

### Strong Customer Additions; Long-term Outlook Remains Resilient

**Est. Vs. Actual for Q2FY25:** Revenue – **BEAT**; EBITDA Margin – **BEAT**; PAT – **BEAT**

#### Changes in Estimates post Q2FY25

**FY25E/FY26E:** Revenue 0.5%/0.5%; **EBITDA Margins** 0.5%/0.5%; **PAT** 1%/1%

#### Recommendation Rationale

- IndiaMart has sustained its market share gain with 218K paying suppliers, up 4% YoY. Moreover, annualised revenue per paying supplier grew by 13% YoY and stood at Rs 60,800.
- The product profile stood strong with 113 Mn products across 59k industries.
- Organic traffic remains strong for this quarter which stood at 287 Mn.
- The management is confident of gaining medium-term demand momentum and expects improvement in margins moving forward.

#### Sector Outlook: Positive

**Company Outlook & Guidance:** The company's employee costs are expected to moderate moving forward, which will help improve its operating margin profile. The long-term outlook on revenue growth momentum remains strong.

**Current Valuation:** 35x FY26E P/E; **Earlier Valuation:** 35x FY26E

**Current TP:** 3,620/share (Earlier TP: Rs 3,620/share)

**Recommendation:** Given the company's strong growth potential backed by a robust product profile with a leading market share and superior execution capabilities, we **maintain** our **BUY** recommendation on the stock.

#### Financial Performance

Indiamart Intermesh Ltd. (Indiamart) reported revenue of Rs 348 Cr in Q2FY25, reflecting a 5% QoQ and 18% YoY increase, which exceeded expectations. The company's operating profit was Rs 135 Cr, representing a growth of 13% on a QoQ basis, driven by moderated operating costs during the quarter. Its operating margins improved by 264 bps to 38.7%, largely attributed to reduced employee and other operating expenses. The company's net profit for Q2FY25 also stood at Rs 135 Cr, registering a robust growth of 18% QoQ due to higher subscription income.

#### Outlook

From a long-term perspective, Indiamart is well-positioned to encourage growth, supported by multiple long-term contracts procured from the world's leading brands. The richer revenue visibility further enhances confidence in its business growth moving forward.

#### Valuation & Recommendation

We recommend a BUY rating on the stock and assign a 35x P/E multiple to its FY26E earnings of Rs 104.6/share, arriving at a target price (TP) of Rs 3,620/share, implying an upside of 20% from the CMP.

#### Key Financials (Consolidated)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	348	5%	18%	342	2%
EBIT	190	74%	83%	151	26%
EBIT Margin	55%	2167	1934	44%	-2%
Net Profit	135	19%	95%	121	12%
EPS (Rs)	22.48	18%	98%	20.2	11%

Source: Company, Axis Securities Research

(CMP as of 18 October 2024)

CMP (Rs)	3,018
Upside /Downside (%)	20%
High/Low (Rs)	3,199/2,229
Market cap (Cr)	18,099
Avg. daily vol. (6m)Shrs.	39,43,740
No. of shares (Cr)	61.2

#### Shareholding (%)

	March-24	Jun-24	Sept-24
Promoter	49.2	49.21	49.2
FIIs	23.1	23.4	23.9
MFs / UTI	8.8	9.7	10.0
Banks / FIs	0	0	0
Others	18.9	17.7	16.9

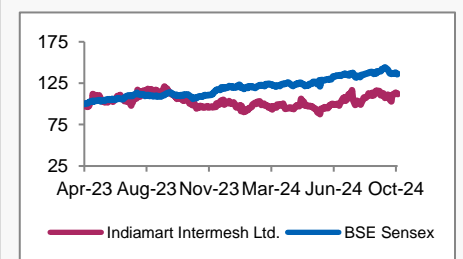
#### Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	1,197	1,185	1,419
EBITDA	332	501	600
Net Profit	379	528	627
EPS (Rs)	63.3	88.1	104.6
PER (x)	72.0	51.8	43.6
P/BV (x)	12.6	10.1	8.2
EV/EBITDA (x)	82.2	53.1	43.0
ROE (%)	18%	22%	21%

#### Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0.5%	0.5%
EBITDA	0.5%	0.5%
PAT	1%	1%

#### Relative performance



Source: AceEquity, Axis Securities Research

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## Key Highlights

- **Demand strength continues in the medium term:** The management anticipates that the addition of paid suppliers will remain strong at 6-7K in the near term, driven by enhanced sales traction and reduced customer churn. Additionally, ARPU is expected to recover as business activity normalizes and entry-level customers upgrade to higher packages. Indiamart's resilient business model and proven execution capabilities underpin its optimistic outlook.
- **Broad-based vertical growth:** Indiamart has demonstrated consistent growth, with registered buyers increasing to 198 Mn, reflecting a 3.1% QoQ rise. The platform's product offerings have expanded to 108 Mn, marking a 3.4% QoQ growth. Additionally, total business enquiries delivered reached 135 Mn, with a unique business enquiries delivered ratio of 5.7x.

## Key Risks to Our Estimates and TP

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

**Results Review**
**(Rs Cr)**

In Cr	Q2FY25	Q1FY25	Q2FY24	% change (YoY)	% change (QoQ)
<b>Total Revenue</b>	<b>348</b>	<b>331</b>	<b>295</b>	18%	5%
Purchase of stock in trade	0	0	0		
Changes in inventories	0	0	0		
Employee benefit expenses	147	143	132		
Other Expenses	66	69	82		
Total Cost of Sales	213	212	214		
<b>EBITDA</b>	<b>135</b>	<b>119</b>	<b>111</b>	21%	13%
Margin(%)	39%	36%	38%	103	284
D&A	8.1	10.0	7.4		
<b>Operating Income</b>	<b>190</b>	<b>109</b>	<b>104</b>	83%	74%
Margin(%)	55%	33%	35%	1934	2167
Total Other Income/(Expense)	65.5	53	34.6		
<b>Income Before Income Taxes</b>	<b>177</b>	<b>151</b>	<b>93</b>	90%	17%
Total Taxes	42	37	24		
ETR (%)	24%	25%	26%	-194	-72
<b>Net Profit After Taxes</b>	<b>135</b>	<b>114</b>	<b>69</b>	95%	19%
Non-Controlling Interest	0	0	0		
<b>Net Income After Extraordinary Items</b>	<b>135</b>	<b>114</b>	<b>69</b>	95%	19%
Margin(%)	39%	34%	23%	1534	439
<b>EPS</b>	<b>22.48</b>	<b>19</b>	<b>11.36</b>	98%	18%

Source: Company, Axis Securities Research

## Financials (consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>753</b>	<b>945</b>	<b>1,197</b>	<b>1,185</b>	<b>1,419</b>
Growth, %	19%	25%	27%	-1%	20%
Other income	108	181	211	180	180
<b>Total income</b>	<b>861</b>	<b>1,126</b>	<b>1,407</b>	<b>1,364</b>	<b>1,599</b>
Employee expenses	266	416	544	406	486
Other Operating expenses	178	259	321	278	334
<b>EBITDA (Core)</b>	<b>309</b>	<b>269</b>	<b>332</b>	<b>501</b>	<b>600</b>
Growth, %	21%	-13%	23%	51%	20%
Margin, %	28%	28%	28%	42%	42%
Depreciation	12	34	32	32	32
<b>EBIT</b>	<b>417</b>	<b>450</b>	<b>542</b>	<b>680</b>	<b>779</b>
Growth, %	24%	8%	21%	26%	15%
Margin, %	26%	48%	45%	57%	55%
Interest paid	5	20	9	7	7
<b>Pre-tax profit</b>	<b>400</b>	<b>396</b>	<b>500</b>	<b>642</b>	<b>741</b>
Tax provided	93	87	120	115	115
Profit after tax	307	310	379	528	627
<b>Net Profit</b>	<b>307</b>	<b>310</b>	<b>379</b>	<b>528</b>	<b>627</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Sources	356	375	451	1,085	1,283
Cash profit	324	363	420	566	665
(-) Dividends	134	138	169	0	0
<b>Retained earnings</b>	<b>190</b>	<b>225</b>	<b>251</b>	<b>566</b>	<b>665</b>
Issue of equity	0	0	0	0	0
Change in Oth. Reserves	173	172	211	527	627
Borrowings	-2	-2	-2	-2	-2
Others	-5	-20	-9	-7	-7
<b>Applications</b>	<b>356</b>	<b>375</b>	<b>451</b>	<b>1,085</b>	<b>1,283</b>
Capital expenditure	97	154	150	150	150
Investments	5	5	5	5	6
Net current assets	83	40	102	137	174
Change in cash	171	177	194	792	953
<b>Closing cash</b>	<b>58</b>	<b>80</b>	<b>121</b>	<b>759</b>	<b>1,558</b>

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
<b>Total assets</b>	2,042	2,412	2,748	2,748	2,748
Net Block	4	6	8	8	8
CWIP	30	38	38	38	38
Investments	74	79	80	81	83
Wkg. cap. (excl cash)	1,877	1,908	2,001	2,130	2,295
Cash / Bank balance	58	80	121	759	1,558
Misc. Assets	-1	-1	-1	-1	-1
Capital employed	2,042	2,412	2,748	2,748	2,748
Equity capital	30	30	30	30	30
Reserves	1,785	1,957	2,168	2,695	3,322
Minority Interests	0	0	0	0	0
Borrowings	305	303	301	299	297
Def Tax Liabilities	53	53	53	53	53

Source: Company, Axis Securities Research

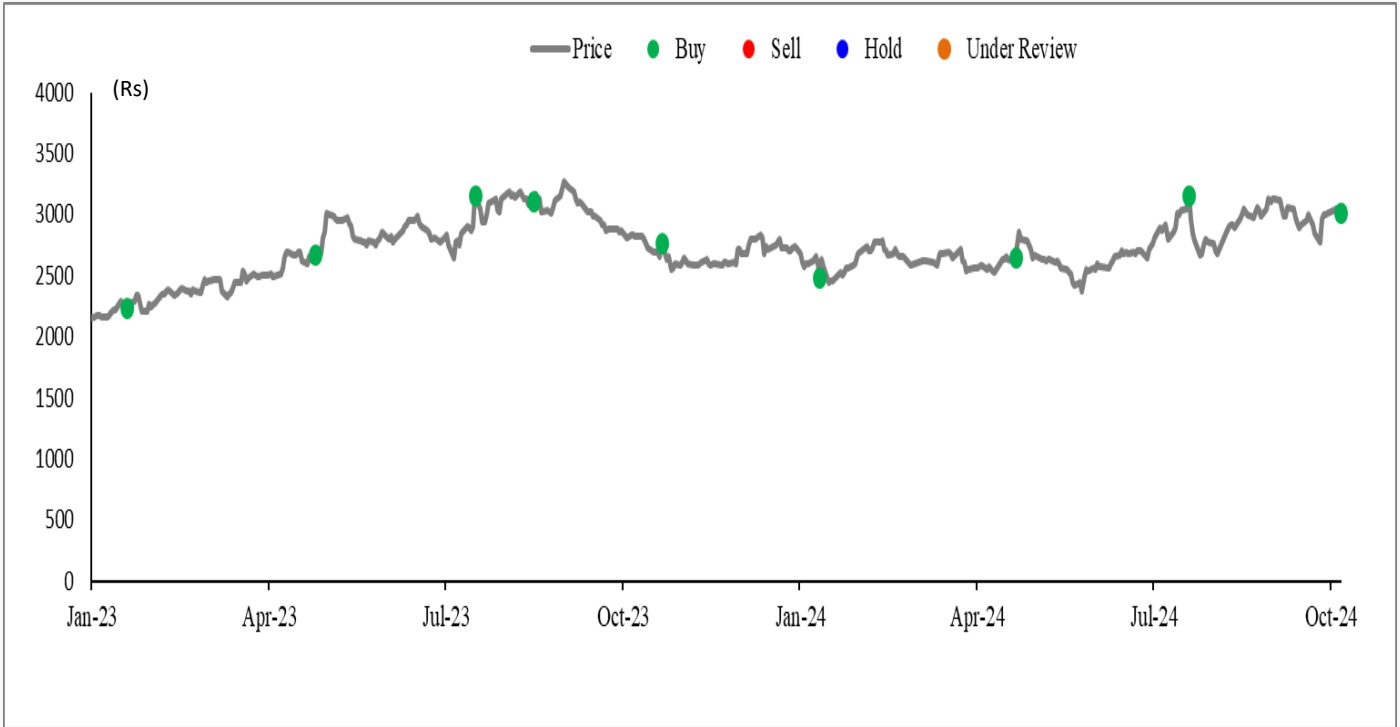
**Ratio Analysis**

(%)

Y/E March	FY22	FY23	FY24	FY25E	FY26E
<b>Sales growth</b>	12.5	25.5	26.7	-1.0	19.8
OPM	41.1	28.5	27.7	42.3	42.3
Oper. profit growth	-5.8	-13.0	23.2	51.1	19.8
COGS / Net sales	0	0	0	0	0
Overheads/Net sales	23.6	27.4	26.8	23.5	23.5
Depreciation / G. block	28.0	30.7	26.6	26.6	26.6
Effective interest rate (%)	17.2	67.9	32.6	26.2	28.4
Net wkg.cap / Net sales	245%	201%	164%	175%	156%
Net sales / Gr block (x)	642%	364%	292%	212%	200%
<b>RoCE</b>	20%	19%	21%	23%	22%
Debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Effective tax rate	23.2	21.9	24.1	17.8	15.5
RoE	0.2	0.2	0.2	0.2	0.2
Payout ratio (Div/NP)	37.3	38.0	38.0	38.0	38.0
EPS (Rs.)	101.3	51.7	63.3	88.1	104.6
EPS Growth	8.7	-49.0	22.6	39.1	18.8
CEPS (Rs.)	105.1	57.3	68.6	93.4	109.9
DPS (Rs.)	37.8	19.6	24.1	0.0	0.0

Source: Company, Axis Securities Research

## Indiamart Intermesh Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
23-Jan-23	BUY	2,640	Result Update
02-May-23	BUY	3,085	Result Update
24-Jul-23	BUY	3,625	Result Update
21-Aug-23	BUY	3,625	Top Sector Ideas
30-Oct-23	BUY	3,625	Result Update
19-Jan-24	BUY	3,000	Result Update
02-May-24	BUY	3,000	Result Update
31-Jul-24	BUY	3,620	Result Update
21-Oct-24	BUY	3,620	Result Update

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

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