AXIS SECURITIES

Results Update
23rd Jan 2023

Indiamart Intermesh Ltd.
IT Services Sector

BUY
Target Price
5,280

A Miss on Margins; Market Share Gain Continues

Est. Vs. Actual for Q3FY23: Revenue – INLINE; EBITDA Margin – MISS; PAT – BEAT

Growth Estimates post Q3FY23

FY23E/FY24E: Revenue 23%/21%; **EBITDA Margins (Abs.)** 35%/35%; **PAT** 21%/22%

Recommendation Rationale

- IndiaMart has sustained market share gain with 194 Mn suppliers.
- The product profile stood strong with 90 Mn products across 56 industries.
- The management is confident of gaining medium-term demand momentum and expects improvement on the margin front as well.

Sector Outlook: Cautiously positive

Company Outlook & Guidance: Employee cost to moderate going ahead which will help the company in improving its operating margins profile. The outlook on revenue growth momentum still remains strong.

Current Valuation: 28x FY25E P/E; Earlier Valuation: 35x FY24E

Current TP: **5,280/share** (**Earlier TP: Rs 5,280/share**)

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

Financial Performance

In Q3FY23, Indiamart Intermesh Ltd (Indiamart) reported revenue of Rs 251 Cr, up 4% QoQ and 34% YoY, which stood in line with our expectations. The company's operating profit stood at Rs 70 Cr, reporting a healthy growth of 5% on a QoQ basis. The company's operating margins remained flat at 28%, largely led by lower operating expenses. Its net profit for Q3FY23 stood at Rs 113 Cr, registering an excellent growth of 65% QoQ.

Outlook

From a long-term perspective, we believe Indiamart is well-placed for 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 its business growth moving forward.

Valuation & Recommendation

We recommend a **BUY** rating on the stock andassign a 28x P/E multiple to its FY25E earnings of Rs 186.7/share to arrive at a TP of Rs 5,280/share, implying an upside of 17% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q3FY23	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	251	4%	38%	253	-1%
EBITDA	77	1%	-8%	85	-9%
EBITDA Margin	31%	100 bps	300 bps	22%	41%
Net Profit	113	66%	61%	80	41%
EPS (Rs)	36.9	66%	61%	32	15%

Source: Company, Axis Research

(CMP as of 20 Jan 2023)

CMP (Rs)	4,548
Upside /Downside (%)	17%
High/Low (Rs)	6735/3676
Market cap (Cr)	13,648
Avg. daily vol. (6m)Shrs.	32,799
No. of shares (Cr)	3

Shareholding (%)

	Jun-22	Sep-22	Dec-22
Promoter	49.2	49.2	49.2
FIIs	23.6	25.0	25.4
MFs / UTI	4.1	4.5	5.1
Banks / FIs	23.1	21.3	20.3
Others	49.2	49.2	49.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY23E	FY24E	FY25E
Net Sales	972	1,198	1,458
EBITDA	345	506	616
Net Profit	376	456	566
EPS (Rs)	124	150	187
PER (x)	37	30	24
P/BV (x)	40	27	21
EV/EBITDA (x)	7	6	5
ROE (%)	19%	21%	22%

Change in Estimates (%)

Y/E Mar	FY23E	FY24E	FY25E
Sales	1%	1%	2%
EBITDA	1%	1%	2%
PAT	1%	1%	2%

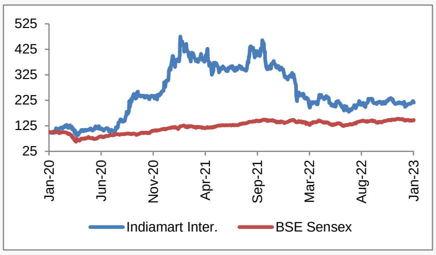
ESG disclosure Score**

Environmental Disclosure	44
Social Disclosure Score	60
Governance Disclosure	59
Total ESG Disclosure Score	51

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

Relative performance



Source: Capitaline, Axis Securities

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Key Highlights

- **Demand strength continues in the medium term:** The management expects the addition of paid suppliers to stay robust at 6-7k in the near term, led by improved sales traction and lower customer churn. Additionally, its ARPU should start recovering going forward as business activity stabilizes and entry-level customers upgrade to higher packages. We believe Indiamart has a resilient business model and has established a proven track record of strong execution capabilities.

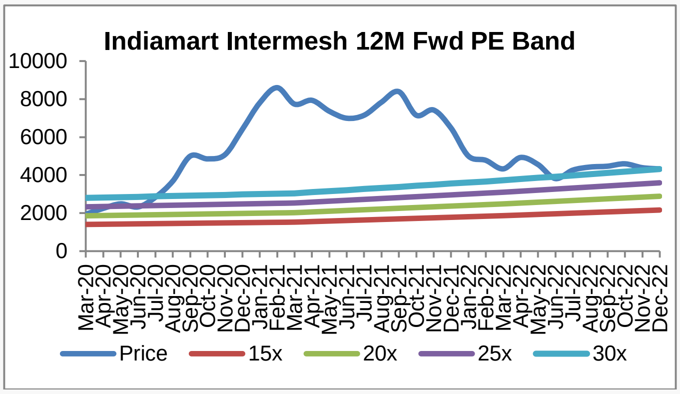
- **Broad-based vertical growth:** Indiamart has reported consistent growth in registered buyers which grew to 165 Mn at a growth of 3.1% QoQ. Indiamart has also expanded its foothold on the number of the products live on the platform to 90 Mn, registering a growth of 3.4% QoQ. Total business enquiries delivered stood at 119 Mn with total unique business enquiries delivered ratio of 5.5x.

Key Risks to our Estimates and TP

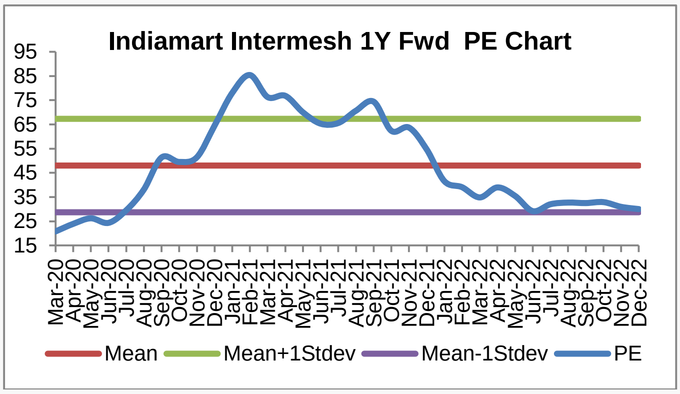
- The rising competition will aid to reduce the market share and will impact revenue.

- The rising employee cost and other operating cost headwinds may impact the company's operating margins negatively.

Indiamart Intermesh 12M Fwd PE Band



Indiamart Intermesh 1Y Fwd PE Chart



Source: Company, Axis Securities

AXIS SECURITIES

Results Review (Rs Cr)

In Crs.	Q3FY23	Q2FY23	Q3FY22	% change (YoY)	% change (QoQ)
Total Revenue	**251**	**241**	**182**	**38%**	**4%**
Employee benefit Expenses	101	92	60		
Other Expenses	73	73	39		
Total Operating Expenses	**174**	**165**	**99**		
EBITDA	**77**	**76**	**83**	**-8%**	**1%**
Margin(%)	31%	32%	46%		
Depreciation	10	10	3		
Operating Income	**67**	**66**	**80**	**-17%**	**2%**
Margin(%)	27%	27%	44%	-1,739	-69
Total Other Income/(Expense)	102	47	1		
Income Before Income Taxes	**161**	**92**	**114**		
Total Taxes	39	24	31		
ETR (%)	24%	26%	27%	-297	-186
Net Profit After Taxes	**113**	**68**	**70**	61%	66%
Non Controlling Interest	0	0	0		
Net Income After Extraordinary Items	**113**	**68**	**70**	61%	66%
Margin(%)	20%	20%	21%	-123	-
EPS	**36.90**	**15.29**	**23.00**	60%	141%

Source: Company, Axis Securities

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY22A	FY23E	FY24E	FY25E
Net sales	**753**	**972**	**1,198**	**1,458**
Other operating income	0	0	0	0
Total income	**753**	**972**	**1,198**	**1,458**
Employee benefit Expenses	*266.4*	*382.9*	*410.2*	*499.2*
Other Expenses	177.5	244.0	281.6	342.7
EBITDA	**309**	**345**	**506**	**616**
Other income	108	181	124	124
PBIDT	**417**	**526**	**630**	**740**
Depreciation	12	30	19	19
Interest & Fin Chg.	5	19	7	7
E/o income / (Expense)	0	0	0	0
Pre-tax profit	**400**	**477**	**605**	**715**
Tax provision	93	101	149	149
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Profit after Tax	**307**	**376**	**456**	**566**
Other Comprehensive Income	0.0	0.0	0.0	0.0
PAT after Comprehensive Income	**307**	**376**	**456**	**566**

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY22A	FY23E	FY24E	FY25E
Total assets	**2,042**	**2,412**	**2,748**	**2,748**
Net Block	4.2	6.2	8.2	8.2
CWIP	30.0	37.5	37.5	37.5
Investments	73.9	78.8	80.0	81.4
Wkg. cap. (excl cash)	1,877	1,908	2,001	2,122
Cash / Bank balance	57.6	151.0	263.1	972.5
Misc. Assets	(1.0)	(1.0)	(1.0)	(1.0)
Capital employed	**2,042**	**2,412**	**2,748**	**2,748**
Equity capital	30.3	30.3	30.3	30.3
Reserves	1,785	1,994	2,247	2,813
Minority Interests	0.0	0.0	0.0	0.0
Borrowings	305	303	301	299
Def tax Liabilities	52.7	52.7	52.7	52.7

Source: Company, Axis Securities

Cash Flow (Rs Cr)

Y/E March	FY22A	FY23E	FY24E	FY25E
Sources	**356**	**445**	**523**	**1,148**
Cash profit	324	425	481	591
(-) Dividends	134	167	203	0
Retained earnings	190	258	279	591
Issue of equity	0.0	0.0	0.0	0.0
Change in Oth. Reserves	173.1	208.9	253.3	565.8
Borrowings	-2	-2	-2	-2
Others	-5	-19	-7	-7
Applications	**356**	**445**	**523**	**1,148**
Capital expenditure	97.4	153.8	150.0	150.0
Investments	4.5	4.8	5.1	5.4
Net current assets	82.6	39.5	102.3	129.8
Change in cash	171.2	247.2	265.9	863.2
Closing cash	40	40	40	40

Source: Company, Axis Securities

Ratio Analysis (%)

Y/E March	FY22A	FY23E	FY24E	FY25E
Sales growth	**12.5**	**29.0**	**23.3**	**21.7**
OPM	**41.1**	**35.5**	**42.3**	**42.3**
Oper. profit growth	(5.8)	11.5	46.9	21.7
COGS / Net sales	0.0	0.0	0.0	0.0
Overheads/Net sales	23.6	25.1	23.5	23.5
Depreciation / G. block	28.0	26.2	14.3	14.3
Effective interest rate (%)	17.2	65.8	24.3	26.2
Net wkg.cap / Net sales	2.45	1.95	1.64	1.42
Net sales / Gr block (x)	6.4	3.7	2.9	2.6
RoCE	**20%**	**22%**	**25%**	**25%**
Debt / equity (x)	0.04	0.04	0.03	0.03
Effective tax rate	23.2	21.1	24.6	20.8
RoE	**17%**	**19%**	**21%**	**22%**
Payout ratio (Div/NP)	37.3	38.0	38.0	38.0
EPS (Rs.)	**101.3**	**124.0**	**150.4**	**186.7**
EPS Growth	8.7	22.4	21.3	24.1
CEPS (Rs.)	105.1	133.8	156.6	192.9
DPS (Rs.)	37.8	47.1	57.2	0.1

Source: Company, Axis Securities

Indiamart Intermesh Price Chart and Recommendation History

Date	Reco	TP	Research
14-Mar-22	BUY	6,800	Initiating Coverage
02-May-22	BUY	6,800	Result Update
25-Jul-22	BUY	5,280	Result Update
25-Oct-22	BUY	5,280	Result Update
23-Jan-23	BUY	5,280	Result Update

Source: Axis Securities

About the analyst

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