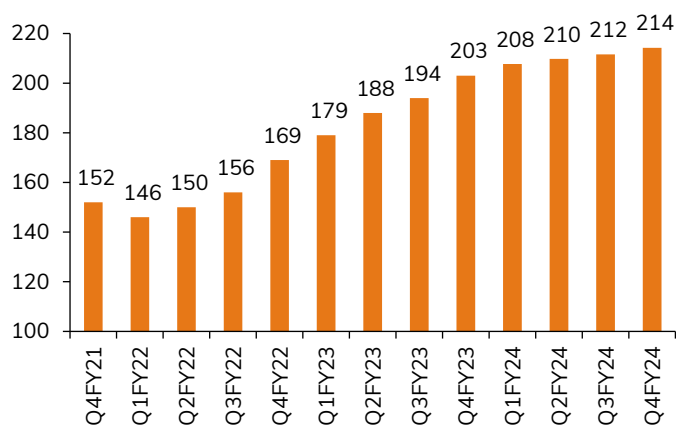
Source: I-Sec research, Company data

Exhibit 6: ARPU (INR k)

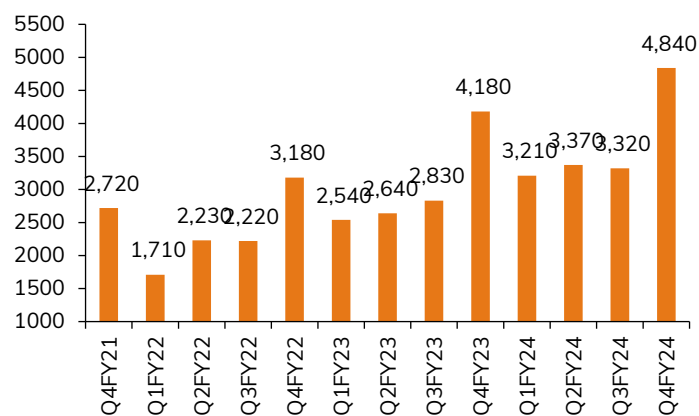
Source: I-Sec research, Company data

Exhibit 7: Indian supplier storefronts (mn)

Source: I-Sec research, Company data

Exhibit 8: Paying subscriptions suppliers (k)

Source: I-Sec research, Company data

Exhibit 9: Collections (INR mn)

Source: I-Sec research, Company data

Exhibit 10: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	49.2	49.2	49.2
Institutional investors	32.8	32.4	33.7
MFs and others	4.6	7.1	8.8
Insurance	0.4	0.5	0.7
FIIIs	27.8	24.8	24.2
Others	18.0	18.4	17.1

Source: Bloomberg, I-Sec research

Exhibit 11: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 12: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	9,854	11,968	14,209	17,366
Operating Expenses	7,175	8,654	10,074	11,884
EBITDA	2,679	3,314	4,136	5,483
EBITDA Margin (%)	27.2	27.7	29.1	31.6
Depreciation & Amortization	311	365	433	530
EBIT	2,368	2,949	3,702	4,953
Interest expenditure	81	89	102	123
Other Non-operating Income	1,805	2,106	2,366	2,650
Recurring PBT	4,092	4,966	5,967	7,480
Profit / (Loss) from Associates	(379)	-	-	-
Less: Taxes	875	1,204	1,492	1,870
PAT	3,217	3,762	4,475	5,610
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	2,838	3,762	4,475	5,610
Net Income (Adjusted)	2,838	3,762	4,475	5,610

Source Company data, I-Sec research

Exhibit 13: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	916	1,479	7,844	15,649
of which cash & cash eqv.	581	848	7,103	14,798
Total Current Liabilities & Provisions	8,999	11,259	13,038	15,519
Net Current Assets	(8,083)	(9,780)	(5,194)	130
Investments	25,469	24,764	24,764	24,764
Net Fixed Assets	5,533	5,365	4,934	4,406
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	-	-	-	-
Other assets	2,505	2,813	2,996	3,444
Deferred Tax Assets	22	-	-	-
Total Assets	25,447	23,227	27,565	32,809
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	4,206	5,190	6,414	7,639
provisions	196	269	332	396
other Liabilities	-	-	-	-
Equity Share Capital	20,585	17,361	20,441	24,396
Reserves & Surplus	-	-	-	-
Total Net Worth	20,585	17,361	20,441	24,396
Minority Interest	-	-	-	-
Total Liabilities	25,447	23,227	27,565	32,809

Source Company data, I-Sec research

Exhibit 14: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	2,821	2,947	3,053	3,147
% growth (YOY)	25.6	22.5	21.4	17.1
EBITDA	773	800	857	884
Margin %	27.4	27.2	28.1	28.1
Other Income	571	346	417	772
Extraordinaries	(18)	-	-	-
Adjusted Net Profit	831	694	819	996

Source Company data, I-Sec research

Exhibit 15: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	4,759	4,932	5,477	7,237
Working Capital Changes	5,513	6,142	6,969	9,107
Capital Commitments	(160)	-	(71)	(87)
Free Cashflow	(12)	-	-	-
Other investing cashflow	(3,080)	2,074	2,306	2,237
Cashflow from Investing Activities	(3,240)	2,074	2,235	2,150
Issue of Share Capital	-	-	-	-
Interest Cost	(47)	(92)	(102)	(123)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(1,307)	(1,201)	(1,395)	(1,655)
Others	(79)	(53)	(29)	-
Cash flow from Financing Activities	(1,433)	(1,054)	(1,526)	(1,778)
Chg. in Cash & Bank balance	86	5,952	6,186	7,609
Closing cash & balance	581	6,533	7,034	14,713

Source Company data, I-Sec research

Exhibit 16: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	93.0	62.8	73.9	91.8
Adjusted EPS (Diluted)	92.7	62.6	73.8	91.5
Cash EPS	102.9	68.7	80.9	100.2
Dividend per share (DPS)	20.0	20.0	23.0	27.0
Book Value per share (BV)	674.7	289.7	337.7	399.1
Dividend Payout (%)	4.7	3.1	3.2	3.4
Growth (%)				
Net Sales	30.8	21.5	18.7	22.2
EBITDA	(13.0)	23.7	24.8	32.6
EPS (INR)	(4.9)	(32.5)	17.8	24.1
Valuation Ratios (x)				
P/E	28.4	42.1	35.8	28.8
P/CEPS	25.7	38.5	32.7	26.4
P/BV	3.9	9.1	7.8	6.6
EV / EBITDA	49.8	40.3	32.3	24.3
P / Sales	8.2	13.3	11.3	9.3
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	0.6	0.5	0.5	0.6
EBITDA Margins (%)	27.2	27.7	29.1	31.6
Effective Tax Rate (%)	21.4	24.2	25.0	25.0
Net Profit Margins (%)	32.6	31.4	31.5	32.3
NWC / Total Assets (%)	42.1	35.7	41.7	46.0
Net Debt / Equity (x)	-	-	-	-
Net Debt / EBITDA (x)	66.2	47.6	47.2	46.1
Profitability Ratios				
RoCE (%)	8.6	12.7	13.4	15.1
RoE (%)	14.4	19.8	23.7	25.0
RoIC (%)	14.4	19.8	23.7	25.0
Fixed Asset Turnover (x)	1.8	2.2	2.9	3.9
Inventory Turnover Days	3	2	2	2
Receivables Days	3	1	2	1
Payables Days	10	10	11	11

Source Company data, I-Sec research

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