

# IndiaMART InterMESH | BUY



## Favourable risk-reward; upgrade to BUY

We upgrade INMART to BUY from SELL earlier following ~28% correction [since our last published note](#). As expected, the stock has seen significant de-rating due to sharp deceleration in collections growth in 2QFY25 and muted paying supplier additions over the past 6 quarters. While we do not see material improvement in these key metrics in 3Q, from a medium-term perspective we see collections in the standalone business growing around low teens vs. 5% YoY in 2Q, supported by mid-single growth in both paying suppliers as well as realisation. Consol. EBITDA margin could also remain elevated (34-36%) in the absence of meaningful growth investments. Post the recent correction, the stock is trading at 28x NTM PER (ex-cash and other income), c.50% discount to own 5-year average of 56x. For a stock, with FCF yield (including other income) of >6% on FY26 estimates, this should cap downside in our opinion. We raise margin forecasts and roll forward for a revised Mar'26 TP of INR 2,450 (TP implies FY26/27 ex-cash & other income PER of 30x/26x).

- 3QFY25 expectations:** INMART's paying supplier growth has been muted since 1QFY24 and we do not see an improvement in that trend in 3QFY25 as well due to unfavourable seasonality and continued high churn rates in the Silver category. Our estimate of 1.8k QoQ paying supplier additions in the core classifieds business is well below the long-term historical average of ~4.5k. Moreover, high churn will again weigh on the company's upsell funnel, leading to an adverse impact on average collections per paying supplier (mere +1% YoY in 2Q as well). We, therefore, forecast muted collections growth of 6% YoY in 3Q (vs. 5% YoY last quarter). While revenue growth could be better than collections at 15.5% YoY (+1.4% QoQ) due to robust deferred revenue, it continues to slow down from 30.8%/21.5%/17.7% in FY23/FY24/1HFY25. On the other hand, savings on sales incentives/servicing costs in the absence of material improvement in paying suppliers could lead to EBITDA margin expanding by ~8ppts YoY. As a result, Consol. EBITDA could expand ~50% YoY in 3Q.
- Medium-term collections growth can be around low teens:** [Since April'24, we have been highlighting](#) that INMART's core classifieds business would be a low-to-mid-teens collections growth story vs. historical CAGR of 20%+. But standalone collections of 5% YoY in 2Q was a shocker and likely related to a few sales execution issues that are likely to be addressed over the next 2-3 quarters. If INMART adds 2.5-3k paying suppliers/ qtr in FY26, it will lead to mid-single digit paying supplier growth. Moreover, realisation can improve at similar rate assuming some bit of stability in Silver supplier churn and normal price hikes in Platinum category. Hence, from a medium-term perspective, we remain convinced that INMART's Consol. collections growth can recover to low teens in FY26.
- Favourable risk-reward; upgrade to BUY:** Post the recent correction, INMART is trading at 28x NTM PER (ex-cash and other income), c.50% discount to own 5-year average of 56x. For a stock, with FCF yield (including other income) of >6% on FY26 estimates, this should cap downside in our opinion. While we maintain topline estimates, margin upgrades drive FY25-27 EPS estimates up by 2-5%. We roll forward to Mar'26 for a revised DCF-based TP of INR 2,450.

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	SELL
Current Price Target (12M)	2,450
Upside/(Downside)	13.2%
Previous Price Target	2,350
Change	4.3%

### Key Data – INMART IN

Current Market Price	INR2,165
Market cap (bn)	INR135.1/US\$1.6
Free Float	51%
Shares in issue (mn)	60.1
Diluted share (mn)	60.1
3-mon avg daily val (mn)	INR924.7/US\$10.8
52-week range	3,199/2,200
Sensex/Nifty	79,223/24,005
INR/US\$	85.8

### Price Performance

%	1M	6M	12M
Absolute	-5.0	-16.6	-18.0
Relative*	-2.0	-15.8	-25.4

\* To the BSE Sensex

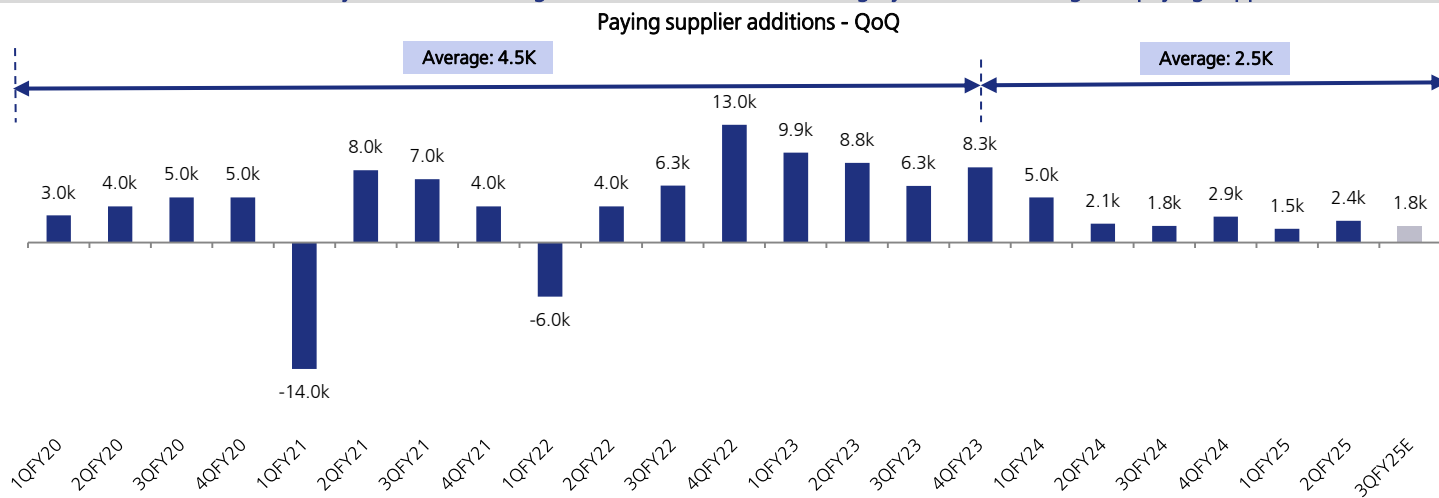
JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	9,854	11,968	13,906	15,440	17,049
Sales Growth (%)	30.8	21.5	16.2	11.0	10.4
EBITDA	2,679	3,314	4,971	5,444	5,887
EBITDA Margin (%)	27.2	27.7	35.7	35.3	34.5
Adjusted Net Profit	2,838	3,358	4,822	5,018	5,512
Diluted EPS (INR)	46.2	55.4	80.2	83.5	91.7
Diluted EPS Growth (%)	-4.5	19.8	44.9	4.1	9.8
ROIC (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	14.4	17.7	25.2	22.2	21.0
P/E (x)	48.7	40.6	28.1	27.0	24.5
P/B (x)	6.7	7.8	6.5	5.5	4.8
EV/EBITDA (x)	41.7	33.7	21.4	18.4	16.0
Dividend Yield (%)	0.9	0.9	1.1	1.3	1.6

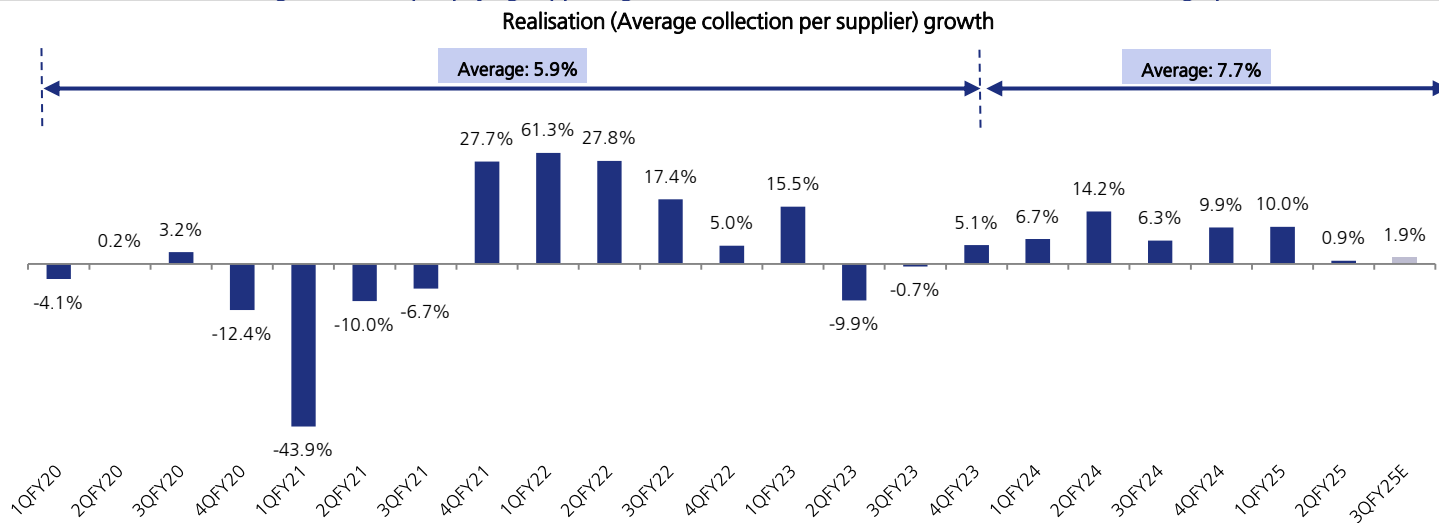
Source: Company data, JM Financial. Note: Valuations as of 03/Jan/2025

Exhibit 1. Unfavourable seasonality and continued high churn rates in the Silver category continue to weigh on paying suppliers trends



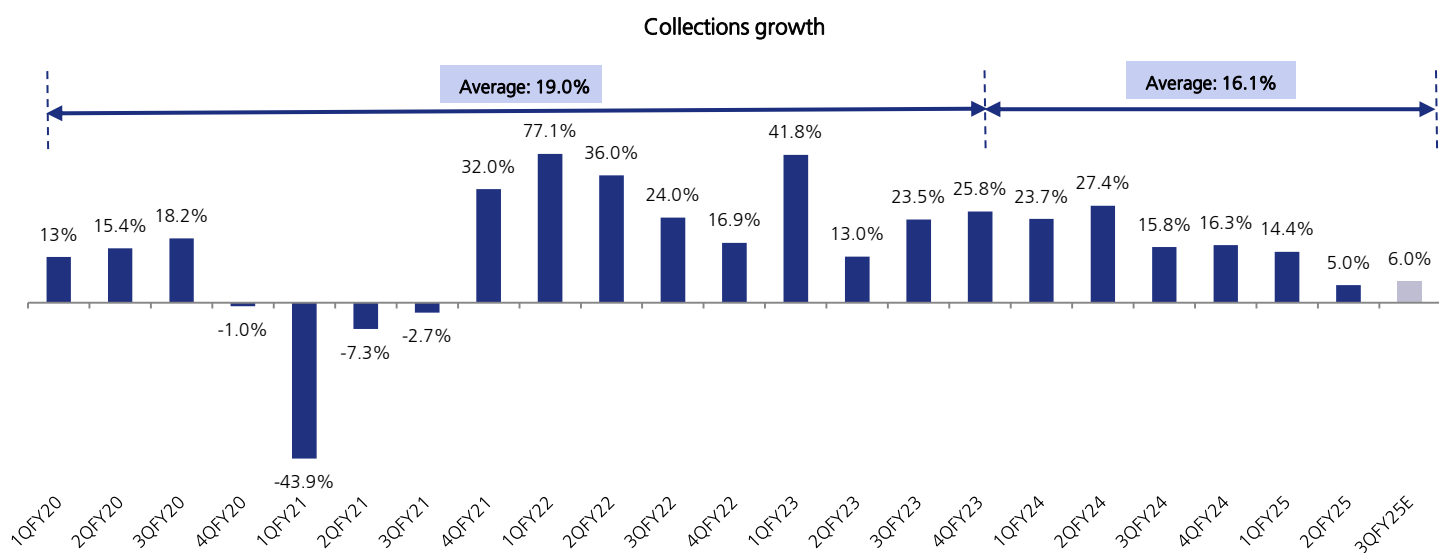
Source: Company, JM Financial

Exhibit 2. Realisation (average collection per paying supplier) growth could be muted in the near term due to slowing upsells



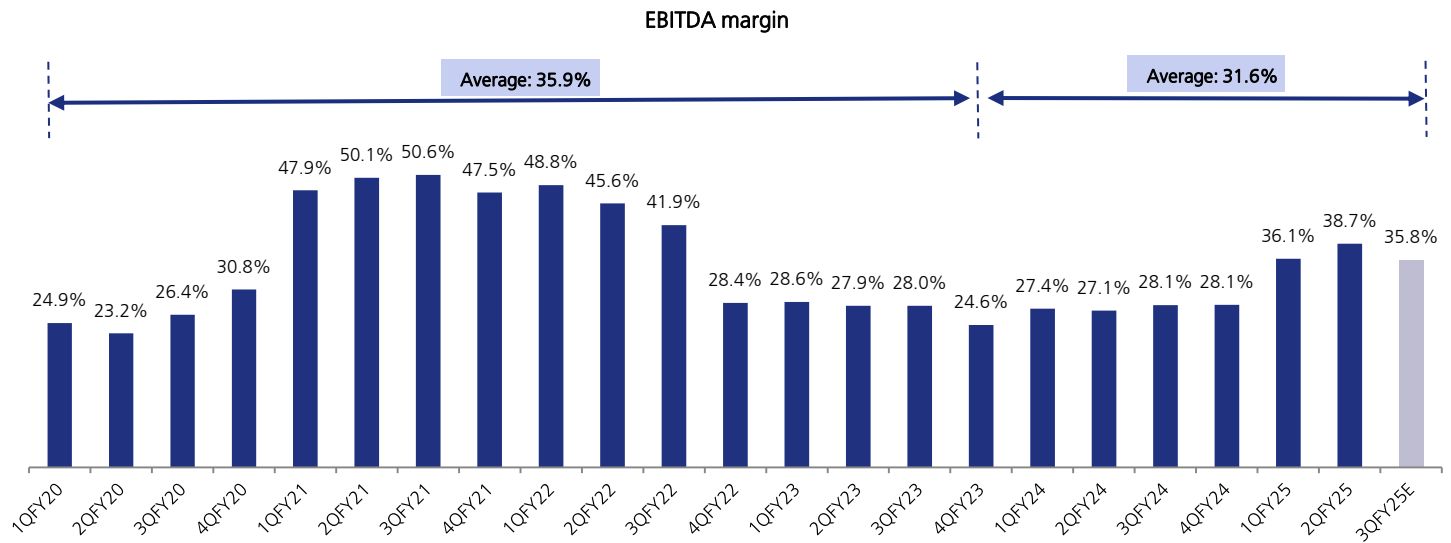
Source: Company, JM Financial

Exhibit 3. Collections growth can marginally improve though it will be way below historical average collections growth



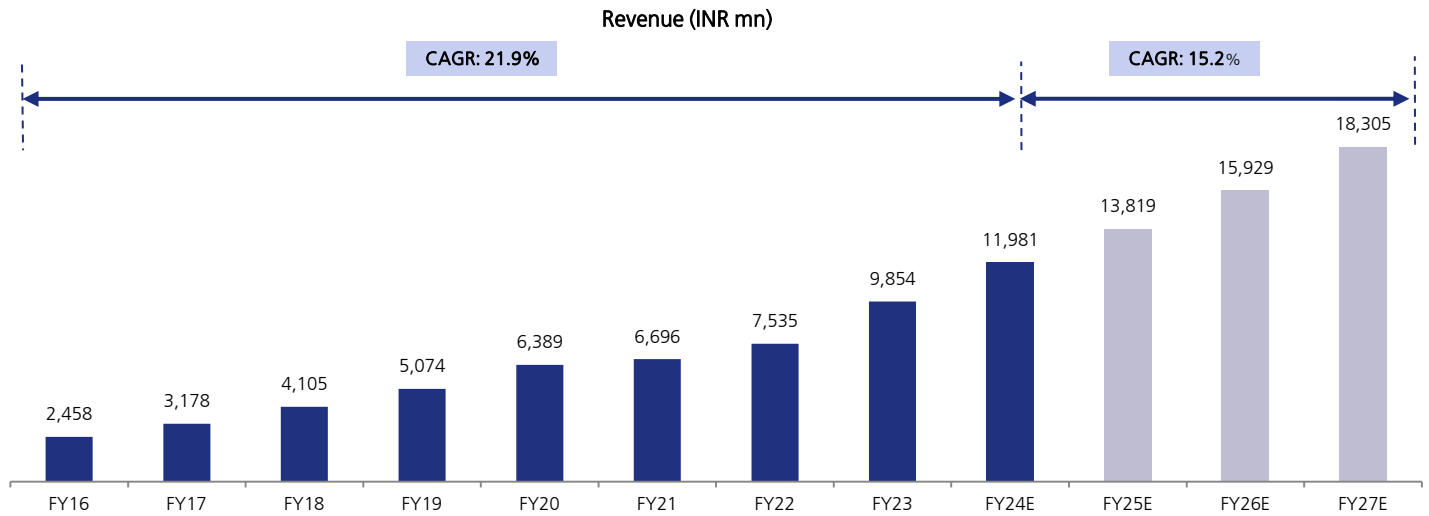
Source: Company, JM Financial

Exhibit 4. Consolidated EBITDA margin trend



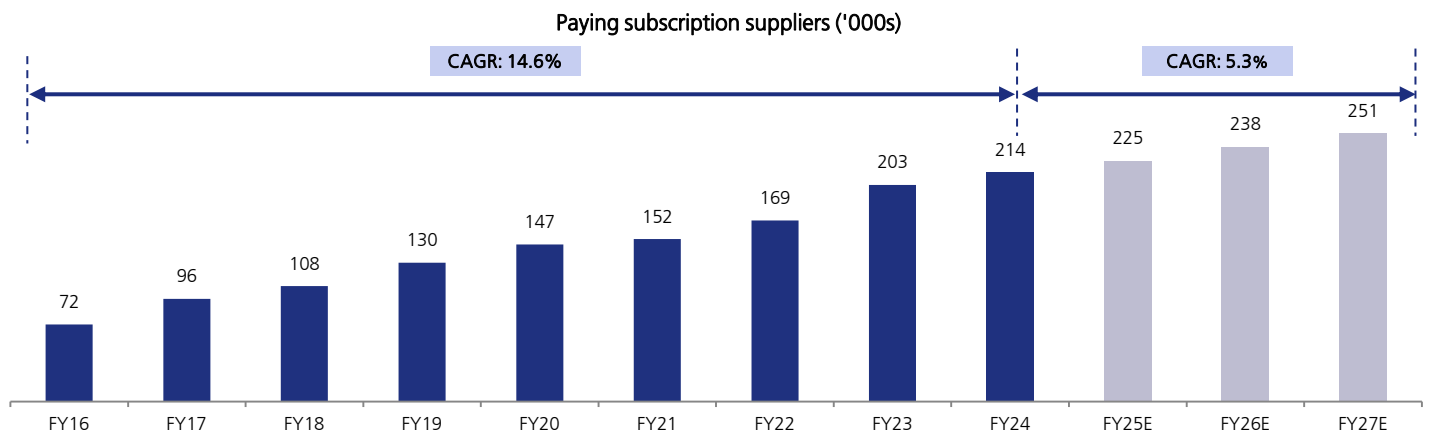
Source: Company, JM Financial

Exhibit 5. We believe medium-term revenue growth for INMART is likely to slow down to mid-teens vs. historical CAGR of c.22%



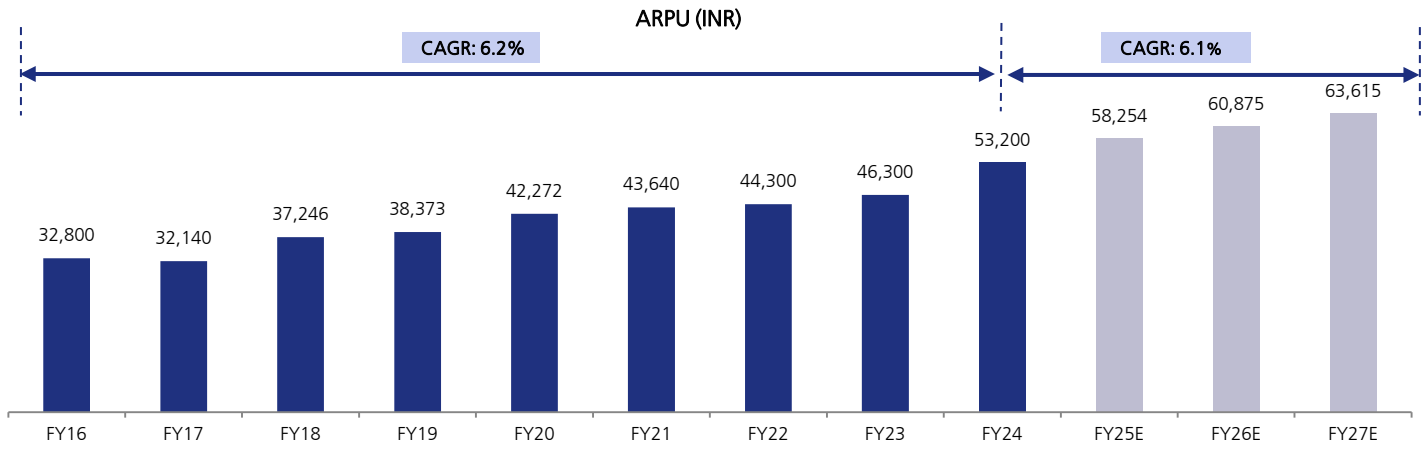
Source: Company, JM Financial

Exhibit 6. We believe revenue growth slowdown for INMART is driven by slowing expansion in its paying supplier base as structurally B2B classifieds have limited potential to monetise MSMEs, even under monopolistic market conditions



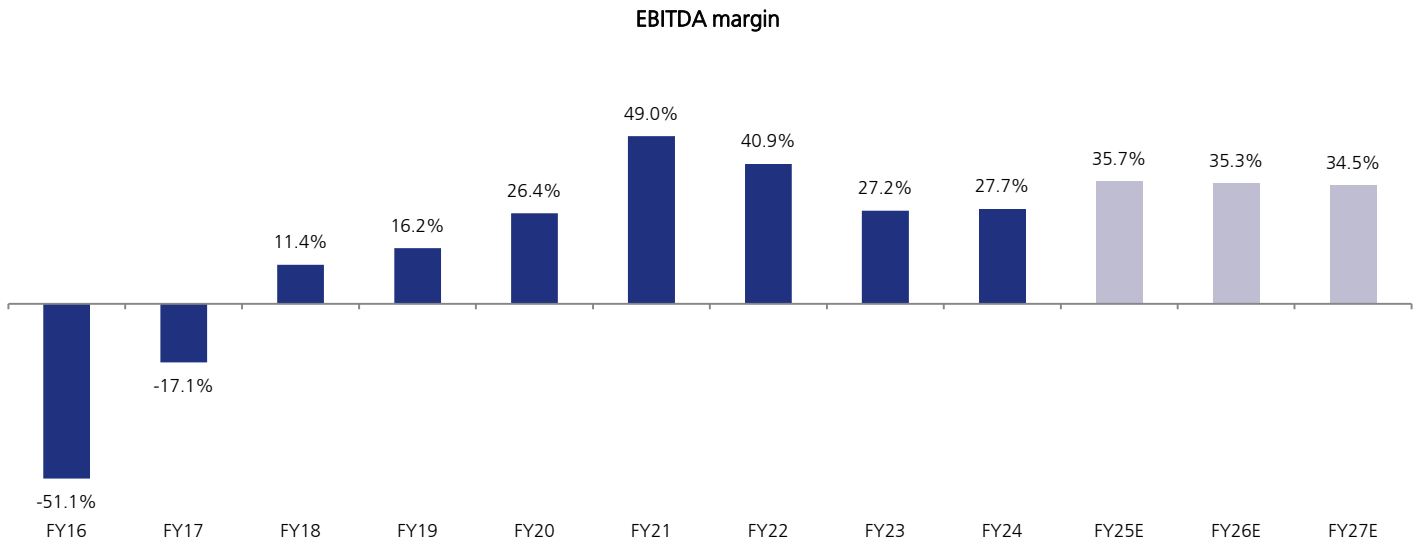
Source: Company, JM Financial

**Exhibit 7. INMART's medium-term realisation growth (average revenue per paying supplier) should be stable at around 6%**



Source: Company, JM Financial

**Exhibit 8. Annual EBITDA margin trend**



Source: Company, JM Financial

## Upgrade to BUY; target price raised to INR 2,450

## Exhibit 9. What has changed in our forecasts and assumptions?

	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Consolidated revenue (INR mn)	13,906	15,440	17,049	13,906	15,440	17,049	0.0%	0.0%	0.0%
Revenue growth rate (YoY)	16.2%	11.0%	10.4%	16.2%	11.0%	10.4%	0bp	0bp	0bp
EBITDA (INR mn)	4,914	5,322	5,632	4,971	5,444	5,887	1.2%	2.3%	4.5%
EBITDA margin	35.3%	34.5%	33.0%	35.7%	35.3%	34.5%	41bp	79bp	150bp
EBIT (INR mn)	4,584	4,973	5,262	4,642	5,095	5,518	1.3%	2.5%	4.9%
EBIT margin	33.0%	32.2%	30.9%	33.4%	33.0%	32.4%	41bp	79bp	150bp
Adj. PAT (INR mn)	4,585	4,935	5,339	4,822	5,018	5,512	5.2%	1.7%	3.2%
Adj. EPS (INR)	76.25	82.07	88.80	80.20	83.46	91.67	5.2%	1.7%	3.2%

Source: JM Financial

## Exhibit 10. JMFe vs. Consensus

(INR mn)	JMFe			Consensus			JMFe vs Consensus		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	13,906	15,440	17,049	13,936	15,913	18,497	-0.2%	-3.0%	-7.8%
EBITDA	4,971	5,444	5,887	4,962	5,367	6,231	0.2%	1.4%	-5.5%
EBITDA margin	35.7%	35.3%	34.5%	35.6%	33.7%	33.7%	14bp	153bp	85bp
Adj. PAT	4,822	5,018	5,512	4,752	5,132	5,970	1.5%	-2.2%	-7.7%
EPS (INR)	80.20	83.46	91.67	79.68	86.22	99.83	0.6%	-3.2%	-8.2%

Source: Bloomberg, JM Financial

## Exhibit 11. DCF assumptions

All numbers are in INR mn	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY34E	FY41E	CAGR FY24-29E	CAGR FY29E-34E	CAGR FY34E-41E
Net revenue	11,968	13,906	15,440	17,049	18,791	20,674	31,980	48,913	11.6%	9.1%	8.9%
EBITDA	3,314	4,971	5,444	5,887	6,564	7,305	11,555	17,772	17.1%	9.6%	9.0%
EBIT	2,949	4,642	5,095	5,518	6,165	6,914	11,202	17,465	18.6%	10.1%	9.3%
<b>Cash flow analysis</b>											
EBIT - post tax	2,167	3,495	3,811	4,128	4,612	5,171	8,379	13,064	19.0%	10.1%	9.3%
Depreciation & amortization	365	330	349	369	399	391	353	307			
Capital expenditure	-197	-314	-369	-435	-381	-373	-337	-293			
Change in working capital	2,937	1,624	2,189	2,362	3,326	3,198	2,858	2,725			
<b>Free cash flow to firm</b>	<b>5,272</b>	<b>5,135</b>	<b>5,980</b>	<b>6,424</b>	<b>7,956</b>	<b>8,387</b>	<b>11,252</b>	<b>15,803</b>	<b>9.7%</b>	<b>6.1%</b>	<b>7.0%</b>
DCF: Now	0	0	0	5,736	6,340	5,968	4,542	2,883			

Source: JM Financial

## Exhibit 12. Key DCF assumptions

<b>WACC</b>	<b>12.0%</b>
Revenue CAGR (FY24-FY41E)	8.6%
Average EBITDA Margin (FY24-FY41E)	35.4%
Tax Rate	25.2%
<b>FCFF CAGR (FY24-FY41E)</b>	<b>6.7%</b>
NPV of cash flow (FY24-FY41E)	69,665
<b>Perpetual growth (%)</b>	<b>5.0%</b>
Implied Exit FCF multiple (x)	14.3x
Terminal value (INR mn)	43,252
<b>Enterprise value (INR mn)</b>	<b>1,12,918</b>
Terminal value as % of Enterprise Value	38%
Net debt (INR mn, Mar'26)	-34,572
<b>Equity value (INR mn)</b>	<b>1,47,490</b>
Number of shares outstanding (diluted, million)	60.1
<b>Equity value per share (INR)</b>	<b>2,450</b>

Source: JM Financial

Exhibit 13. Sensitivity of Equity Value to WACC and Terminal growth rate

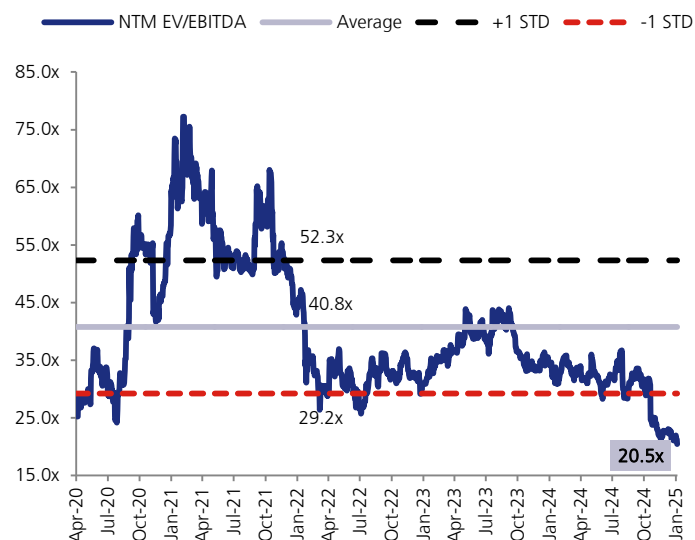
WACC	Terminal Growth Rate				
	4.0%	4.5%	5.0%	5.5%	6.0%
10.5%	2,790	2,870	2,970	3,090	3,230
11.0%	2,620	2,690	2,770	2,860	2,970
11.5%	2,480	2,540	2,600	2,670	2,760
12.0%	2,360	2,400	2,450	2,510	2,580
12.5%	2,250	2,280	2,330	2,370	2,430
13.0%	2,150	2,180	2,220	2,250	2,300
13.5%	2,060	2,090	2,120	2,150	2,190

Source: JM Financial

### Key Risks

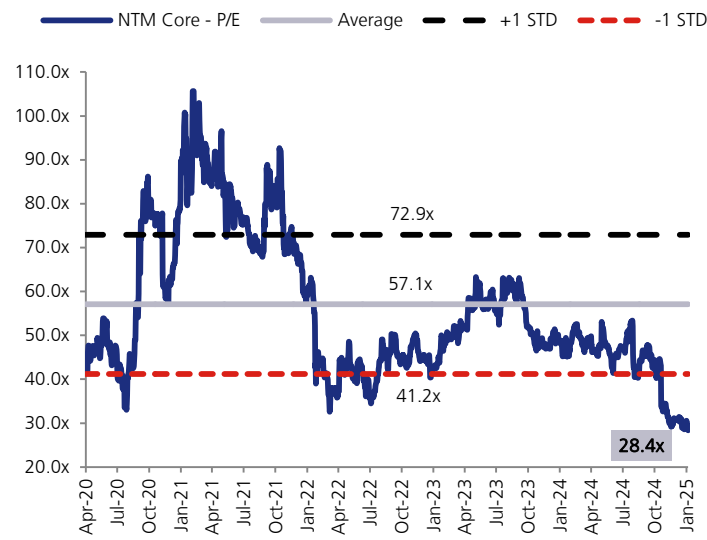
- **Key upside risks** to our price target are: (1) better-than-expected increase in paying suppliers; (2) higher-than-expected pricing growth due to mix change or price hikes; (3) any accretive acquisition not currently priced in.
- **Key downside risks** are: (1) Opening up of the GEM (government e-marketplace) platform to all buyers and sellers across the country; (2) Further slowdown in SME space; (3) Technology disruption from competition such as Just Dial and Udaan, among others.

Exhibit 14. INMART NTM EV/EBITDA



Source: Bloomberg, JM Financial

Exhibit 15. INMART NTM P/E (ex-cash and other income)



Source: Bloomberg, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	9,854	11,968	13,906	15,440	17,049	
Sales Growth	30.8%	21.5%	16.2%	11.0%	10.4%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>9,854</b>	<b>11,968</b>	<b>13,906</b>	<b>15,440</b>	<b>17,049</b>	
Cost of Goods Sold/Op. Exp	-1	0	0	0	0	
Personnel Cost	4,247	5,441	6,147	6,914	7,775	
Other Expenses	2,929	3,213	2,788	3,082	3,387	
<b>EBITDA</b>	<b>2,679</b>	<b>3,314</b>	<b>4,971</b>	<b>5,444</b>	<b>5,887</b>	
EBITDA Margin	27.2%	27.7%	35.7%	35.3%	34.5%	
EBITDA Growth	-13.0%	23.7%	50.0%	9.5%	8.1%	
Depn. & Amort.	311	365	330	349	369	
EBIT	2,368	2,949	4,642	5,095	5,518	
Other Income	1,724	1,999	2,263	1,974	2,171	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	4,092	4,948	6,904	7,069	7,689	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	4,092	4,948	6,904	7,069	7,689	
Taxes	875	1,204	1,582	1,691	1,857	
Extraordinary Inc./Loss(-)	0	18	0	0	0	
Assoc. Profit/Min. Int.(-)	-379	-404	-500	-360	-320	
Reported Net Profit	2,838	3,340	4,822	5,018	5,512	
<b>Adjusted Net Profit</b>	<b>2,838</b>	<b>3,358</b>	<b>4,822</b>	<b>5,018</b>	<b>5,512</b>	
Net Margin	28.8%	28.1%	34.7%	32.5%	32.3%	
Diluted Share Cap. (mn)	61.4	60.6	60.1	60.1	60.1	
<b>Diluted EPS (INR)</b>	<b>46.2</b>	<b>55.4</b>	<b>80.2</b>	<b>83.5</b>	<b>91.7</b>	
Diluted EPS Growth	-4.5%	19.8%	44.9%	4.1%	9.8%	
Total Dividend + Tax	1,225	1,200	1,499	1,799	2,099	
Dividend Per Share (INR)	20.0	19.8	25.0	30.0	35.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	3,713	4,544	6,404	6,709	7,369	
Depn. & Amort.	311	365	330	349	369	
Net Interest Exp. / Inc. (-)	49	60	-2,263	-1,974	-2,171	
Inc (-) / Dec in WCap.	2,551	2,937	1,624	2,189	2,362	
Others	-1,111	-1,398	720	620	620	
Taxes Paid	-754	-915	-1,582	-1,691	-1,857	
<b>Operating Cash Flow</b>	<b>4,758</b>	<b>5,592</b>	<b>5,234</b>	<b>6,202</b>	<b>6,693</b>	
Capex	-160	-144	-124	-193	-243	
Free Cash Flow	4,598	5,448	5,110	6,009	6,449	
Inc (-) / Dec in Investments	-5,793	-255	0	0	0	
Others	2,713	2,023	1,837	1,696	1,942	
<b>Investing Cash Flow</b>	<b>-3,240</b>	<b>1,624</b>	<b>1,712</b>	<b>1,503</b>	<b>1,699</b>	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-61	-611	-1,499	-1,799	-2,099	
Inc / Dec (-) in Loans	0	0	0	0	0	
Others	-1,372	-6,337	14	-28	-34	
<b>Financing Cash Flow</b>	<b>-1,433</b>	<b>-6,949</b>	<b>-1,486</b>	<b>-1,827</b>	<b>-2,133</b>	
<b>Inc / Dec (-) in Cash</b>	<b>86</b>	<b>267</b>	<b>5,460</b>	<b>5,878</b>	<b>6,259</b>	
Opening Cash Balance	495	581	848	6,309	12,187	
Closing Cash Balance	581	848	6,309	12,187	18,445	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	20,585	17,361	20,904	24,383	28,096	
Share Capital	306	599	599	599	599	
Reserves & Surplus	20,585	17,361	20,904	24,383	28,096	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	0	0	0	0	0	
Def. Tax Liab. / Assets (-)	181	429	429	429	429	
<b>Total - Equity &amp; Liab.</b>	<b>20,766</b>	<b>17,791</b>	<b>21,333</b>	<b>24,813</b>	<b>28,525</b>	
Net Fixed Assets	5,533	5,365	5,349	5,370	5,436	
Gross Fixed Assets	353	464	588	781	1,024	
Intangible Assets	5,403	5,205	5,275	5,319	5,365	
Less: Depn. & Amort.	225	309	519	735	959	
Capital WIP	2	5	5	5	5	
Investments	27,837	27,622	27,622	27,622	27,622	
Current Assets	1,055	1,499	7,055	13,009	19,347	
Inventories	0	0	0	0	0	
Sundry Debtors	71	48	56	62	68	
Cash & Bank Balances	581	848	6,309	12,187	18,445	
Loans & Advances	150	174	202	224	247	
Other Current Assets	253	429	489	537	586	
Current Liab. & Prov.	13,659	16,695	18,693	21,189	23,880	
Current Liabilities	5,293	6,210	7,143	8,210	9,378	
Provisions & Others	8,366	10,486	11,550	12,979	14,501	
Net Current Assets	-12,604	-15,196	-11,638	-8,180	-4,532	
<b>Total - Assets</b>	<b>20,766</b>	<b>17,791</b>	<b>21,333</b>	<b>24,813</b>	<b>28,525</b>	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	28.8%	28.1%	34.7%	32.5%	32.3%	
Asset Turnover (x)	0.3	0.3	0.4	0.4	0.3	
Leverage Factor (x)	1.6	1.8	1.9	1.9	1.9	
RoE	14.4%	17.7%	25.2%	22.2%	21.0%	

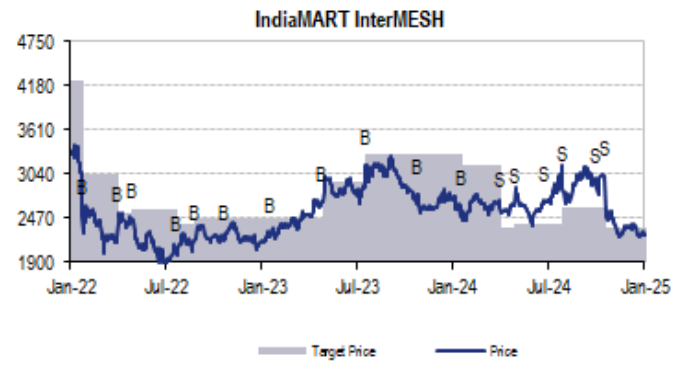
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	336.8	286.8	348.5	406.5	468.4	
ROIC	0.0%	0.0%	0.0%	0.0%	0.0%	
ROE	14.4%	17.7%	25.2%	22.2%	21.0%	
Net Debt/Equity (x)	-1.1	-1.3	-1.4	-1.4	-1.5	
P/E (x)	48.7	40.6	28.1	27.0	24.5	
P/B (x)	6.7	7.8	6.5	5.5	4.8	
EV/EBITDA (x)	41.7	33.7	21.4	18.4	16.0	
EV/Sales (x)	11.3	9.3	7.6	6.5	5.5	
Debtor days	3	1	1	1	1	
Inventory days	0	0	0	0	0	
Creditor days	14	14	16	16	16	

Source: Company, JM Financial

**History of Recommendation and Target Price**

Date	Recommendation	Target Price	% Chg.
1-May-21	Buy	4,160	
25-Jul-21	Buy	4,160	0.0
24-Oct-21	Buy	4,240	1.9
26-Jan-22	Buy	3,025	-28.7
4-Apr-22	Buy	2,550	-15.7
30-Apr-22	Buy	2,575	1.0
23-Jul-22	Buy	2,400	-6.8
27-Aug-22	Buy	2,460	2.5
22-Oct-22	Buy	2,460	0.0
20-Jan-23	Buy	2,470	0.4
29-Apr-23	Buy	2,950	19.4
21-Jul-23	Buy	3,300	11.9
29-Oct-23	Buy	3,300	0.0
19-Jan-24	Buy	3,150	-4.5
3-Apr-24	Sell	2,350	-25.4
1-May-24	Sell	2,400	2.1
28-Jun-24	Sell	2,400	0.0
31-Jul-24	Sell	2,600	8.3
3-Oct-24	Sell	2,600	0.0
20-Oct-24	Sell	2,350	-9.6

**Recommendation History**





## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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