

## IndiaMART InterMESH Ltd.

BUY

Choice

Cost optimization initiatives to expand margins

IndiaMart InterMesh reported robust consolidated Q1FY25 revenue from operations at INR3,313mn, up 17.4% YoY. The growth in revenue was primarily driven by 4% increase in paying subscription suppliers and 13% improvement in ARPU due to higher monetization. The number of subscription-paying suppliers increased to ~216,000, up 0.9% sequentially/ 3.8% YoY. Consolidated collections grew 14% YoY to INR3,660mn in Q1FY25. Deferred revenue rose 23% YoY to INR14.7bn, which should support revenue growth in FY25E. Consolidated cash generated from operations stood at INR1,360mn for Q1FY25 (represents 37% of collections).

- Standalone EBITDA Margins stood at healthy 37% for the quarter. This margin expansion was due to organic operating leverage, certain cost optimization initiatives and savings due to lower customer acquisitions. As the customer growth picks up, the margin expansion will normalize to 33-34% for FY25E with the help of operating leverage and lower sales and marketing cost. Standalone collections have been growing below 20% trajectory over the last few quarters because of weak net customer addition. Company added ~2,000 customers in Q1 and continues to see more than anticipated churn in silver category, while gold and platinum customers continue to have a very low churn and grow healthily in terms of numbers and ARPU. Company may start guiding on net customer additions once the churn improvement is seen. IndiaMart registered traffic of 267mn and unique business enquiries of 25mn in Q1FY25. Supplier Storefronts grew to 8.0mn, an increase of 5% YoY. Company continues to make investment and undertake measures to enhance customer experience and improve retention, as well as drive a deeper penetration in the paying customers.
- BUSY has done a net billing of INR234mn in Q1 representing a 4% YoY. The revenue from operations have grown by 15% YoY to INR155mn. The deferred revenue and advances have grown by 41% YoY to INR515mn. The EBITDA for the quarter stood at INR10mn representing a margin of ~6.5%. There were a total of about 9,700 new licenses that were sold to customers during the quarter, taking the total licenses sold count to 3,73,000 at the end of Q1. Management is focused on growing its new customer base and increase the overall growth rate in coming quarters.
- During the quarter, company has got into an agreement to acquire 10% stake in 'M/s Baldor Technologies Private Limited' ("IDfy"), which is an Integrated Identity Platform offering products and solutions for KYC, Background Verifications, Risk Mitigation, Digital Onboarding and Digital Privacy.

**Valuation:** IndiaMart continues to make investments in strengthening their organization to leverage the growth opportunities. Growth will be driven by new sales, service and marketing head, focus on tier1 and tier 2 suppliers and ARPU growth in gold and platinum segment. We maintain our **BUY** rating and arrive at a revised TP of INR3,480 implying a P/E of 37x on FY26E EPS of INR94.

## Financial Snapshot

Year end: March	FY22	FY23	FY24	FY25E	FY26E
Revenue (INR Mn.)	7,535	9,854	11,968	14,159	17,725
Gross Profit (INR Mn.)	4,859	5,607	6,527	8,071	9,944
EBIT (INR Mn.)	2,959	2,368	2,949	4,283	5,061
EBIT Margin (%)	39.3	24.0	24.6	30.3	28.6
EPS (INR)	48.6	46.3	55.0	77.0	94.1

Source: Company, CEBPL

July 31, 2024

CMP (Rs.)	3,147
Target Price (Rs.)	3,480
Potential Upside (%)	10.6

## Company Info

BB Code	INMART IN Equity
ISIN	INE933S01016
Face Value (Rs.)	10
52 Week High (Rs.)	3,293.4
52 Week Low (Rs.)	2,229.1
Mkt Cap (Rs bn.)	188.7
Mkt Cap (\$ bn.)	2.3
Shares o/s /Float (mn.)	59.9/51
FY24 EPS (Rs.)	55.0
FY26E EPS (Rs.)	94.1

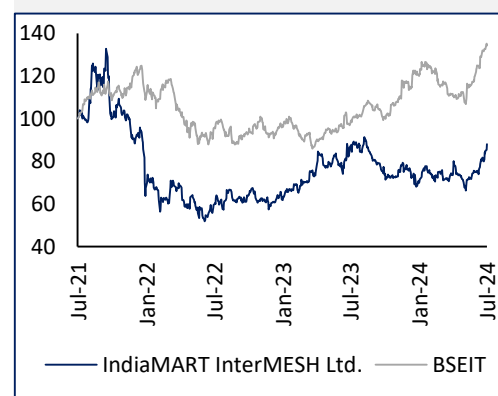
## Shareholding Pattern (%)

	Jun-24	Mar-24	Dec-23
Promoters	49.21	49.21	49.21
FII's	23.37	23.08	24.16
DII's	11.81	10.60	8.24
Public	15.61	17.11	18.39

## Relative Performance (%)

YTD	3Y	2Y	1Y
BSE IT	34.2	40.4	38.5
IndiaMart	(11.9)	47.9	1.8

## Rebased Price Performance



## CA Vatsal Vinchhi, Analyst

Email: vatsal.vinchhi@choiceindia.com  
Ph: +91 22 6707 9224

## Ashutosh Murarka, Associate

Email: ashutosh.murarka@choiceindia.com  
Ph: +91 22 6707 9442

## Sequential Operating Performance

Quarterly Performance Trend	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
<b>Operating Metrics</b>						
Revenue (in USD Mn)	2,688	2,821	2,947	3,053	3,147	3,313
QoQ growth (%)	6.9	4.9	4.5	3.6	3.1	5.3
YoY growth (%)	33.5	25.6	22.4	21.4	17.1	17.4
<b>Total Traffic (Mn.)</b>	252	254	288	272	269	267
QoQ growth (%)	0.8	0.8	13.4	-5.6	-1.1	-0.7
YoY growth (%)	-3.1	-1.2	10.3	8.8	6.7	5.1
<b>Indian Supplier Storefronts (Mn.)</b>	8	8	8	8	8	8
QoQ growth (%)	1.4	1.3	1.3	1.3	1.3	1.3
YoY growth (%)	5.6	5.6	5.5	5.4	5.3	5.3
<b>Paying Subscription Suppliers (Thousands.)</b>	203	208	210	212	214	216
QoQ growth (%)	4.6	2.5	1.0	1.0	0.9	0.9
YoY growth (%)	20.1	16.2	11.7	9.3	5.4	3.8
<b>Total Products Live (Mn.)</b>	95	98	102	104	108	110
QoQ growth (%)	5.6	3.2	4.1	2.0	3.8	1.9
YoY growth (%)	14.5	14.0	17.2	15.6	13.7	12.2
<b>Registered Buyers</b>	170	175	182	187	194	198
QoQ growth (%)	3.0	2.9	4.0	2.7	3.7	2.1
YoY growth (%)	14.1	13.6	13.8	13.3	14.1	13.1
<b>Last 12 months active buyers</b>	37	37	37	38	39	40
% of registered buyers	21.8	21.1	20.3	20.3	20.1	20.2
<b>Unique Business Enquiries (Mn.)</b>	22	22	24	23	24	25
QoQ growth (%)	-	-	9.1	(4.2)	4.3	4.2
YoY growth (%)	(4.3)	-	4.3	4.5	9.1	13.6
<b>Business Enquiries Delivered (Mn.)</b>	123	123	137	127	133	128
QoQ growth (%)	3.4	-	11.4	(7.3)	4.7	(3.8)
YoY growth (%)	2.5	7.0	12.3	6.7	8.1	4.1
<b>Annualised Revenue Per Paying Subscriber (Thousands.)</b>	51	52	54	55	56	58
QoQ growth (%)	2.4	1.8	3.9	2.9	1.5	4.5
YoY growth (%)	6.8	8.2	9.9	11.5	10.5	13.4
<b>Total Number of Employees</b>	4,583	4,821	5,066	5,186	5,384	5,729

Source: Company, CEBPL

## CEBPL Estimates vs Actual for Q1FY25

IndiaMART InterMESH (INR Mn.)	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ (%)	CEBPL Est.	Dev. (%)
Revenues (INR mn.)	3,313	2,821	17.4	3,147	5.3	3,251	1.9
Employee Cost	1,432	1,243	15.2	1,489	(3.8)		
Gross Profit (INR mn.)	1,881	1,578	19.2	1,658	13.4	1,804	4.3
Gross Margin (%)	56.8	55.9	84 bps	52.7	409 bps	55.5	128 bps
Other costs	686	805	(14.8)	774	(11.4)		
Depreciation	81	74	9.5	127	(36.2)		
EBIT (INR mn.)	1,114	699	59.4	757	47.2	803	38.7
EBIT Margin (%)	33.6	24.8	885 bps	24.1	957 bps	24.7	893 bps
Other Income	532	571	(6.8)	772	(31.1)		
Finance Cost	20	22	(9.1)	22	(9.1)		
PBT (INR mn.)	1514	1124	34.7	1391	8.8		
Tax	374	293	27.6	395	(5.3)		
Adj. PAT (INR mn.)	1,140	831	37.2	996	14.5	1,021	11.7
Basic EPS (INR)	19.0	13.6	39.7	16.6	14.3	17.0	11.5

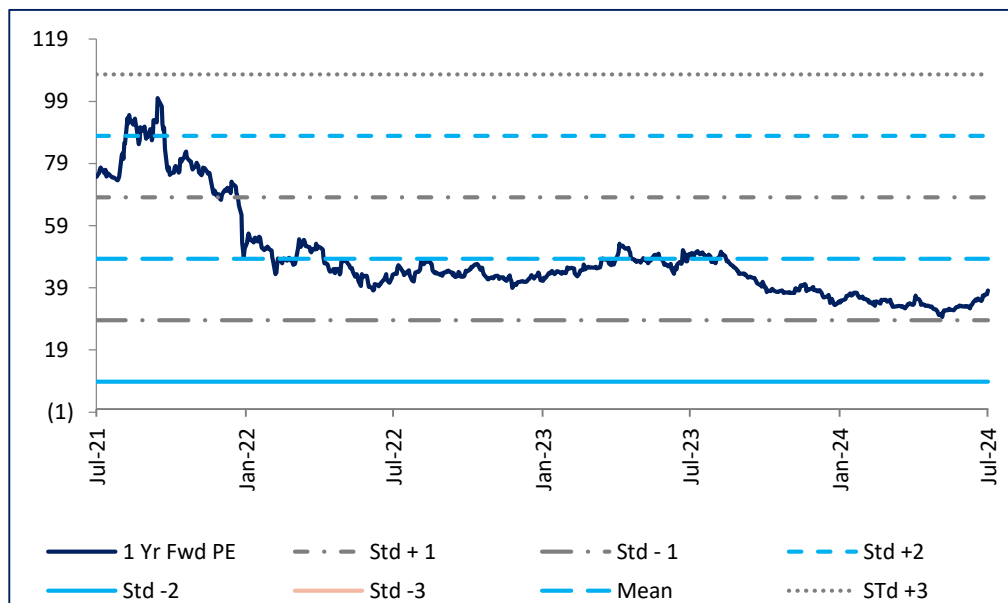
Source: Company, CEBPL

## Change in estimates

Income Statement (INR Mn.)	FY25E			FY26E		
	Old	New	Dev. (%)	Old	New	Dev. (%)
Revenues	14,674	14,159	(3.5)	18,366	17,725	(3.5)
Gross Profit Margin (%)	55.0%	57.0%	200 bps	56.1%	56.1%	0 bps
EBIT	3,779	4,283	13.3	5,023	5,061	0.7
EBIT Margin (%)	25.8%	30.3%	450 bps	27.4%	28.6%	120 bps
EPS	74.4	77.0	3.5	99.5	94.1	(5.4)

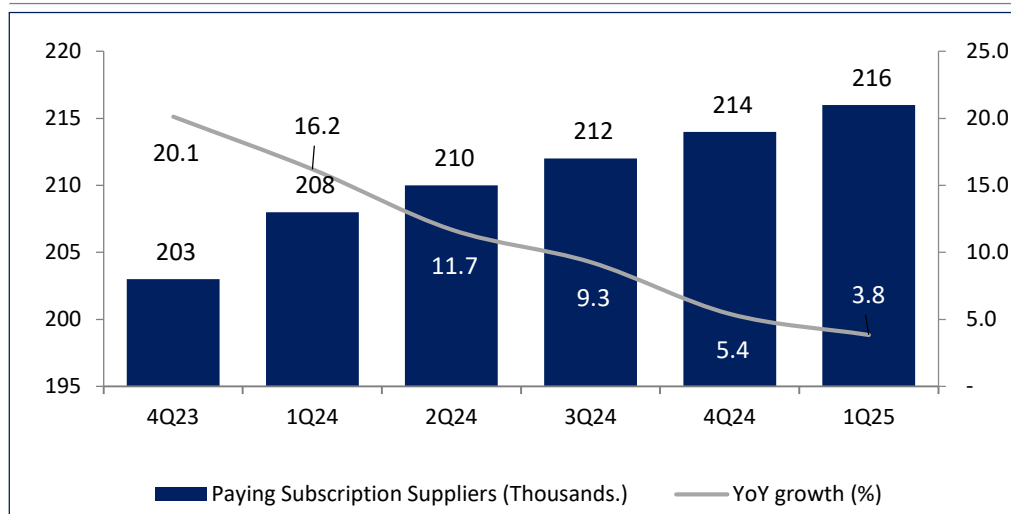
Source: Company, CEBPL

## Historical 1 Yr Fwd PE Band



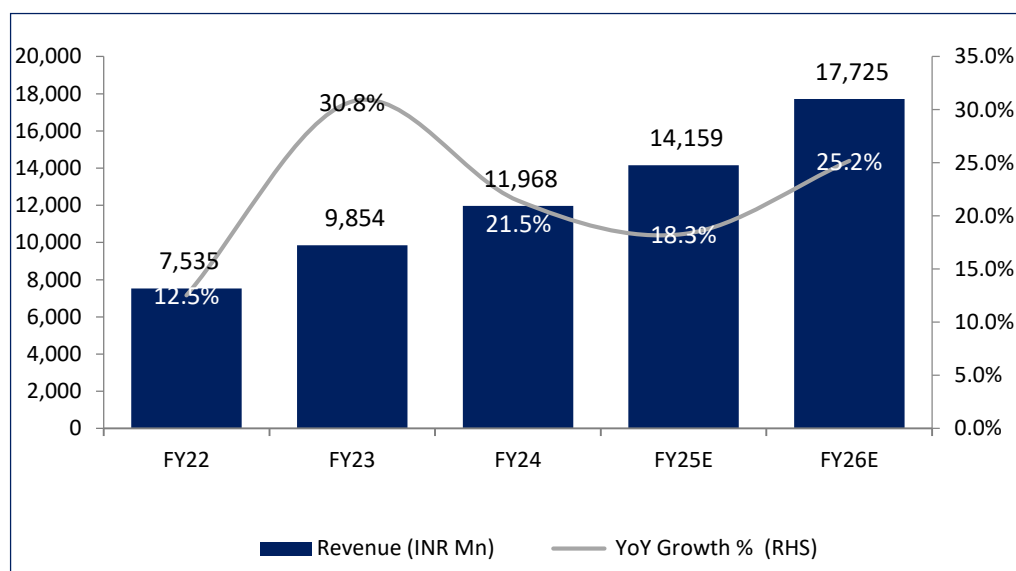
Source: Company, CEBPL

**Paying Subscribers on upward trend**



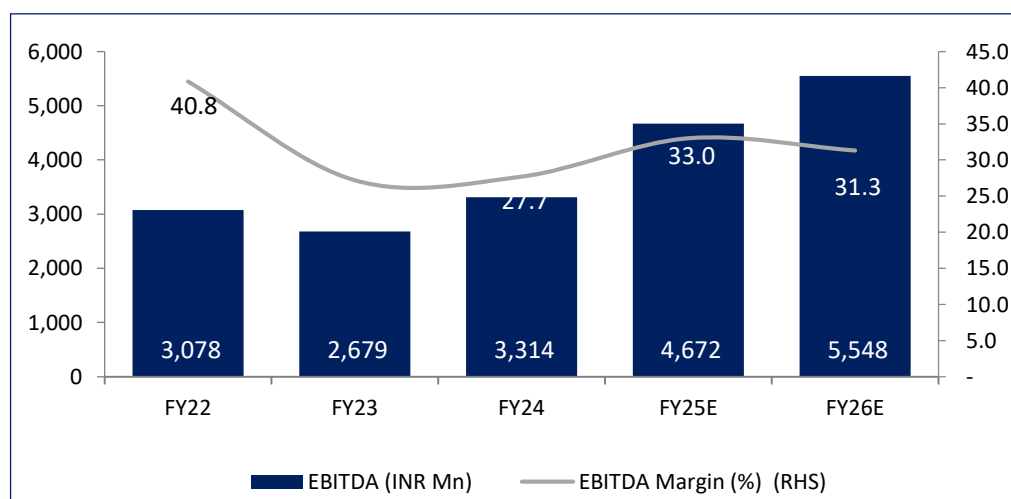
Source: Company, CEBPL

**Revenue growth expected to stay strong as subscribers increase**



Source: Company, CEBPL

**EBITDA Margins are expected to expand to 33-34%**



Source: Company, CEBPL

## Financial Summary (Consolidated in INR Mn.)

Income Statement (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
Revenue	7,535	9,854	11,968	14,159	17,725
Gross profit	4,859	5,607	6,527	8,071	9,944
EBITDA	3,078	2,679	3,314	4,672	5,548
Depreciation	119	311	365	389	487
EBIT	2,959	2,368	2,949	4,283	5,061
Other income	1,122	1,805	2,106	2,336	2,978
Interest expense	54	81	89	96	106
PBT	3,905	3,713	4,562	6,348	7,757
PAT	2,976	2,838	3,340	4,673	5,710
EPS (RS.)	48.6	46.3	55.0	77.0	94.1

Balance Sheet (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
Tangible fixed assets	32	130	160	168	176
Goodwill & intangible assets	530	5,403	5,205	5,205	5,205
Investments	27,217	27,834	27,459	30,078	32,952
Cash & Cash equivalents	495	581	848	955	1,346
Other non-current assets	315	163	183	201	221
Other current assets	899	335	631	665	701
<b>Total assets</b>	<b>29,489</b>	<b>34,446</b>	<b>34,486</b>	<b>37,271</b>	<b>40,601</b>
Shareholder's funds	18,741	20,585	17,361	18,296	19,437
Minority interest	-	-	-	-	-
Borrowings	-	-	-	-	-
Lease liabilities	563	459	406	406	406
Other non-current liabilities	3,703	4,961	6,158	7,436	8,854
Other current liabilities	6,482	8,441	10,561	11,134	11,903
<b>Total equity &amp; liabilities</b>	<b>29,489</b>	<b>34,446</b>	<b>34,486</b>	<b>37,271</b>	<b>40,601</b>

Cash Flows (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
Cash flows from Operations	4,023	4,759	5,592	4,621	5,457
Cash flows from Investing	(3,354)	(3,240)	1,624	(545)	(250)
Cash flows from financing	(575)	(1,433)	(6,949)	(1,549)	(1,801)

Ratio Analysis	FY22	FY23	FY24	FY25E	FY26E
<b>Growth Ratios (%)</b>					
Revenues	12.5	30.8	21.5	18.3	25.2
Gross Profit	4.6	15.4	16.4	23.6	23.2
EBITDA	(6.2)	(13.0)	23.7	41.0	18.7
EBIT	(5.2)	(20.0)	24.6	45.2	18.2
<b>Margin Ratios (%)</b>					
Gross Profit Margin	64.5	56.9	54.5	57.0	56.1
EBITDA Margin	40.8	27.2	27.7	33.0	31.3
EBIT Margin	39.3	24.0	24.6	30.3	28.6
<b>Profitability (%)</b>					
Return on equity	15.9	13.8	19.2	25.5	29.4
Return on invested capital	10.2	7.2	9.5	12.7	13.8
Return on capital employed	11.7	8.6	12.2	16.9	18.8
<b>Valuation</b>					
OCF / Net profit (%)	1.4	1.7	1.7	1.0	1.0
EV / EBITDA (x)	4.3	4.9	47.8	33.9	28.5
Book Value per share (x)	307.0	337.2	286.8	302.3	321.1
Free Cash flow yield (%)	30.1	34.8	3.4	2.7	3.1

Source: Company, CEBPL

## Historical recommendations and target price: IndiaMART InterMESH Ltd.



### IndiaMART InterMESH Ltd.

1. 12-07-2022	Add,	Target Price 4,474
2. 25-07-2022	Add,	Target Price 4,344
3. 09-11-2022	Neutral,	Target Price 4,946
4. 21-01-2023	Add,	Target Price: 5,059
5. 03-05-2023	Outperform,	Target Price: 6,550
6. 23-07-2023	Add,	Target Price 3,434
7. 25-09-2023	Add,	Target Price 3,125
8. 28-10-2023	Add,	Target Price 3,135
9. 19-01-2024	Add,	Target Price 2,620
10. 18-03-2024	Buy,	Target Price 2,620
11. 02-05-2024	Buy,	Target Price 2,985
12. 31-07-2024	Buy,	Target Price 3,480

### Institutional Research Team

Kripashankar Maurya	AVP - Institutional Research – Automobiles/Defence/Healthcare	kripashankar.maurya@choiceindia.com	+91 22 6707 9949
CA Vatsal Vinchhi	Analyst - Information Technology	vatsal.vinchhi@choiceindia.com	+91 22 6707 9224
Deepika Murarka	Analyst - Pharmaceuticals	deepika.murarka@choiceindia.com	+91 22 6707 9513
Ashutosh Murarka	Associate – Cement / Building Material	ashutosh.murarka@choiceindia.com	+91 22 6707 9442
Putta Ravi Kumar	Associate - Goods & Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Aayush saboo	Associate – Real Estate	aayush.saboo@choiceindia.com	+91 22 6707 9811
Maitri Sheth	Associate – Pharmaceuticals	maitri.sheth@choiceindia.com	+91 22 6707 9811
Bharat Kumar Kudikyala	Associate – Cement / Building Material	bharat.kudikyala@choiceindia.com	+91 22 6707 9798
Heet Chheda	Associate – Automobile	heet.chheda@choiceindia.com	+91 22 6707 9422
Rushil Katiyar	Associate - Information Technology	Rushil.katiyar@choiceindia.com	+91 22 6707 9811
CA Sheetal Murarka	Vice President - Institutional Sales	sheetal.murarka@choiceindia.com	+91 22 6707 9857
Nitesh Jalan	AVP – Institutional Sales	nitesh.jalan@choiceindia.com	+91 22 6707 9877 /878 /879

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Choice Equity Broking Private Limited-Research Analyst - INH000000222. (CIN. NO.: U65999MH2010PTC198714). Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri(East), Mumbai 400099. Tel. No. 022-6707 9999

Compliance Officer--Prashant Salian, Email Id – Prashant.salain@choiceindia.com Contact no. 022- 67079999- Ext-2310

Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834. Email- [ig@choiceindia.com](mailto:ig@choiceindia.com)

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