

October 29, 2023

RESULT REPORT Q2 FY24 | Internet/Platform

Indiamart Ltd

Robust financial performance; Operating margin expected to improve going ahead

Result Synopsis

Indiamart (INMART) reported broadly inline financial performance for the quarter. The sequential revenue and EBITDA margin were along expectation. It reported sequential revenue growth of 4.5% QoQ, led by 1.0% QoQ increase in the number of paid customers and around 3.9% QoQ increase in average realization. The growth in the number of paid customers was at around ~2k QoQ. There was sequential decline in EBITDA margin (down 26 bps QoQ) led by higher manpower cost. The Internet traffic to the portal and the number of registered buyers grew during the quarter as per the trend.

It has dominant market share in B2B classified business with around 65% market share in paid listings. The strong performance is led by higher value proposition for sellers leading to higher pricing power, efficient matching algorithm resulting in higher buyer satisfaction. The growth in paid customers is expected to be between 7k-8k per quarter going ahead. The growth in collections remain robust and provides strong growth outlook. Most of traffic on the portal is organic driven led by strong value proposition with little spending on advertising. EBITDA margin has stabilised after being under pressure recently and we expect it to reach around 30% by Q4FY23. We estimate revenue CAGR of 23.5% over FY23-25E with average EBITDA margin of 30.4% over the period. We maintain our BUY rating on the stock with revised target price of Rs 3,755/share based on DCF methodology. The stock trades at PER of 49.0x/35.9x on FY24E/FY25E EPS.

Result Highlights

- Reported revenue of Rs 2,947mn (up 4.5% QoQ, up 22.5% YoY). The sequential growth was led by 1.0% QoQ increase in the number of paid customers and around 3.9% QoQ increase in average realization.
- Total collection increased by 5.0% QoQ to Rs 3.37bn (up 28.0% YoY), led by addition of new customers and ongoing upgradation to premium packages.
- EBITDA margin decreased by 26 bps QoQ to 27.1%, led by increase in manpower expenses.
- Number of registered buyers was 182 mn for the quarter vs 175 mn in Q1FY24.
- Total traffic to the portal increased to 288 mn vs 254 mn in Q1FY24.
- The number of paid customers grew by 2k QoQ to 210k. While ARPU grew by 3.9% QoQ to Rs 53,525 for the quarter.

Exhibit 1: Actual vs estimates

| Rs mn | Actual | Estimate | | % Variation | |
|-------------------|--------|----------|-----------|-------------|-----------|
| | | YES Sec | Consensus | YES Sec | Consensus |
| Sales | 2,947 | 2,969 | 2,980 | -0.7% | -1.1% |
| EBITDA | 800 | 844 | 850 | -5.2% | -5.9% |
| EBITDA Margin (%) | 27.15% | 28.43% | 28.52% | -128 bps | -138 bps |
| Adjusted PAT | 694 | 895 | 770 | -22.5% | -9.9% |

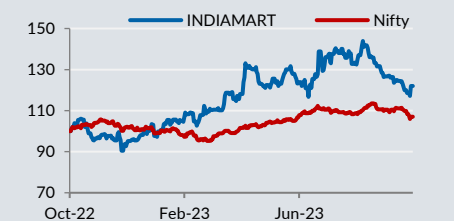
Source: Company, YES Sec

| | |
|------------------|------------|
| Reco | : BUY |
| CMP | : Rs 2,772 |
| Target Price | : Rs 3,755 |
| Potential Return | : + 35.5% |

Stock data (as on October 27, 2023)

| | |
|-------------------------|---------------|
| Nifty | 19,047 |
| 52 Week h/l (Rs) | 3336 / 2044 |
| Market cap (Rs/USD mn) | 166044 / 1994 |
| Outstanding Shares (mn) | 60 |
| 6m Avg t/o (Rs mn): | 467 |
| Div yield (%): | 0.4 |
| Bloomberg code: | INMART IN |
| NSE code: | INDIAMART |

Stock performance



| | 1M | 3M | 1Y |
|-----------------|-------|--------|-------|
| Absolute return | -3.6% | -10.3% | 22.1% |

Shareholding pattern (As of Sep'23 end)

| | |
|----------|-------|
| Promoter | 49.2% |
| FII+DII | 32.8% |
| Others | 17.9% |

Δ in stance

| (1-Yr) | New | Old |
|--------------|-------|-------|
| Rating | BUY | BUY |
| Target Price | 3,755 | 3,845 |

Δ in earnings estimates

| | FY24E | FY25E |
|-----------|-------|-------|
| EPS (New) | 56.5 | 77.2 |
| EPS (Old) | 59.9 | 78.0 |
| % change | -5.6% | -1.0% |

Financial Summary

| (Rs mn) | FY23 | FY24E | FY25E |
|-------------|--------|--------|--------|
| Net Revenue | 9,855 | 12,256 | 15,040 |
| YoY Growth | 30.8% | 24.4% | 22.7% |
| EBIDTA | 2,677 | 3,460 | 4,908 |
| YoY Growth | -13.0% | 29.2% | 41.8% |
| PAT | 2,837 | 3,455 | 4,719 |
| YoY Growth | -4.7% | 21.8% | 36.6% |
| ROE | 14.4% | 15.7% | 18.5% |
| EPS | 46 | 57 | 77 |
| P/E | 59.7 | 49.0 | 35.9 |
| BV | 337 | 385 | 451 |
| P/BV | 8.2 | 7.2 | 6.2 |

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Exhibit 2: Quarterly snapshot Console: Maintains robust revenue growth momentum

| (Rs mn) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | yoy% | qoq% | H1FY24 | H1FY23 | yoy% |
|-----------------|--------|--------|--------|--------|--------|----------|----------|--------|--------|---------|
| Revenue | 2,407 | 2,514 | 2,688 | 2,821 | 2,947 | 22.5 | 4.5 | 5,768 | 4,653 | 24.0 |
| EBITDA | 672.44 | 702 | 661 | 773 | 800 | 19.0 | 3.5 | 1,573 | 1,314 | 19.7 |
| EBITDA margin % | 27.9% | 27.9% | 24.6% | 27.4% | 27.1% | -80 bps | -26 bps | 27.3% | 28.3% | -98 bps |
| D&A | 75.88 | 86 | 86 | 74 | 80 | 5.4 | 8.1 | 154 | 139 | 10.9 |
| EBIT | 596.56 | 616 | 575 | 699 | 720 | 20.7 | 3.0 | 1,419 | 1,176 | 20.7 |
| EBIT margin % | 24.8% | 24.5% | 21.4% | 24.8% | 24.4% | -36 bps | -35 bps | 24.6% | 25.3% | -67 bps |
| Finance cost | 25.25 | 22 | 21 | 22 | 23 | -8.9 | 4.5 | 45 | 37 | 20.8 |
| Other income | 465.71 | 1022 | 307 | 571 | 346 | -25.7 | -39.4 | 917 | 476 | 92.8 |
| PBT | 926.98 | 1522 | 756 | 1124 | 933 | 0.6 | -17.0 | 2,057 | 1,434 | 43.4 |
| Tax | 243.15 | 394 | 198 | 293 | 239 | -1.7 | -18.4 | 532 | 283 | 87.9 |
| PAT | 683.83 | 1128 | 558 | 831 | 694 | 1.5 | -16.5 | 1,525 | 1,151 | 32.5 |
| PAT margin% | 28.4% | 44.9% | 20.8% | 29.5% | 23.5% | -487 bps | -591 bps | 26.4% | 24.7% | 170 bps |

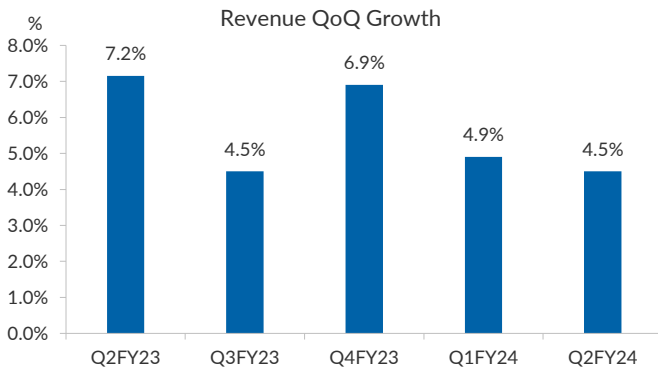
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Expects paid customer addition to be around 8k from Q3FY24.
- Busy Infotech-Reported revenue of Rs 129mn (up 24% YoY) and EBITDA of Rs 17mn for the quarter.
- Busy Infotech issued 8,000 new licenses during the quarter taking the overall count to 3.48 lakh licenses till Q2FY24.
- Added around 245 employees during the quarter.
- Management is focusing to improve EBITDA margin to 30% by Q4FY24.
- Churn rate in platinum and gold packages (~50% of customers, ~75% of Revenue) is 1% compared to silver annual which stood at 4%.
- Silver Monthly churn rate stood at 7% due to price hikes in base level packages which were effective from 15th May 2023.
- ~2,000 net additions of customer against target of 8,000 due to price hike in entry level packages.

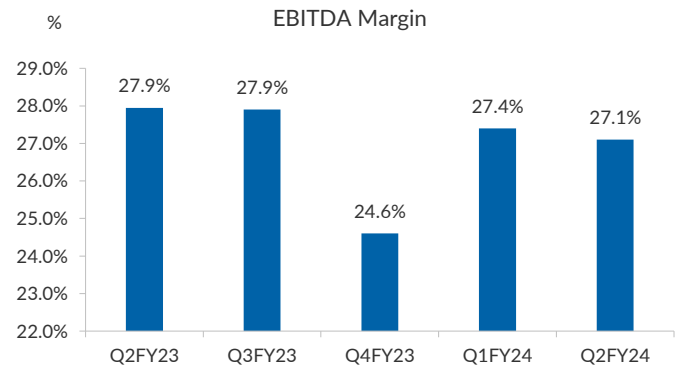
STORY IN CHARTS

Exhibit 3: Sequential revenue growth driven by higher realization



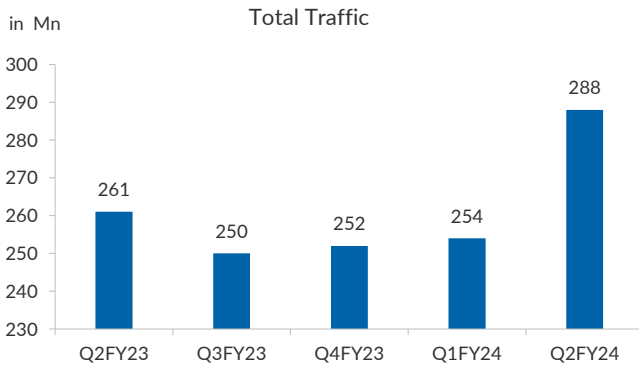
Source: Company, YES Sec

Exhibit 4: EBITDA margin decreased sequentially in the quarter



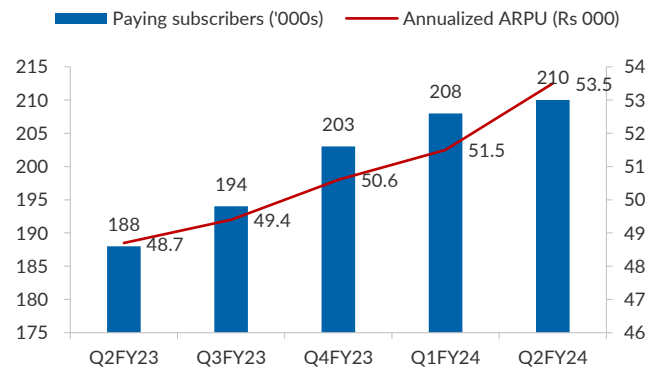
Source: Company, YES Sec

Exhibit 5: Traffic to the portal remains robust despite decrease in covid related enquiries



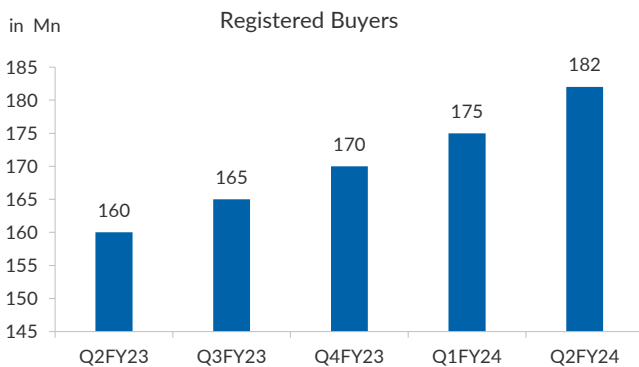
Source: Company, YES Sec

Exhibit 6: Number of paying customers grew by ~2k QoQ



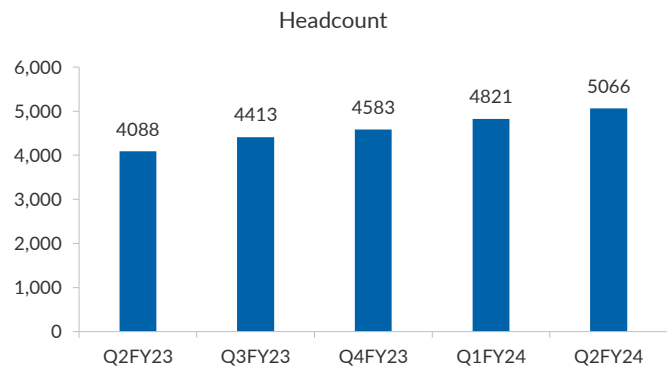
Source: Company, YES Sec

Exhibit 7: No of Buyers increased inline with trend



Source: Company, YES Sec

Exhibit 8: Headcount increased sequentially



Source: Company, YES Sec

FINANCIALS

Exhibit 9: Balance Sheet

| Y/e March 31 (Rs mn) | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|--------------------------------|--------|--------|--------|--------|--------|--------|
| Share capital | 289 | 303 | 306 | 306 | 306 | 306 |
| Reserves & surplus | 2,462 | 15,806 | 18,435 | 20,279 | 23,216 | 27,227 |
| Shareholders' funds | 2,751 | 16,109 | 18,741 | 20,585 | 23,522 | 27,533 |
| Non-current liabilities | 3,575 | 3,593 | 4,166 | 5,301 | 4,989 | 5,037 |
| Other non-current liabilities | 3,575 | 3,593 | 4,166 | 5,301 | 4,989 | 5,037 |
| Current liabilities | 4,904 | 5,413 | 6,582 | 8,560 | 9,051 | 9,573 |
| Other current liabilities | 4,904 | 5,413 | 6,582 | 8,560 | 9,051 | 9,573 |
| Total (Equity and Liabilities) | 11,229 | 25,115 | 29,489 | 34,446 | 37,562 | 42,143 |
| Non-current assets | 2,030 | 1,268 | 5,087 | 10,812 | 12,707 | 16,001 |
| Fixed assets (Net block) | 858 | 652 | 562 | 5,533 | 5,440 | 5,349 |
| Non-current Investments | 697 | 411 | 4,249 | 5,158 | 5,411 | 5,681 |
| Other non-current assets | 475 | 204 | 275 | 121 | 1,857 | 4,971 |
| Current assets | 9,200 | 23,847 | 24,402 | 23,634 | 24,855 | 26,142 |
| Cash & current investment | 8,957 | 22,952 | 23,776 | 23,301 | 24,495 | 25,752 |
| Other current assets | 242 | 895 | 626 | 333 | 360 | 390 |
| Total (Assets) | 11,229 | 25,115 | 29,489 | 34,446 | 37,562 | 42,143 |

Source: Company, YES Sec

Exhibit 10: Income Statement

| Y/e March 31 (Rs mn) | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|--------------------------|---------|---------|---------|---------|---------|----------|
| Net sales | 6,389 | 6,696 | 7,535 | 9,855 | 12,256 | 15,040 |
| Operating expenses | (4,700) | (3,414) | (4,457) | (7,177) | (8,796) | (10,132) |
| EBITDA | 1,689 | 3,282 | 3,078 | 2,677 | 3,460 | 4,908 |
| Depreciation | (211) | (161) | (119) | (311) | (310) | (361) |
| EBIT | 1,478 | 3,121 | 2,959 | 2,367 | 3,150 | 4,547 |
| Other income | 686 | 866 | 1,122 | 1,805 | 1,822 | 1,864 |
| Profit before tax | 2,131 | 3,920 | 4,027 | 4,091 | 4,881 | 6,318 |
| Tax (current + deferred) | (640) | (1,095) | (928) | (875) | (1,182) | (1,590) |
| Reported Profit / (Loss) | 1,474 | 2,798 | 2,977 | 2,837 | 3,455 | 4,719 |
| Adjusted net profit | 1,474 | 2,798 | 2,977 | 2,837 | 3,455 | 4,719 |

Source: Company, YES Sec

Exhibit 11: Cash Flow Statement

| Y/e March 31 (Rs mn) | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------------|---------|----------|---------|---------|---------|---------|
| Profit before tax | 2,131 | 3,920 | 4,027 | 4,091 | 4,881 | 6,318 |
| Depreciation | 211 | 161 | 119 | 311 | 310 | 361 |
| Change in working capital | 980 | (134) | 1,394 | 2,236 | 480 | 509 |
| Total tax paid | (28) | (849) | (928) | (897) | (1,160) | (1,590) |
| Others | 33 | 67 | 54 | 80 | 91 | 92 |
| Cash flow from oper. (a) | 3,327 | 3,164 | 4,666 | 5,821 | 4,602 | 5,690 |
| Capital expenditure | (977) | 45 | (29) | (5,281) | (216) | (270) |
| Change in investments | (3,305) | (13,169) | (4,672) | (619) | (1,388) | (1,463) |
| Others | (221) | 25 | (71) | 176 | (1,758) | (3,115) |
| Cash flow from inv. (b) | (4,503) | (13,100) | (4,771) | (5,725) | (3,363) | (4,847) |
| Free cash flow (a+b) | (1,176) | (9,936) | (105) | 96 | 1,239 | 843 |
| Equity raised/(repaid) | 3 | 14 | 2 | 0 | 0 | 0 |
| Debt raised/(repaid) | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividend (incl. tax) | (333) | (15) | (455) | (61) | (518) | (708) |
| Others | 968 | 10,475 | 549 | (221) | (662) | (71) |
| Cash flow from fin. (c) | 638 | 10,474 | 96 | (282) | (1,181) | (779) |
| Net chg in cash (a+b+c) | (539) | 539 | (9) | (185) | 58 | 64 |

Source: Company, YES Sec

Exhibit 12: Ratio Analysis

| Y/e March 31 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|--------------------------------|-------|-------|-------|--------|-------|-------|
| Growth(%) | | | | | | |
| Revenue Growth | 25.9 | 4.8 | 12.5 | 30.8 | 24.4 | 22.7 |
| EBITDA Growth | 105.1 | 94.3 | (6.2) | (13.0) | 29.2 | 41.8 |
| EBIT Growth | 88.9 | 111.2 | (5.2) | (20.0) | 33.1 | 44.3 |
| Net Profit Growth | 635.3 | 89.8 | 6.4 | (4.7) | 21.8 | 36.6 |
| Profitability Ratios(%) | | | | | | |
| EBITDA Margin | 26.4 | 49.0 | 40.8 | 27.2 | 28.2 | 32.6 |
| EBIT margin | 23.1 | 46.6 | 39.3 | 24.0 | 25.7 | 30.2 |
| Net Profit margin | 23.1 | 41.8 | 39.5 | 28.8 | 28.2 | 31.4 |
| RoA | 15.2 | 17.2 | 10.8 | 7.4 | 8.8 | 11.4 |
| RoE | 67.8 | 29.7 | 17.1 | 14.4 | 15.7 | 18.5 |
| RoCE | 28.6 | 24.0 | 13.9 | 9.7 | 11.6 | 14.9 |
| Liquidity Ratios | | | | | | |
| Net debt/Equity (x) | (3.3) | (1.4) | (1.3) | (1.1) | (1.0) | (0.9) |
| Current ratio (x) | 1.9 | 4.4 | 3.7 | 2.8 | 2.7 | 2.7 |
| Quick ratio (x) | 1.9 | 4.4 | 3.7 | 2.8 | 2.7 | 2.7 |
| Per Share(Rs) | | | | | | |
| EPS | 24.1 | 45.8 | 48.7 | 46.4 | 56.5 | 77.2 |
| BV per share | 45.0 | 263.6 | 306.7 | 336.9 | 385.0 | 450.6 |
| DPS | 4.6 | 0.2 | 7.4 | 1.0 | 8.5 | 11.6 |
| Valuation Ratios | | | | | | |
| PER(x) | NA | NA | NA | 59.7 | 49.0 | 35.9 |
| PCE(x) | NA | NA | NA | 53.8 | 45.0 | 33.3 |
| Price/Book(x) | NA | NA | NA | 8.2 | 7.2 | 6.2 |
| EV/EBITDA(x) | NA | NA | NA | 54.6 | 41.9 | 29.3 |

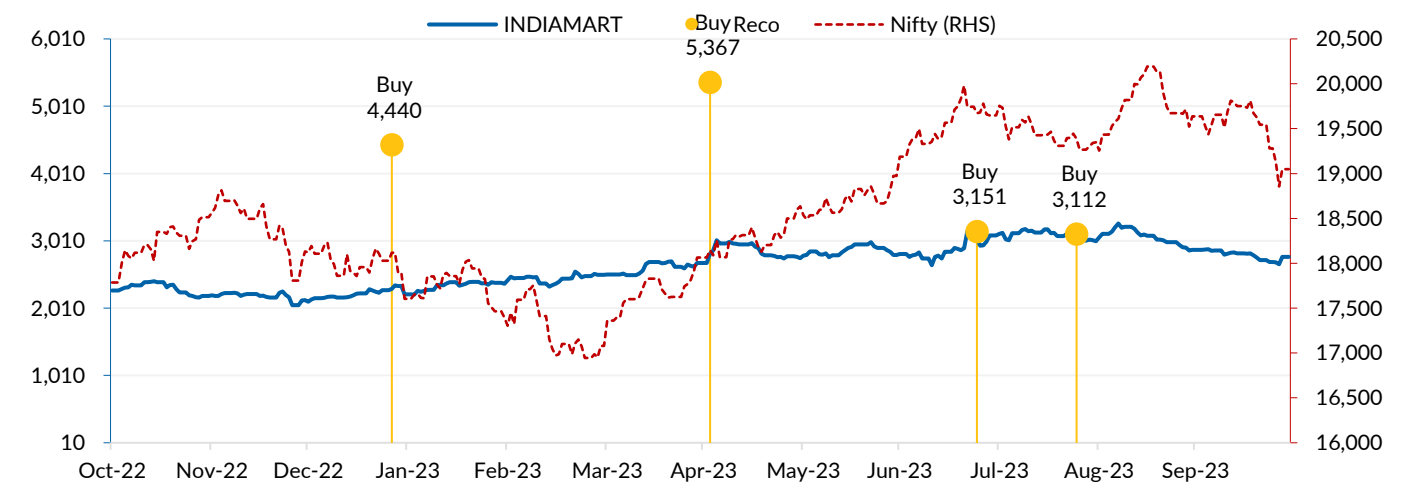
Source: Company, YES Sec

Exhibit 13: Dupont Analysis

| Dupont Analysis | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------|------|------|------|------|-------|-------|
| Net margin(%) | 23.1 | 41.8 | 39.5 | 28.8 | 28.2 | 31.4 |
| Asset turnover (x) | 0.7 | 0.4 | 0.3 | 0.3 | 0.3 | 0.4 |
| Leverage factor (x) | 4.5 | 1.9 | 1.6 | 1.6 | 1.6 | 1.6 |
| Return on Equity(%) | 67.8 | 29.7 | 17.1 | 14.4 | 15.7 | 18.5 |

Source: Company, YES Sec

Recommendation Tracker



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YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.