

Growth Stability; Marketing Expenditure to Accelerate

Est. Vs. Actual for Q1FY26: Revenue – **INLINE**; EBIT Margin – **INLINE**; PAT – **MISS**

Recommendation Rationale

- **Higher Advertisement expenses:** The company plans to maintain a quarterly budget of Rs 6-10 Cr for advertising to further optimise the platform. These expenses are more towards platform traffic, unique business inquiries, and business inquiries delivered/transactions.
- **Customer churn and retention:** Churn remains elevated for silver subscribers while it is well under control for gold and platinum subscribers. The management believes it might take a few more quarters to see positive impacts, especially on monthly subscribers.
- **AI implementation:** The company is leveraging generative AI for enhanced audit and classification capabilities, and further for cost optimisation and user experience. However, revenue opportunities from AI in the B2B space are yet to be fully realised.

Sector Outlook: Optimistic

Company Outlook & Guidance: The company guided an EBITDA margin of 30-35% in the long run. 30-33% sustainable margins are expected on the back of retention and sales, and marketing efforts.

Current Valuation: 25x FY27E P/E

Current TP: Rs 2,880/share

Recommendation: Given the company's strong growth potential backed by a robust B2B platform and superior execution capabilities. **We resume our coverage with a HOLD rating on the stock.**

Financial performance

In Q1FY26, IndiaMart InterMesh reported a revenue of Rs 372 Cr vs Rs 331 Cr in Q1FY25, up 12.3% YoY and 4.8% QoQ. EBITDA stood at Rs 134 Cr vs Rs 119 Cr in Q1FY25, up 12.1% YoY and 2.4% QoQ, while EBITDA margin fell by 84 bps QoQ to 35.9% due to higher employee and other expenses. EBIT stood at Rs 127 Cr vs Rs 111 Cr in Q1FY25, up 14.1% YoY and 3.7% QoQ. Net Income came in at Rs 154 Cr vs Rs 114 Cr in Q1FY25, up 34.6% YoY but down 15% QoQ, led by higher loss of share of associates and tax expenses.

Valuation & Recommendation

The company continues to strengthen its position as a leading marketplace for MSMEs, and the key developments are likely to support higher revenue growth and margins in the long run. Therefore, we resume over coverage with a **HOLD rating on the stock** and assign a 25x P/E multiple to its FY27E earnings to arrive at a TP of Rs 2,880/share, implying an upside of 9% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	372	4.8	12.3	359	3.6
EBIT	127	3.69	14.1	121	4.6
EBIT Margin	34.0	-36bps	52bps	33.7	1.0
Net Profit	154	(15.0)	34.6	174	(11.8)
EPS (Rs)	25.6	(15.0)	34.6	26.9	(4.9)

Source: Company, Axis Research

(CMP as of 18th July, 2025)

CMP (Rs)	2,655
Upside /Downside (%)	9%
High/Low (Rs)	3,199/1,850
Market cap (Cr)	16,245
Avg. daily vol. (6m)Shrs.	2,03,430
No. of shares (Cr)	60

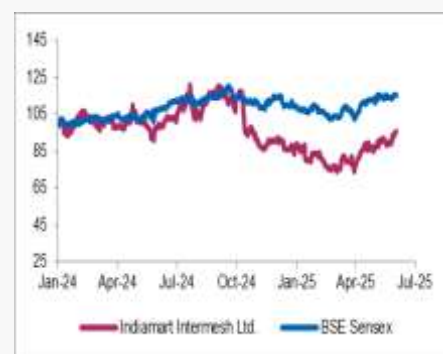
Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	49.2	49.2	49.2
FII's	23.9	21.1	19.0
MFs/UTI	10.0	12.0	13.6
Banks/FIs	0.0	0.0	0.0
Others	16.9	17.8	18.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	1,388	1,551	1,785
EBIT	490	513	579
Net Profit	551	584	713
EPS (Rs)	91	96	118
PER (x)	29	28	23
P/BV (x)	7	6	5
EV/EBITDA (x)	31	29	26
ROE (%)	28	24	23

Relative Performance



Source: AceEquity, Axis Securities

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Outlook

From a long-term perspective, we believe Indiamart is well-placed to report encouraging growth in light of the multiple long-term contracts it has procured from the world's leading brands. Richer revenue visibility also gives us further confidence in the company's business growth moving forward.

Key highlights

- The company spent Rs 5-6 Cr on online advertising (performance and affiliate marketing on YouTube and Meta) in Q1FY26, compared to Rs 1 Cr in Q4FY25, resulting in 5-6% additional growth in unique business inquiries. In the coming years, the company plans to maintain a quarterly budget of Rs 6-10 Cr towards advertising for business optimisation, higher net additions and retention of buyers.
- The management stated that losses from associates have increased due to new investments like Fleetx becoming an associate and increased shareholding in existing associates like Vyapar (from 26% to 29%) and BIZOM (from 22% to 31%).
- IndiaMART is leveraging Gen AI for enhanced audit and classification capabilities, using its proprietary data from buyer-seller calls to drive further automation. While cost optimisation and customer experience are current benefits, revenue opportunities from AI in the B2B space are yet to be fully reflected.
- Key initiatives like addressing general problems highlighted by silver, gold, and platinum customers, specifically focusing on lead quality, non-local business inquiries, and many more micro issues, have been done by the company.
- The churn rate for the company remains elevated for Silver monthly (7%) and Silver annual (4%) customers, while it is well under control for Gold and Platinum customers (~1%). The management believes it might take another 2-3 quarters to see positive impacts on churn from product improvements, especially for monthly subscribers. Platinum and Gold customers continued to show good upsell and retention rates, constituting about 50% of the customer base and 75% of revenue.
- As per the management, Unique Business Inquiries have shown an uptick, reaching 29 Mn, the highest ever. Repeat buyers are at 58%, the highest post-COVID pandemic.
- The company guided an EBITDA margin of 30-35% in the long run. However, 30-33% sustainable margins are expected on the back of retention and sales and marketing efforts.

Key Risks to our Estimates and TP

- The rising competition may reduce the market share and impact the revenue potential of the company.
- Higher headcounts and other operating costs may impact the company's operating margins negatively.

Results Review
(Rs Cr)

Y/E March	Q1FY26	Q4FY25	QoQ (%)	Q1FY25	YoY (%)
Net sales	372	355	4.8	331	12.3
Total Expenditure	239	225	6.2	212	12.4
EBITDA	134	130	2.4	119	12.1
<i>EBITDA margin (%)</i>	<i>35.9</i>	<i>36.7</i>	<i>-84bps</i>	<i>35.9</i>	<i>-7bps</i>
Depreciation	7	8	(16.9)	8	(14.8)
EBIT	127	122	3.7	111	14.1
<i>EBIT margin (%)</i>	<i>34.0</i>	<i>34.4</i>	<i>-36bps</i>	<i>33.5</i>	<i>52bps</i>
Interest cost	1	2	(41.2)	2	(50.0)
Other income	92	109	(15.1)	53	73.7
Exceptional item	0	0	NA	0	NA
PBT	218	229	(4.9)	162	34.4
Tax	50	38	34.4	37	36.2
Share of associates	-14	-11	27.0	-11	25.9
Profit after tax	154	181	(15.0)	114	34.6
Reported EPS	25.6	30.1	(15.0)	19	34.6
Adj. PAT	154	181	(15.0)	114	34.6
Adj. EPS	25.6	30.1	(15.0)	19	34.6

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net sales	985	1,197	1,388	1,551	1,785
Change(YoY,%)	31	21	16	12	15
Operating expenses	718	865	866	1,011	1,178
EBITDA	268	2,062	2,254	2,561	2,962
Change (YoY,%)	-13	24	58	3	12
Margin (%)	27	28	38	35	34
Depreciation	31	37	33	28	28
EBIT	236	295	490	513	579
Interest paid	8	9	7	7	8
Other income	181	211	272	340	375
Pre-tax profit	409	495	755	845	946
Tax	88	120	155	205	233
Effective tax rate (%)	21	24	21	24	25
Share of associates	-38	-40	-49	-56	0
Net profit	284	334	551	584	713
Exceptional items	0	-2	0	0	0
Adjusted net profit	284	332	551	584	713
Change (YoY %)		17%	66%	6%	22%
Adj.EPS	97	55	91	96	118
Dividend per sh	24	14	23	24	29
Dividend Payout (%)	25	25	25	25	25

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share capital	31	60	60	60	60
Reserves & surplus	2,028	1,676	2,125	2,709	3,422
Shareholders funds	2,058	1,736	2,185	2,769	3,482
Total Debt	34	29	23	27	33
Other liabilities	496	616	704	704	704
Curr Liab & prov	856	1,067	1,222	1,225	1,229
Current liabilities	848	1,058	1,211	1,214	1,219
Provisions	8	10	10	10	10
Total liabilities	1,386	1,712	1,948	1,956	1,966
Total equity & liabilities	3,445	3,449	4,134	4,725	5,448
Net fixed assets	13	16	8	11	14
Investments	237	269	420	420	420
Other non-curr assets	832	794	770	770	770
Current assets	2,363	2,370	2,936	3,524	4,244
Inventories	0	0	0	0	0
Sundry Debtors	7	5	4	4	5
Cash & Liquid	58	101	84	254	493
Other Curr Assets	2,298	2,264	2,847	3,266	3,747
Total assets	3,445	3,449	4,134	4,725	5,448

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Pre tax	284	334	551	584	713
Depreciation	31	37	33	28	28
Chg in working capital	256	248	(428)	(415)	(477)
Other operating activities	(181)	(211)	(272)	(340)	(375)
Cash flow from operations (a)	398	418	(110)	(137)	(103)
Capital expenditure	(10)	(3)	8	(3)	(3)
Chg in investments	(454)	(7)	6	-	-
Other investing activities	-	(0)	1	-	-
Cash flow from investing (b)	(392)	(10)	14	(3)	(3)
Equity raised/(repaid)	0	29	0	-	-
Debt raised/(repaid)	114	115	82	5	5
Dividend (incl. tax)	(71)	(84)	(138)	(146)	(178)
Chg in minorities	-	-	-	-	-
Other financing activities	(39)	(47)	(40)	(35)	(36)
Cash flow from financing (c)	(25)	(589)	(60)	(30)	(30)
Net change in cash (a+b+c)	(19)	(180)	(155)	(170)	(136)
Opening cash balance	77	58	101	84	254
Closing cash balance	58	101	85	254	493

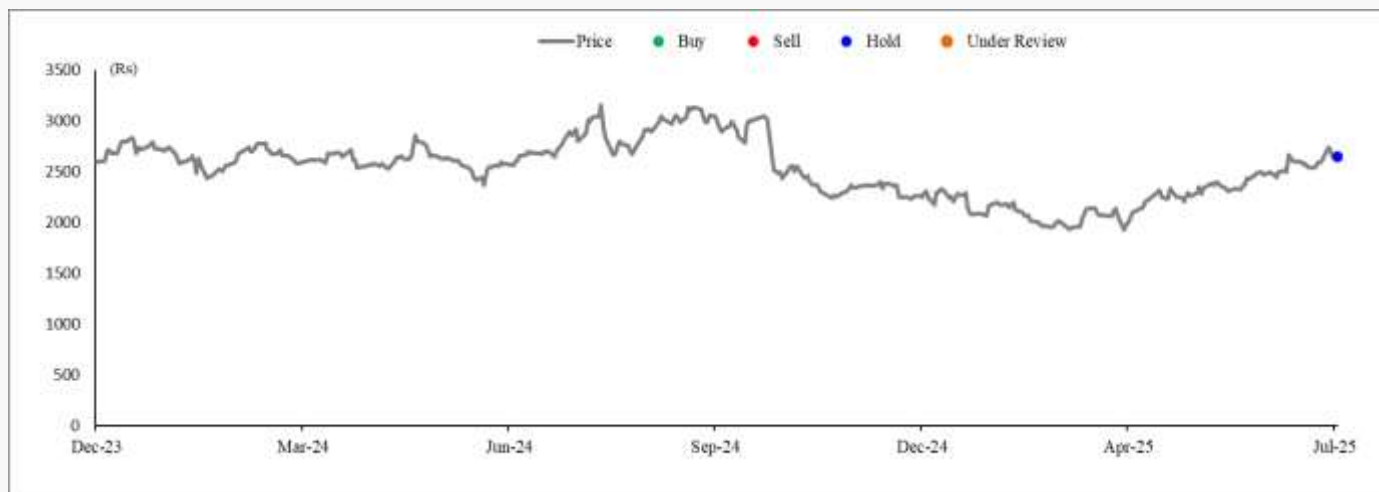
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	707	287	361	457	575
Adj EPS (Rs)	97.4	55.5	91.0	96.4	117.8
Adj EPS growth (%)	-7.7	-43.0	63.9	6.0	22.1
EBITDA margin (%)	27.2	27.7	37.6	34.8	34.0
Pre-tax margin (%)	41.5	41.4	54.3	54.5	53.0
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
ROCE (%)	13.4	15.3	22.9	20.1	18.6
ROE (%)	14.4	17.6	28.1	23.6	22.8
Financial leverage ratios					
Debt / Equity (x)	2%	2%	1%	1%	1%
Interest Coverage (x)	29	33	66	73	72
Interest / Debt (%)	20%	28%	28%	28%	27%
Working Capital & Liquidity Ratio					
Inventory days	0	0	0	0	0
Receivable days	3	1	1	1	1
Payable days	10	10	7	7	7
Valuation ratio					
PER (x)	27.3	48.1	29.2	27.5	22.5
Adjusted PER (x)	27.3	47.9	29.2	27.5	22.5
P/BV (x)	3.8	9.3	7.4	5.8	4.6
EV/EBITDA (x)	28.8	48.3	30.7	29.3	25.7
Market Cap. / Sales (x)	7.8	13.4	11.6	10.4	9.0

Source: Company, Axis Securities

IndiaMART Intermesh Price Chart and Recommendation History



Date	Reco	TP	Research
21-Jul-25	HOLD	2880	Result Update

Source: Axis Securities Research

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