

Slowing Down Customer Additions; Long-term Outlook Remains Resilient

Est. Vs. Actual for Q4FY24: Revenue – **MISS**; EBITDA Margin – **MISS**; PAT – **BEAT**

Changes in Estimates post Q4FY24

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 214K paying suppliers, up 6% YoY. Moreover, annualised revenue per paying supplier grew by 10% YoY and stood at Rs 56,000.
- The **product profile stood strong** with 108 Mn products across 98 categories.
- Organic traffic showed a strong growth of 7% YoY and stood at 269 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 going ahead, which will help it improve its operating margin profile. The long-term outlook on revenue growth momentum still remains strong.

Current Valuation: 29x FY26E P/E; Earlier Valuation: 38x FY25E

Current TP: 3,000/share (Earlier TP: Rs 3,000/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 315 Cr in Q4FY24, up 3% QoQ and 17% YoY, which stood below our expectations. The company's operating profit stood at Rs 76 Cr, reporting a de-growth of 2% on a QoQ basis, which was led by other operating costs during the quarter. Its operating margins declined by 126bps to 24%, largely driven by higher employee and other operating expenses. The company's net profit for Q4FY24 stood at Rs 100 Cr, registering a robust growth of 22% QoQ owing to higher other income.

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 and assign a 29x P/E multiple to its FY26E earnings of Rs 104.6/share to arrive at a TP of Rs 3,000/share, implying an upside of 13% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	315	3%	17%	320	-2%
EBIT	76	-2%	32%	82	-7%
EBIT Margin	24%	-126	266	25%	-2%
Net Profit	100	22%	78%	85	17%
EPS (Rs)	16.62	22%	-9%	15.3	9%

Source: Company, Axis Research

(CMP as of 30th April 2024)

CMP (Rs)	2,648
Upside /Downside (%)	13%
High/Low (Rs)	3,293/2,395
Market cap (Cr)	15,884
Avg. daily vol. (6m)Shrs.	39,43,740
No. of shares (Cr)	61.2

Shareholding (%)

	Sept-23	Dec-23	March-24
Promoter	49.22	49.21	49.21
FIIs	26.76	27.33	27.33
MFs / UTI	4.49	4.58	4.58
Banks / FIs	0.01	0	0
Others	19.52	18.88	18.88

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)%

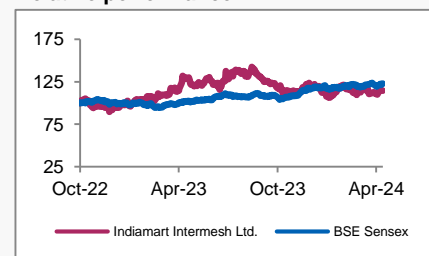
ESG disclosure Score**

Environmental Disclosure	44
Social Disclosure Score	60
Governance Disclosure Score	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: AceEquity, 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 194 Mn at a growth of 3.1% QoQ. It also has expanded its foothold on the number of the products live on the platform to 108 Mn, registering a growth of 3.4% QoQ. Total business enquiries delivered stood at 133 Mn with total 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	Q4FY24	Q3FY24	Q4FY23	% change (YoY)	% change (QoQ)
Total Revenue	315	305	269	17%	3%
Purchase of stock in trade	0	0	0		
Changes in inventories	0	0	0		
Employee benefit expenses	149	139	124		
Other Expenses	77	81	80		
Total Cost of Sales	226	220	203		
EBITDA	88	86	66	34%	3%
Margin(%)	28%	28%	25%	350	2
D&A	12.7	8.4	8.6		
Operating Income	76	77	58	32%	-2%
Margin(%)	24%	25%	21%	266	-126
Total Other Income/(Expense)	77.2	41.7	30.7		
Income Before Income Taxes	139	110	76	84%	27%
Total Taxes	40	28	20		
ETR (%)	28%	25%	26%	221	312
Net Profit After Taxes	100	82	56	78%	22%
Non-Controlling Interest	0	0	0		
Net Income After Extraordinary Items	100	82	56	78%	22%
Margin(%)	32%	27%	21%	1089	482

Source: Company, Axis Securities

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY22A	FY23E	FY24	FY25E	FY26E
Net sales	753	945	1,197	1,185	1,419
Growth, %	19%	25%	27%	-1%	20%
Other income	108	181	211	180	180
Total income	861	1,126	1,407	1,364	1,599
Employee expenses	266	416	544	406	486
Other Operating expenses	178	259	321	278	334
EBITDA (Core)	309	269	332	501	600
Growth, %	21%	-13%	23%	51%	20%
Margin, %	28%	28%	28%	42%	42%
Depreciation	12	34	32	32	32
EBIT	417	450	542	680	779
Growth, %	24%	8%	21%	26%	15%
Margin, %	26%	48%	45%	57%	55%
Interest paid	5	20	9	7	7
Pre-tax profit	400	396	500	642	741
Tax provided	93	87	120	115	115
Profit after tax	307	310	379	528	627
Net Profit	307	310	379	528	627

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY22A	FY23E	FY24	FY25E	FY26E
Sources	356	375	451	1,085	1,283
Cash profit	324	363	420	566	665
(-) Dividends	134	138	169	0	0
Retained earnings	190	225	251	566	665
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
Applications	356	375	451	1,085	1,283
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
Closing cash	58	80	121	759	1,558

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY22A	FY23E	FY24	FY25E	FY26E
Total assets	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

Ratio Analysis

(%)

Y/E March	FY22A	FY23E	FY24	FY25E	FY26E
Sales growth	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%
RoCE	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

Indiamart Intermesh Ltd Price Chart and Recommendation History



Source: Axis Securities

Date	Reco	TP	Research
14-Mar-22	BUY	3,400	Initiating Coverage
02-May-22	BUY	3,400	Result Update
25-Jul-22	BUY	2,640	Result Update
25-Oct-22	BUY	2,640	Result Update
23-Jan-23	BUY	2,640	Result Update
02-May-23	BUY	3,085	Result Update
24-Jul-23	BUY	3,625	Result Update
30-Oct-23	BUY	3,625	Result Update
19-Jan-24	BUY	3,000	Result Update
02-May-24	BUY	3,000	Result Update

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