

# INDIAMART

## COMPANY UPDATE

### KEY DATA

|                                         |                     |
|-----------------------------------------|---------------------|
| <b>Rating</b>                           | <b>BUY</b>          |
| <b>Sector relative</b>                  | <b>Outperformer</b> |
| <b>Price (INR)</b>                      | <b>2,500</b>        |
| <b>12 month price target (INR)</b>      | <b>3,800</b>        |
| <b>52 Week High/Low</b>                 | <b>3,172/1,835</b>  |
| <b>Market cap (INR bn/USD bn)</b>       | <b>150/1.7</b>      |
| <b>Free float (%)</b>                   | <b>47.9</b>         |
| <b>Avg. daily value traded (INR mn)</b> | <b>329.1</b>        |

### SHAREHOLDING PATTERN

|          | Mar-25 | Dec-24 | Sep-24 |
|----------|--------|--------|--------|
| Promoter | 49.17% | 49.17% | 49.21% |
| FII      | 18.95% | 21.06% | 23.86% |
| DII      | 15.50% | 13.86% | 12.11% |
| Pledge   | 0.00%  | 0.00%  | 0.00%  |

### FINANCIALS

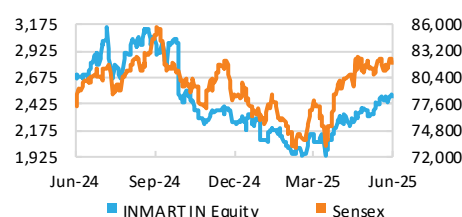
(INR mn)

| Year to March      | FY25A  | FY26E  | FY27E  | FY28E  |
|--------------------|--------|--------|--------|--------|
| Revenue            | 13,884 | 15,817 | 18,792 | 22,467 |
| EBITDA             | 5,228  | 5,633  | 6,439  | 7,820  |
| Adjusted profit    | 5,507  | 5,584  | 6,275  | 7,512  |
| Diluted EPS (INR)  | 91.8   | 93.1   | 104.6  | 125.2  |
| EPS growth (%)     | 65.5   | 1.4    | 12.4   | 19.7   |
| RoAE (%)           | 28.1   | 24.4   | 25.2   | 27.9   |
| P/E (x)            | 27.2   | 26.8   | 23.8   | 19.9   |
| EV/EBITDA (x)      | 23.1   | 20.2   | 16.9   | 12.9   |
| Dividend yield (%) | 0.8    | 2.4    | 2.8    | 3.6    |

### CHANGE IN ESTIMATES

|                   | Revised estimates |        | % Revision |       |
|-------------------|-------------------|--------|------------|-------|
| Year to March     | FY26E             | FY27E  | FY26E      | FY27E |
| Revenue           | 15,817            | 18,792 | 2.7%       | 8.7%  |
| EBITDA            | 5,633             | 6,439  | -3.1%      | -0.4% |
| Adjusted profit   | 5,584             | 6,275  | 9.3%       | 10.3% |
| Diluted EPS (INR) | 93.1              | 104.6  | 9.3%       | 10.3% |

### PRICE PERFORMANCE



## The unsuspected shift

We upgrade IndiaMART from 'REDUCE' to 'BUY'—following earlier downgrades in Oct-23 to 'HOLD' and Oct-24 to 'REDUCE'—as we believe the business is entering a new demand upcycle. Management's initiatives such as changes on platform and investing in marketing and branding to attract buyers will lead to higher unique business enquiries, followed by a rise in net new subscriber addition.

We are increasing earnings estimates by ~9/10% for FY26E/27E each driven by higher revenue growth while we are lowering profitability. We are raising target valuation multiple from 22x to 35x – same as pre downgrade level driven by improving growth prospects thereby increasing the target price from INR2,100 to INR3,800.

### Dice ready to roll in favour; new upcycle in place

IndiaMart has been facing elevated churn in silver subscribers for almost two years now. During this period, unique enquiries per paid suppliers per quarter dipped below its long-term average of 130 to 106 (below pre-Covid level) in Q1FY24 after remaining at ~148 during FY21–23. Management has made some changes to address structural problem such as improving platform, insourcing one part of the sales force and now investing in branding and marketing. Management has been patient in their attempt to address the solution rather than investing in gross addition to offset higher churn. This metric has shown a steady improvement during the LTM and is now at 125 in Q4FY25. Management is on the right path by reducing the number of supplier enquiries from ~7 to < 4 now thereby reducing competition within suppliers. Moreover, investing in attracting buyers will ensure there is plenty of enquiry for everyone to flourish. We believe headwinds have bottomed out and these investments are ready to show results. We reckon an improvement in subscriber addition shall happen by Q2/Q3, which shall lead to a revival in collection growth.

We argue a new demand cycle will start with improvement in traffic and unique business enquiry followed by rise in net subscriber addition and ultimately lead to collection growth acceleration as management focuses on enhancing customer engagement metrics. With ARPU growth already in place, these efforts place IndiaMART well to capitalise on its monetisation potential and drive sustainable growth. We foresee a rebound in collection growth and, subsequently, overall revenue growth. While growth improves, margins are set to normalise to around mid-30% in line with management's guidance. We assert this normalisation will not alter investor sentiment given in the past the stock performance showed no meaningful correlation with margin improvement (Chart 8) as investors consistently viewed higher margins as transitory. Management has consistently said margins shall normalise as IndiaMART starts investing back on growth.

IndiaMART is trading at one-year forward P/E of 28x compared with average (since listing) of 45x. We reckon valuation shall rerate due to improving growth trajectory. We are introducing FY28E numbers and roll-forward valuation to Q1FY28. This along with an increase in target multiple to 35x yields a target price of INR3,800; upgrade to 'BUY' (from 'REDUCE').

## Financial Statements

### Income Statement (INR mn)

| Year to March          | FY25A  | FY26E  | FY27E  | FY28E  |
|------------------------|--------|--------|--------|--------|
| Total operating income | 13,884 | 15,817 | 18,792 | 22,467 |
| Employee costs         | 6,010  | 6,737  | 8,031  | 9,480  |
| SG&A expenses          | 786    | 0      | 0      | 0      |
| Other expenses         | 1,860  | 3,447  | 4,322  | 5,167  |
| EBITDA                 | 5,228  | 5,633  | 6,439  | 7,820  |
| Depreciation           | 329    | 389    | 441    | 500    |
| Less: Interest expense | 74     | 73     | 73     | 73     |
| Add: Other income      | 2,724  | 2,875  | 3,162  | 3,568  |
| Profit before tax      | 7,058  | 7,446  | 8,367  | 10,016 |
| Prov for tax           | 1,551  | 1,861  | 2,092  | 2,504  |
| Less: Other adj        | 0      | 0      | 0      | 0      |
| Reported profit        | 5,507  | 5,584  | 6,275  | 7,512  |
| Less: Excp.item (net)  | 0      | 0      | 0      | 0      |
| Adjusted profit        | 5,507  | 5,584  | 6,275  | 7,512  |
| Diluted shares o/s     | 60     | 60     | 60     | 60     |
| Adjusted diluted EPS   | 91.8   | 93.1   | 104.6  | 125.2  |
| DPS (INR)              | 20.0   | 60.0   | 70.0   | 90.0   |
| Tax rate (%)           | 22.0   | 25.0   | 25.0   | 25.0   |

### Important Ratios (%)

| Year to March          | FY25A | FY26E | FY27E | FY28E |
|------------------------|-------|-------|-------|-------|
| Staff cost as % of rev | 43.3  | 42.6  | 42.7  | 42.2  |
| Other exp. as % of rev | 19.1  | 21.8  | 23.0  | 23.0  |
| Depr. as a % of rev.   | 2.4   | 2.5   | 2.3   | 2.2   |
| EBITDA margin (%)      | 37.7  | 35.6  | 34.3  | 34.8  |
| Net profit margin (%)  | 39.7  | 35.3  | 33.4  | 33.4  |
| Revenue growth (% YoY) | 16.0  | 13.9  | 18.8  | 19.6  |
| EBITDA growth (% YoY)  | 57.8  | 7.7   | 14.3  | 21.4  |
| Adj. profit growth (%) | 64.0  | 1.4   | 12.4  | 19.7  |

### Assumptions (%)

| Year to March              | FY25A     | FY26E     | FY27E     | FY28E     |
|----------------------------|-----------|-----------|-----------|-----------|
| GDP (YoY %)                | 6.0       | 6.2       | 6.2       | 6.2       |
| Repo rate (%)              | 6.0       | 5.0       | 5.0       | 5.0       |
| USD/INR (average)          | 84.0      | 82.0      | 82.0      | 82.0      |
| Tax rate as % of PBT       | 22.0      | 25.0      | 25.0      | 25.0      |
| Paid subscribers           | 216,589.0 | 230,589.0 | 250,589.0 | 274,589.0 |
| Rev./paid subscriber (INR) | 61,293.5  | 66,564.8  | 73,388.2  | 80,431.7  |
| Deferred rev. (INR mn)     | 16,780.0  | 19,570.5  | 22,881.0  | 26,936.5  |
| Capex (INR mn)             | 77.2      | 150.0     | 200.0     | 200.0     |
| Payable days               | 12.8      | 25.0      | 25.0      | 25.0      |

### Valuation Metrics

| Year to March      | FY25A | FY26E | FY27E | FY28E |
|--------------------|-------|-------|-------|-------|
| Diluted P/E (x)    | 27.2  | 26.8  | 23.8  | 19.9  |
| Price/BV (x)       | 6.8   | 6.3   | 5.8   | 5.3   |
| EV/EBITDA (x)      | 23.1  | 20.2  | 16.9  | 12.9  |
| Dividend yield (%) | 0.8   | 2.4   | 2.8   | 3.6   |

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

| Year to March        | FY25A  | FY26E  | FY27E  | FY28E  |
|----------------------|--------|--------|--------|--------|
| Share capital        | 600    | 600    | 600    | 600    |
| Reserves             | 21,253 | 23,239 | 25,315 | 27,429 |
| Shareholders funds   | 21,853 | 23,839 | 25,915 | 28,029 |
| Minority interest    | 0      | 0      | 0      | 0      |
| Borrowings           | 0      | 0      | 0      | 0      |
| Trade payables       | 261    | 1,134  | 558    | 1,448  |
| Other liabs & prov   | 12,228 | 14,991 | 17,360 | 20,268 |
| Total liabilities    | 41,337 | 47,987 | 53,076 | 60,481 |
| Net block            | 197    | 173    | 78     | (70)   |
| Intangible assets    | 4,818  | 4,758  | 4,632  | 4,499  |
| Capital WIP          | 0      | 0      | 0      | 0      |
| Total fixed assets   | 5,015  | 4,931  | 4,709  | 4,429  |
| Non current inv      | 6,654  | 6,654  | 6,654  | 6,654  |
| Cash/cash equivalent | 28,726 | 35,533 | 40,797 | 48,407 |
| Sundry debtors       | 40     | 59     | 58     | 82     |
| Loans & advances     | 425    | 468    | 515    | 566    |
| Other assets         | 202    | 202    | 202    | 202    |
| Total assets         | 41,337 | 47,987 | 53,076 | 60,481 |

### Free Cash Flow (INR mn)

| Year to March         | FY25A   | FY26E   | FY27E   | FY28E   |
|-----------------------|---------|---------|---------|---------|
| Reported profit       | 5,507   | 5,584   | 6,275   | 7,512   |
| Add: Depreciation     | 329     | 389     | 441     | 500     |
| Interest (net of tax) | 74      | 73      | 73      | 73      |
| Others                | 3,207   | 7,162   | 3,645   | 7,875   |
| Less: Changes in WC   | (1,336) | (3,573) | (1,748) | (3,723) |
| Operating cash flow   | 6,232   | 7,773   | 6,594   | 9,732   |
| Less: Capex           | (79)    | (150)   | (200)   | (200)   |
| Free cash flow        | 6,153   | 7,623   | 6,394   | 9,532   |

### Key Ratios

| Year to March         | FY25A  | FY26E  | FY27E  | FY28E  |
|-----------------------|--------|--------|--------|--------|
| RoE (%)               | 28.1   | 24.4   | 25.2   | 27.9   |
| RoCE (%)              | 38.9   | 35.5   | 36.8   | 40.4   |
| Inventory days        | nm     | nm     | nm     | nm     |
| Receivable days       | 1      | 1      | 1      | 1      |
| Payable days          | nm     | nm     | nm     | nm     |
| Working cap (% sales) | (81.6) | (94.2) | (88.6) | (90.7) |
| Gross debt/equity (x) | 0      | 0      | 0      | 0      |
| Net debt/equity (x)   | (1.3)  | (1.5)  | (1.6)  | (1.7)  |
| Interest coverage (x) | 66.2   | 72.0   | 82.4   | 100.5  |

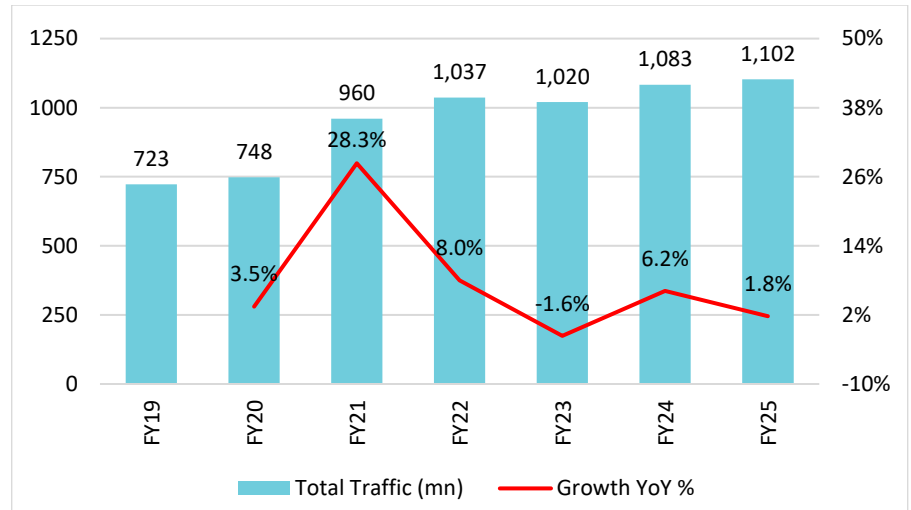
### Valuation Drivers

| Year to March     | FY25A | FY26E | FY27E | FY28E |
|-------------------|-------|-------|-------|-------|
| EPS growth (%)    | 65.5  | 1.4   | 12.4  | 19.7  |
| RoE (%)           | 28.1  | 24.4  | 25.2  | 27.9  |
| EBITDA growth (%) | 57.8  | 7.7   | 14.3  | 21.4  |
| Payout ratio (%)  | 21.8  | 64.4  | 66.9  | 71.9  |

## Business in recovery mode

IndiaMART was a major beneficiary of higher internet penetration during Covid as its total traffic bumped up 28.3% YoY to 960mn visitors in FY21, becoming the go-to marketplace for MSME during lockdowns. This growth normalised as it reported a marginal dip in traffic in FY23. The recovery since FY23 has also been muted. We reckon investment on branding and marketing shall kick-start traffic growth.

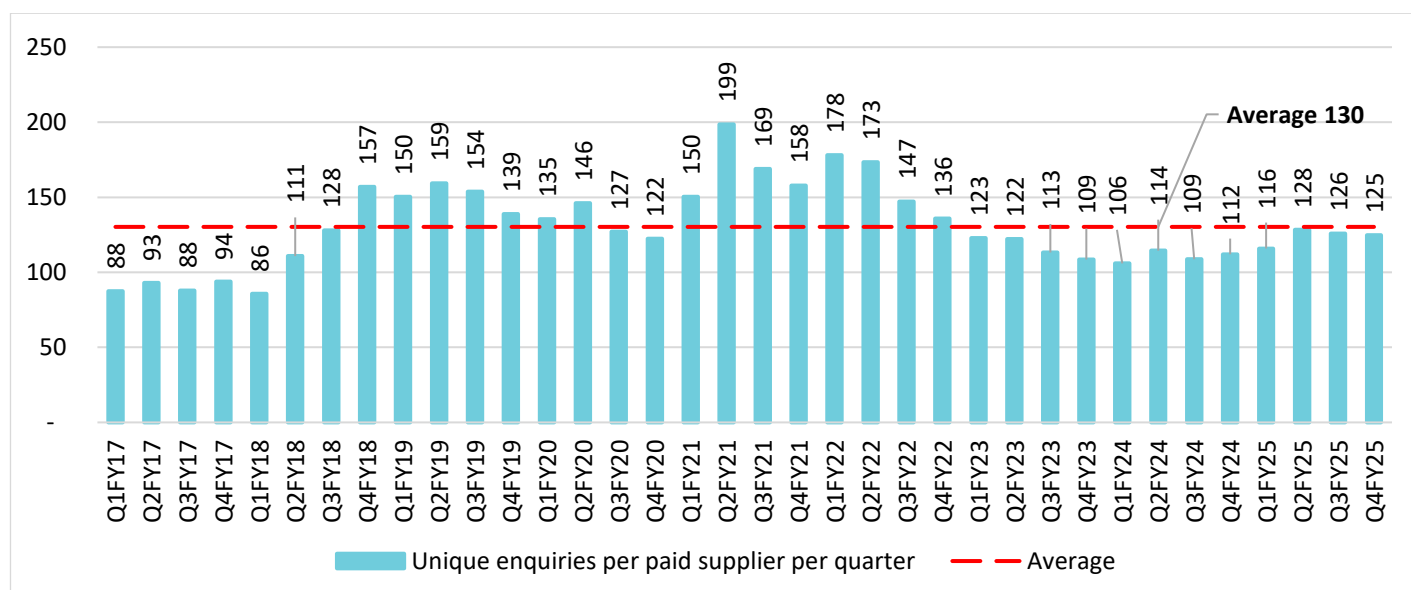
**Exhibit 1: Total traffic on platform gradually improving**



Source: Company, Nuvama Research

Followed by traffic, unique business inquiries started getting hurt. Unique enquiries per paid suppliers per quarter have historically been ~130, but dipped below pre-Covid level to 106 in Q1FY24 after staying at ~148 during FY21–23. This metric has shown a steady improvement during LTM and is now at 125 in Q4FY25. Management attributes this improvement to multiple initiatives, including enhancements in quality and relevance of RFQs, user interface and experience (UI/UX) upgrades and ongoing algorithmic improvements to refine supplier-buyer matchmaking. Moreover, IndiaMART reduced the number of supplier per unique query to less than four, offering more targeted and high-quality leads. We believe the improvement in unique business enquiry growth will serve as a leading indicator and is likely to be the first metric to reflect a pickup in business performance.

Exhibit 2: Quarterly trend of unique enquiries per paid supplier



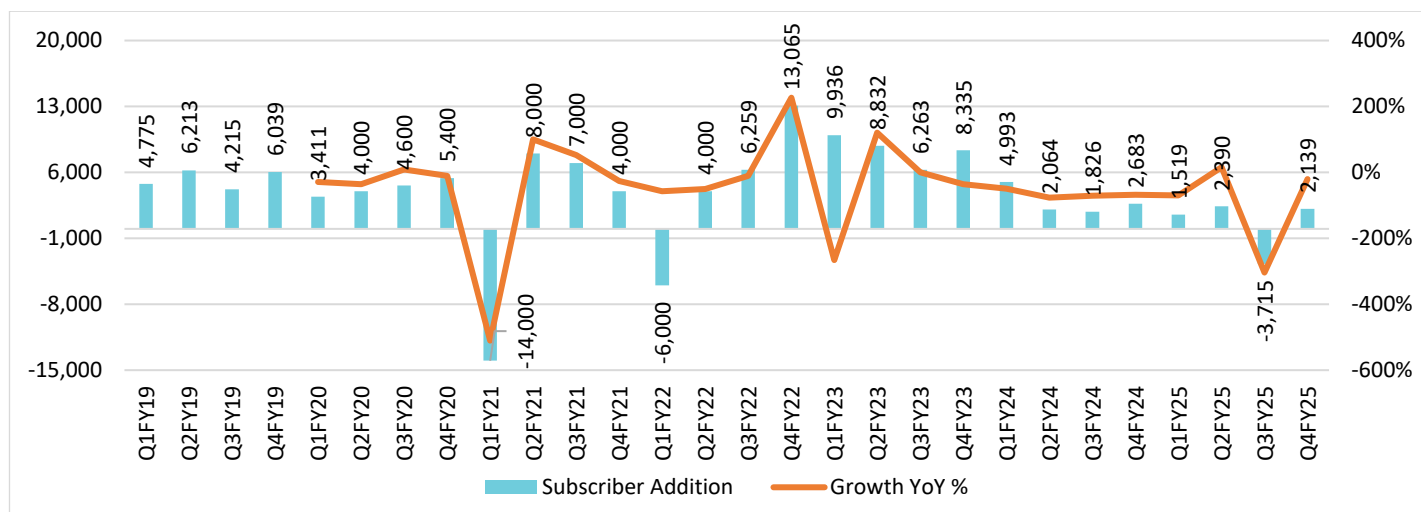
Source: Company, Nuvama Research

IndiaMART undertook price hikes across its silver subscription packages in Jun-23, which resulted in elevated churn rate rising from 20–25% to 35–40%. A large proportion of new paying subscribers were in their early stages of adoption, often lacking sufficient training to fully utilise the platform and generate business. This coupled with higher pricing, led to non-renewals among many suppliers. Furthermore, a decline in the unique enquiries per paying supplier metric affected the perceived RoI for users.

To address these challenges, management has initiated several corrective measures aimed at reducing churn and enhancing engagement on the platform. These include efforts to improve the quality and relevance of RFQs, upgrades to user interface and experience (UI/UX), and technological enhancements to improve supplier-customer matchmaking. Two-thirds of changes have been completed and early signs of improvement are visible in enquiry-related metrics.

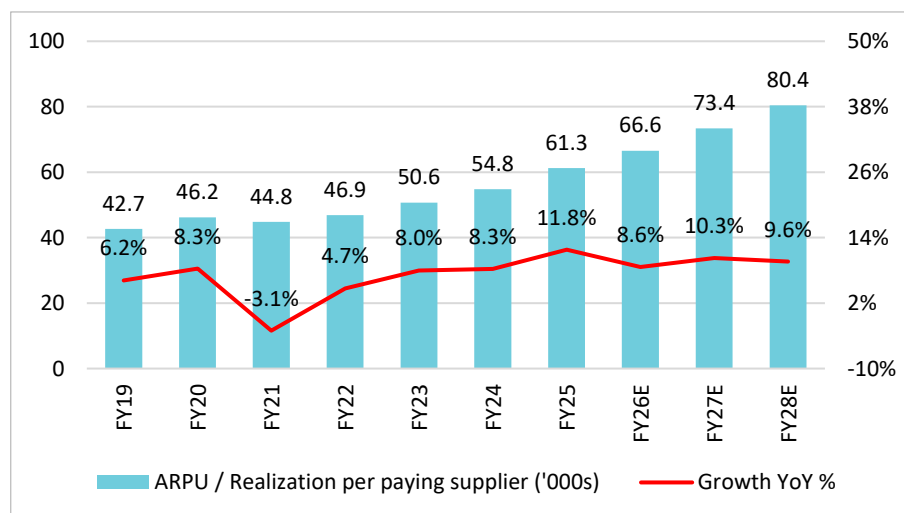
On the monetisation front, management remains confident of achieving ARPU growth of 9–10% until supplier additions gain traction. We forecast revenue shall grow at a 17.8% CAGR over FY25–28E, supported by an 8.2% CAGR in paying supplier additions and 9.7% CAGR in realisations.

Exhibit 3: Paying subscriber addition



Source: Company, Nuvama Research

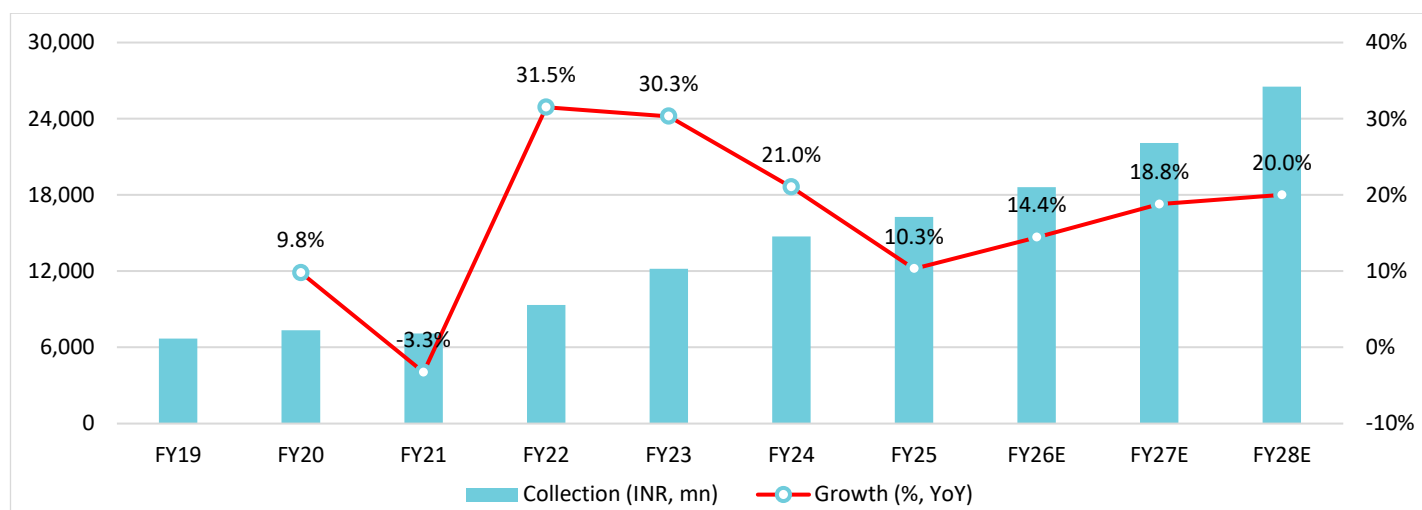
Exhibit 4: ARPU/realisation per paying supplier



Source: Company, Nuvama Research

Collection growth started suffering by Q3FY24 as the churn in silver increase. Higher churn in Silver subscriber has an impact not just on higher subscriber addition, but also on ARPU as lower silver in sales funnel means lower upgrade from silver to gold subscription in future period. Collection growth bottomed out in Q2FY25 and has improved since then on the back of a low base. We estimate higher subscriber addition going ahead shall lead to acceleration in collection growth.

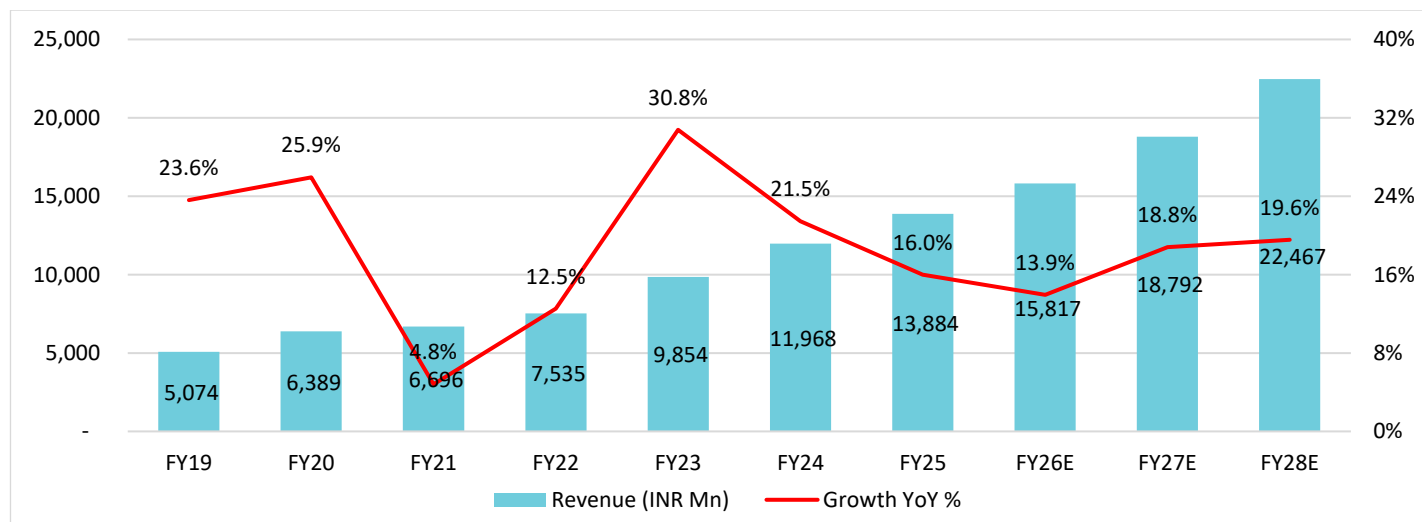
**Exhibit 5: Collections growth should pick-up on the back of higher subscriber addition**



Source: Company, Nuvama Research

IndiaMART reported strong double-digit revenue growth over FY21–24, driven by healthy subscriber additions and improved realisations. Revenue grew at a 21% CAGR during this period, supported by a 12% CAGR in the number of paying suppliers and a 7% CAGR in realisation. However, decelerating collection growth soon started hurting revenue growth. Revenue growth in Q1FY26 will slow down to 11.0% for consolidated business - following collection growth trajectory. We estimate revenue growth shall accelerate at a CAGR of 18% during FY25–28E, following collection trajectory with a delay.

**Exhibit 6: Revenue growth should accelerate**

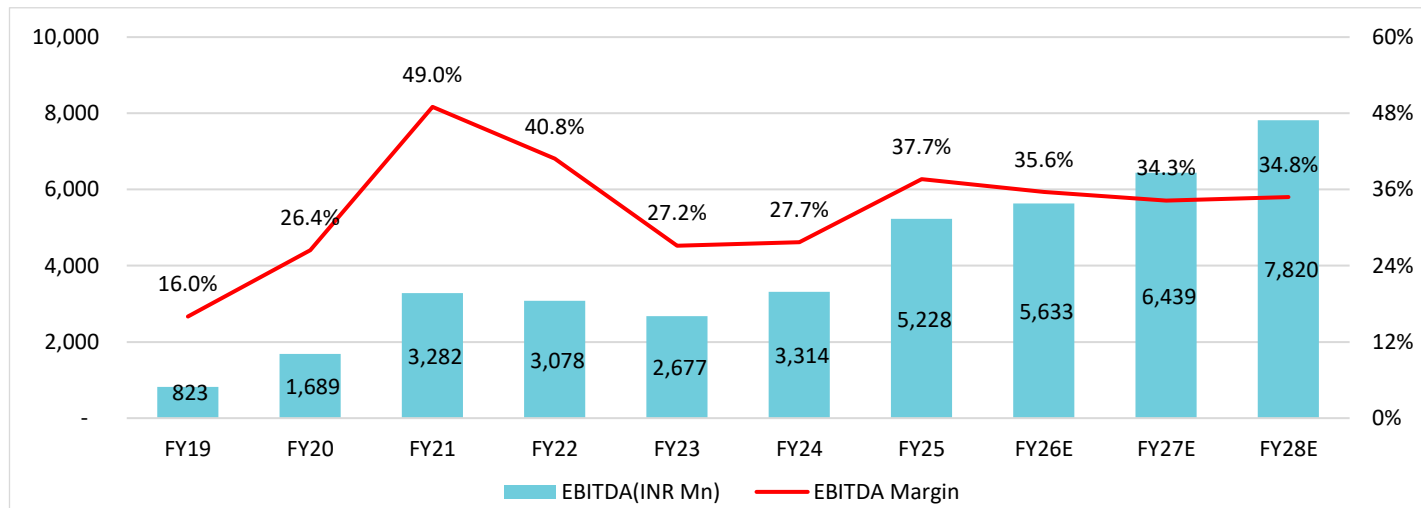


Source: Company, Nuvama Research

Management has reduced overall spend as they have been focusing on fixing the problems before investing on growth leading to elevated level of margins. EBITDA margins were elevated at ~38% in FY25; however we believe this level is not sustainable. As the company shifts its focus towards accelerating top-line growth, margins are likely to moderate. Management has indicated plans to scale up digital marketing efforts to widen its reach, with a targeted increase in marketing spends to INR500–600mn in FY26E. This incremental expenditure and additional investments on growth will normalise EBITDA margins to mid-30s, with management intent to improve them by 1 percentage point every year thereafter. We assert this normalisation will not alter investor sentiment given in the past the stock

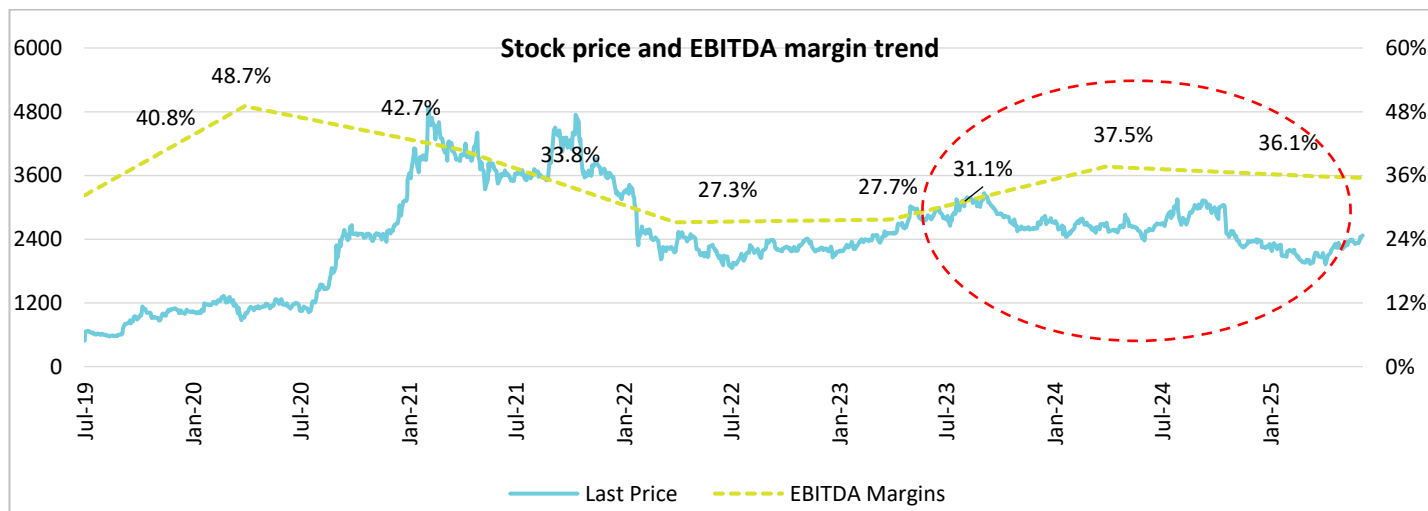
performance showed no meaningful correlation with margin improvement (Chart 8) as investors consistently viewed higher margins as transitory. Management has consistently said margins shall normalise as IndiaMART starts investing back on growth

**Exhibit 7: EBITDA margin likely to remain in mid-30% range**



Source: Company, Nuvama Research

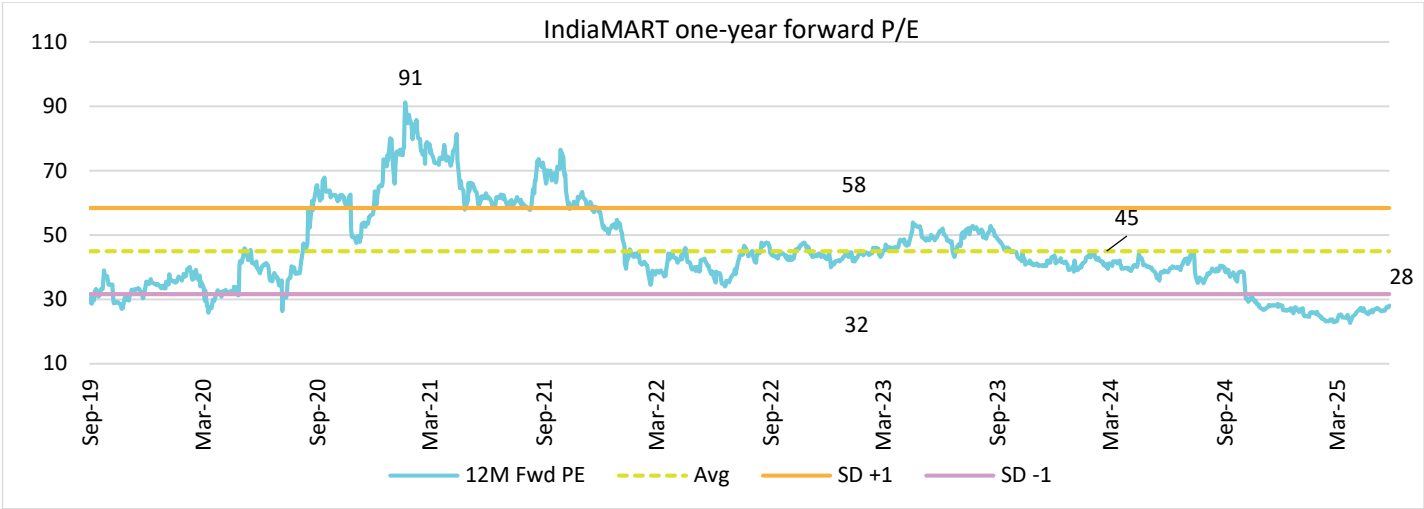
**Exhibit 8: Stock price and EBITDA margin trend**



Source: Company, Nuvama Research

IndiaMART is currently trading at a one-year forward P/E multiple of 28x, which is below its historical average of 45x since listing. We believe the company's valuation is poised for a re-rating driven by an improving growth trajectory. IndiaMART's recent strategic initiatives, including algorithmic changes to enhance the quality of leads for paying suppliers and a rebound in visitor traffic, underscore a positive outlook for sustainable growth. The company continues to strengthen its position as a leading marketplace for MSMEs, these developments are likely to support higher revenue growth and margins, which should contribute to a valuation re-rating.

Exhibit 9: IndiaMART one-year forward PE



Source: Company, Nuvama Research

## Company description

IndiaMART is India's largest online B2B product and price discovery platform, facilitating interactions between suppliers and buyers. The USP of the platform is 2-way discovery marketplace — i.e. suppliers can post their listings as well as buyers can also place their request for quotations (RFQs). This helps IndiaMART generate high-quality leads for suppliers and gauge supplier behaviour, particularly their responsiveness. A clear market leader, IndiaMART caters to about 83mn monthly visitors on its portal. Over the years, it has widened listings to 95K product categories spanning 7.5mn supplier storefronts. The platform has scaled on the back of network effect as large number of sellers on the platform attracts large number of buyers, which in turn makes the platform more attractive for sellers. IndiaMART monetises leads by providing them to its paid subscribers. Further, to capture value from the transactions, and drive digitisation, the company is investing in various companies. It has also acquired billing platforms, which will drive its B2B SaaS foray.

## Investment theme

We believe that IndiaMART has long growth runway considering paid subscriber constitute only 2.4% of its storefronts. The company has large number of visitors and business enquiries, which can support growth in paid customer for a long time.

With strong value proposition for the customer, the company has demonstrated pricing power and has taken price hikes, which improves its growth and profitability. Also, since most of the cost pertaining to the platform are fixed in nature, the business model has demonstrated high operating leverage which will drive margin expansion over longer term.

IndiaMART is uniquely positioned to drive digitisation of the SMEs and it can help its investee companies scale up with its reach and by offering bundled products. This will create sticky business for IndiaMART as well as its investee companies.

## Key risks

Technology/business model disruption

Investment risk and capital misallocation

Bad actors leveraging platform for fake products, cyber-attack, data hacking, etc.

Inflexible pricing strategy, and economic slowdown

Emergence of new players, especially B2B vertical transaction marketplaces

Additional Data

Management

|                    |                 |
|--------------------|-----------------|
| CEO                | Dinesh Agarwal  |
| CFO                | Prateek Chandra |
| Wholetime Director | Brijesh Agarwal |
| COO                | Dinesh Gulati   |
| Auditor            | B S R & Co. LLP |

Holdings – Top 10\*

| % Holding        |       | % Holding       |      |
|------------------|-------|-----------------|------|
| Dinesh Agarwal   | 28.23 | First Sentier I | 2.55 |
| Brijesh Agarwal  | 18.99 | Mitsubishi UFJ  | 2.30 |
| ICICI Purdientia | 4.99  | Vanguard Group  | 1.90 |
| SBI Funds Manag  | 2.99  | Capital Group C | 1.77 |
| UTI AMC          | 2.85  | SmallCap World  | 1.59 |

\*Latest public data

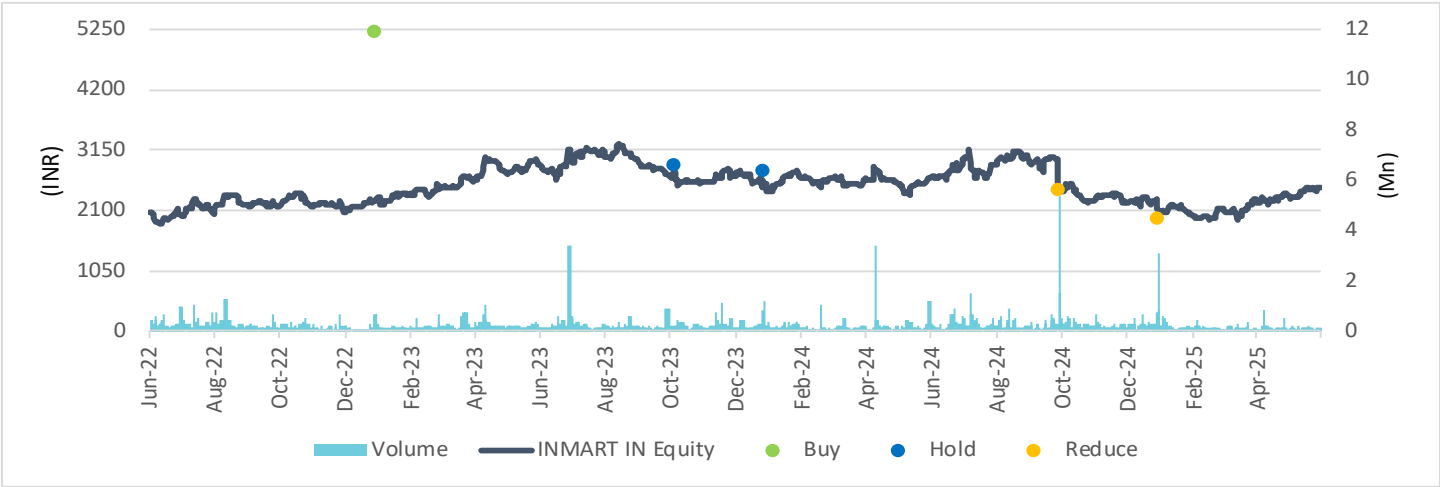
Recent Company Research

| Date      | Title                                                          | Price | Reco   |
|-----------|----------------------------------------------------------------|-------|--------|
| 29-Apr-25 | Subscriber addition remains subdued; <i>Result Update</i>      | 2329  | Reduce |
| 21-Jan-25 | Subscriber churn puzzle remains unsolved; <i>Result Update</i> | 2209  | Reduce |
| 19-Oct-24 | Spiralling down with no bottom in sight; <i>Result Update</i>  | 3013  | Reduce |

Recent Sector Research

| Date      | Name of Co./Sector | Title                                                        |
|-----------|--------------------|--------------------------------------------------------------|
| 27-May-25 | Info Edge          | Investing in growth and capabilities; <i>Result Update</i>   |
| 16-May-25 | PB Fintech         | Core protection premium growth steady ; <i>Result Update</i> |
| 01-May-25 | ETERNAL            | Strong execution despite competition; <i>Result Update</i>   |

Rating and Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

| Rating | Expected absolute returns over 12 months | Rating Distribution |
|--------|------------------------------------------|---------------------|
| Buy    | 15%                                      | 203                 |
| Hold   | <15% and >-5%                            | 62                  |
| Reduce | <-5%                                     | 37                  |

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Abneesh Roy

Head of Research Committee

Abneesh.Roy@nuvama.com