

IndiaMART InterMESH

B2B leadership

IndiaMART InterMESH (IndiaMART) has emerged as a winner in the B2B classified space with a 60% market share and 27% revenue CAGR over FY16-20. The quality of the franchise is established by (1) 100% organic traffic, (2) buyers and business enquiries' 5-year CAGR of +33/40%, (3) lowest advertisement spend among peers, (4) pricing power, (5) higher ROI for sellers (~2x), (6) and embedded non-linearity. IndiaMART is well placed to ride the digitisation wave in MSMEs (accelerated by the pandemic), enabled by strong network effect, robust technology platform, and excellent execution capabilities. There lies a multi-year growth opportunity as only ~1% of the addressable MSMEs pay for listing services vs. ~4% in China (1688.com Alibaba B2B).

We expect a revenue/EPS CAGR of +22/15% over FY21-23E, following a strong operating performance in FY21E (profit doubled). We initiate coverage on IndiaMART with a BUY rating and target price of INR 9,400, based on 58x EV/EBITDA (DCF implied) at 1.4x the average multiple, supported by top quartile growth/margin performance, high-quality franchise, asset-light business model, negative working capital, robust cash generation (154% OCF/EBITDA) and RoE of 58% (FY21E adjusted for QIP).

- Growth in paying suppliers is the key:** IndiaMART has 6.4mn registered sellers and only 0.148mn pay for listing on the platform, resulting in a conversion factor of 2.3% (1688.com is at 9.2%). Assuming a similar conversion, there is a ~4x growth opportunity in paid suppliers. Digitisation push, network effect, and higher ROI for a seller is expected to drive the conversion factor. We expect paying suppliers' CAGR of 16% over FY21-23E with conversion factor of 2.7%. The sensitivity of conversion factor to EPS is high; 1% improvement in conversion factor results in a 30% increase in EPS.
- Value proposition for a seller is attractive:** IndiaMART's robust two-way discovery platform benefits both the buyer and seller, building a strong network effect. The value proposition for a buyer is diversified product listings (71mn products across 56 industries) and a seller benefits from higher business enquiries, resulting in higher ROI (lower cost per enquiry). The shift to a higher package and lower churn drive ARPU growth (expect CAGR of 5.5%). As per our estimate, the ROI for a silver/platinum seller is 0.8/2.4x, assuming an RFQ conversion ratio of 8%.
- Stellar operating leverage:** IndiaMART has exhibited consistent revenue growth without an increase in cost and advertisement expenses. Higher component of variable cost (~83% of the employees are sales), increasing sales efficiency and organic traffic have kept the cost under check. The margin expanded from 11.4% in FY18 to 26.4% in FY20 and doubled in FY21E to 48.5%. We expect an EBITDA margin of ~45% for FY22/23E, assuming +25% cost CAGR for FY21-23E.

Financial summary

YE March (Rs bn)	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Net Sales	4.11	5.07	6.39	6.68	8.16	9.91	11.97
EBITDA	0.47	0.82	1.69	3.24	3.68	4.51	5.44
APAT	1.78	0.85	1.47	2.93	3.27	3.89	4.42
Diluted EPS (Rs)	58.5	28.1	48.5	96.6	107.8	128.3	145.4
P/E (x)	134.8	280.7	162.4	81.7	73.1	61.5	54.2
EV / Revenue (x)	57.5	45.8	36.1	32.5	26.1	20.9	16.9
EV / EBITDA (x)	505.8	282.4	136.5	67.0	57.8	46.1	37.1
RoE (%) ^	NM	53.4	67.8	57.5	51.1	42.0	35.1

Source: Company, HSIE Research, Consolidated Financials, ^FY21-24E RoE ex QIP

BUY

CMP (as on 12 Apr 2021)	Rs 7,885
Target Price	Rs 9,400
NIFTY	14,311

KEY STOCK DATA

Bloomberg code	INMART IN
No. of Shares (mn)	30
MCap (Rs bn) / (\$ mn)	229/3,293
6m avg traded value (Rs mn)	1,032
52 Week high / low	Rs 9,952/2,035

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.0)	57.5	251.1
Relative (%)	(0.7)	39.6	197.4

SHAREHOLDING PATTERN (%)

	Dec-20	Feb-21*
Promoter	51.98	49.85
FIs & Local MFs	5.04	4.77
FPIs	24.61	27.65
Public & Others	18.48	17.72
Pledged Shares	0.00	0.00

Source : BSE

* Post QIP

Amit Chandra

amit.chandra@hdfcsec.com
+91-22-6171-7345

Apurva Prasad

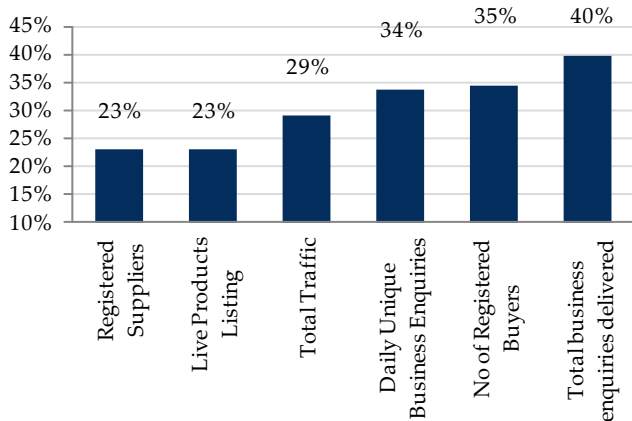
apurva.prasad@hdfcsec.com
+91-22-6171-7327

Mohit Motwani

mohit.motwani@hdfcsec.com
+91-22-6171-7332

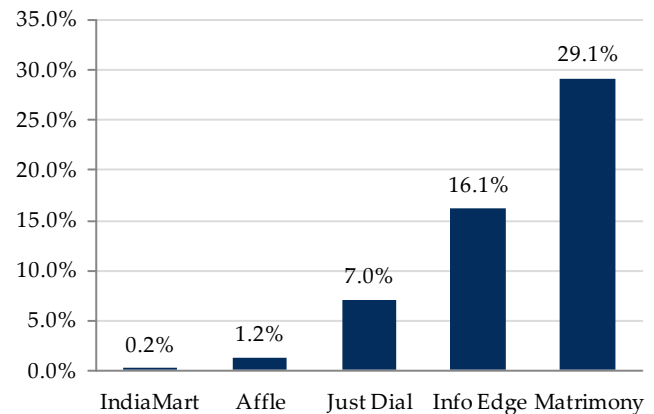
Focus Charts

5 year CAGR: Consistent improvement in buyer and seller traffic creating strong Network effect



Source: Company, HSIE Research

IndiaMART spends the lowest on advertisement as a % of revenue, 100% traffic is organic



Source: Company, HSIE Research, FY20 numbers for peers

ROI for sellers - Attractive

Value proposition as per package	Silver	Gold	Platinum
Weekly RFQ (One Week Validity) No's	7 - 10	20 - 30	50 - 100
Daily Unique RFQ (Day Validity) No's	1	2	4
No of weekly RFQs received in a month (No's)	28	80	200
No of daily RFQs received in a month (No's)	30	60	120
Monthly Rate (INR)	3,000	NA	NA
Annual Rate (INR)	28,500	55,000	80,000
Package cost/month + GST@18% (INR)	3,540	5,408	7,867
Cost/RFQ (INR) ^	126	68	39
RFQ conversion %	8%	8%	8%
ROI (x)	0.8	1.4	2.4
Breakeven days for a supplier	40	21	12

Source: Company, HSIE Research, ^ as per weekly RFQ

EPS Sensitivity to Conversion Factor - High

FY23 EPS (Rs)		ARPU YoY Growth %						
		2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%
Conversion Factor %	2.1%	102	103	104	105	106	106	107
	2.3%	110	111	112	112	113	114	115
	2.5%	117	118	119	120	121	122	123
	2.7%	125	126	127	128	129	130	131
	2.9%	133	134	135	136	137	138	139
	3.1%	140	141	142	143	145	146	147
	3.3%	148	149	150	151	152	154	155

Source: Company, HSIE Research, Conversion Factor is paid to free supplier ratio

IndiaMART vs. 1688.com

Comparison	IndiaMART	1688.com (Alibaba)
Revenue TTM (USD mn)	89	1,974
4Y CAGR (FY16-20) %	27%	29%
Active Buyers as per latest filing (mn)	119	41
Registered Suppliers as per latest filing (mn)	6.4	10.0
Paid Suppliers as per latest filing (mn)	0.15	0.92
Conversion Factor %	2.3%	9.2%
Revenue/Registered supplier (USD)	14	197
Revenue/Paying supplier (USD)	603	2,145
Revenue/Buyer (USD)	0.7	48
Total Product listings as per latest filing (mn)	71	550

Source: Company, Alibaba, 1688.com, HSIE Research, USD-INR 74

IndiaMART vs. Competition

Parameters	IndiaMART	TradeIndia	Udaan
No of Registered Buyers FY20 (mn)	102.0	5.60	3.0
Industry Category FY20 (No's)	56	40	NA
Market Share %	55%	35%	NA
Daily RFQs/ Paying Seller (Nos)	9	4	NA
No of Suppliers (mn)*	6.4	4.0	0.03
Paying Sellers (mn)*	0.148	0.05	NA
Conversion %	2.3%	1.3%	NA
Value/Buyer (USD)	32	NA	1,033
Revenue (FY20) INR mn	6,389	1,270	9,780
ARPU (INR/Year)	43,166	25,400	NA
Revenue/Buyer (INR)	63	227	3,260

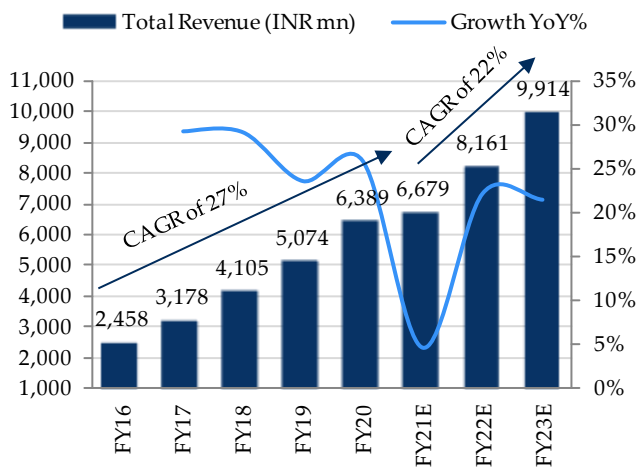
Source: Company, HSIE Research, Media reports, * as per latest filing, Udaan Valuation USD 3.1bn, USD-INR 74

Contents

Company at a Glance	4
B2B E-Commerce – Riding the Digitisation Wave	5
Market Leadership in B2B	7
Paid Suppliers: ~4x Growth Opportunity	13
Value proposition attractive for sellers.....	15
Prowess in Financial performance	19
Company Background	27
Valuation and recommendation	29
Peer Valuation	31
Financials.....	33

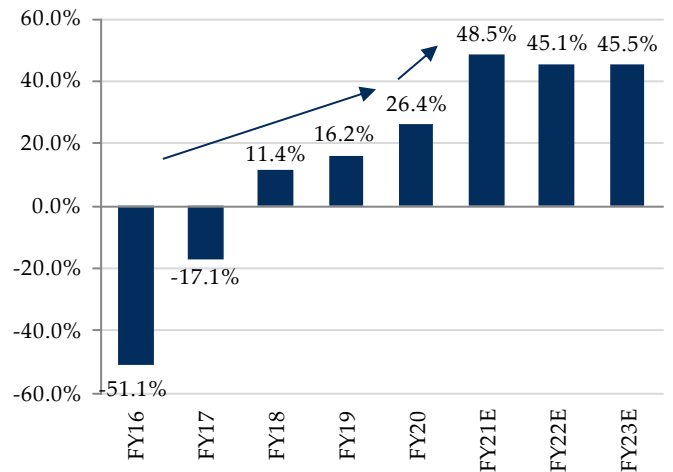
Company at a Glance

IndiaMART revenue trend



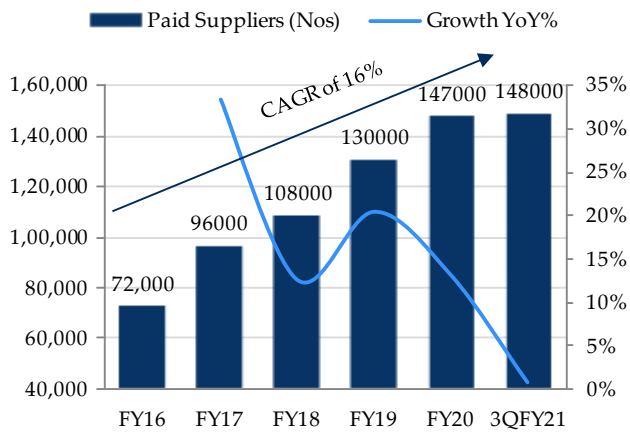
Source: Company, HSIE Research

EBITDA margin expansion led by non-linearity



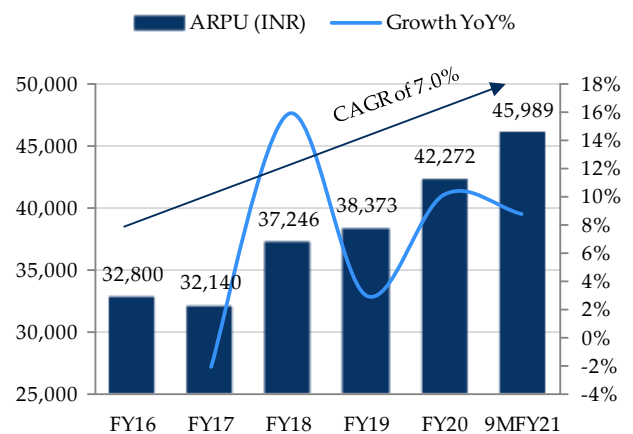
Source: Company, HSIE Research

Paid Suppliers has grown at a CAGR of 16%



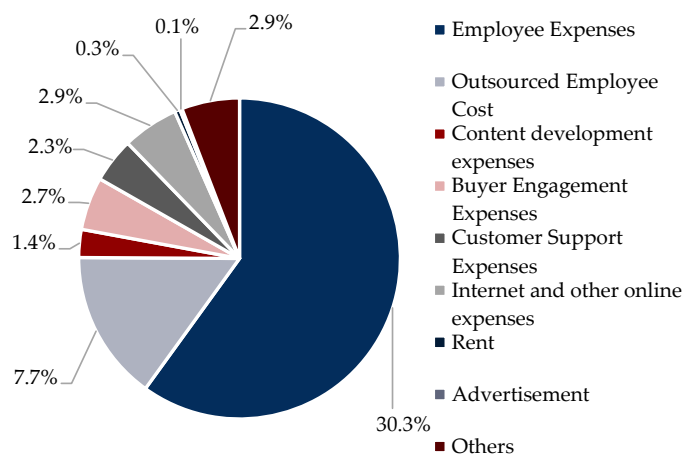
Source: Company, HSIE Research

Blended ARPU has grown at a CAGR of 7%



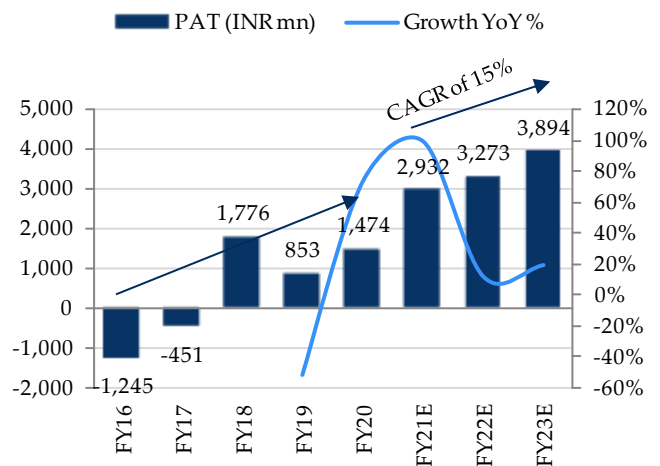
Source: Company, HSIE Research

Cost breakup % (9MFY21)



Source: Company, HSIE Research

Net profit CAGR of 15% over FY21-23E



Source: Company, HSIE Research

B2B E-commerce – Riding the Digitisation Wave

IndiaMART operates in the B2B e-commerce space, which banks on the growing digital penetration among MSMEs. India has a total of 75mn MSMEs, out of which 55% (~41mn) are digitally penetrated and growing at a CAGR of 20%. Within the digitally penetrated MSMEs, ~12mn are e-commerce enabled (the target market for free listings on the platform). IndiaMART has ~55% market share with 6.4mn registered suppliers, which has grown at a CAGR of 27% over the past four years.

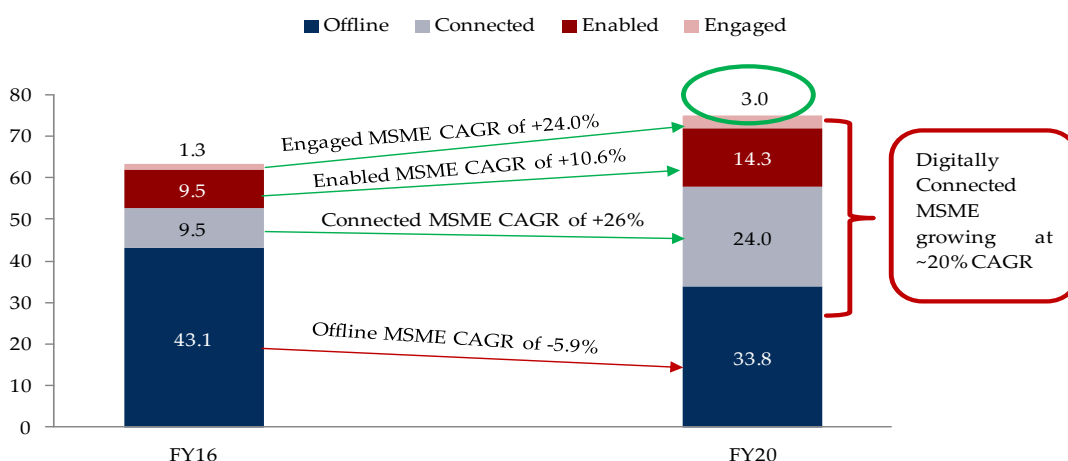
MSMEs, which are actively using digital/listing services for business needs, are only ~3mn (~4% of total), but are growing rapidly. Digitally engaged MSMEs have grown at a CAGR of 24% over FY16-20 and IndiaMART has 0.148mn paying suppliers, which have grown at a CAGR of 20% over the same period. **IndiaMART has a subscription based revenue model and only ~1% of the addressable MSMEs pay for listing services vs. ~4% for China (1688.com Alibaba B2B); thus, we believe there is a huge opportunity ahead.**

IndiaMART has a dominant market share of ~60%

IndiaMART market share %	mn	4Y CAGR %
Total MSMEs	75.0	4%
Offline MSMEs	33.8	-6%
Digitally Connected MSMEs	41.3	20%
e-commerce enabled (28% of Digitally Connected)	11.6	NA
IndiaMART Registered Suppliers	6.4	27%
IndiaMART Paying Suppliers	0.148	20%
IndiaMART market share %	55%	
GST Registration (India)	12.7	
Target Segment (~80% of GST registrations)	10.2	
IndiaMART registered Suppliers % of GST Registrations	63%	

Source: Company, GSTN, HSIE Research

Digitally engaged MSMEs growing at ~24% CAGR



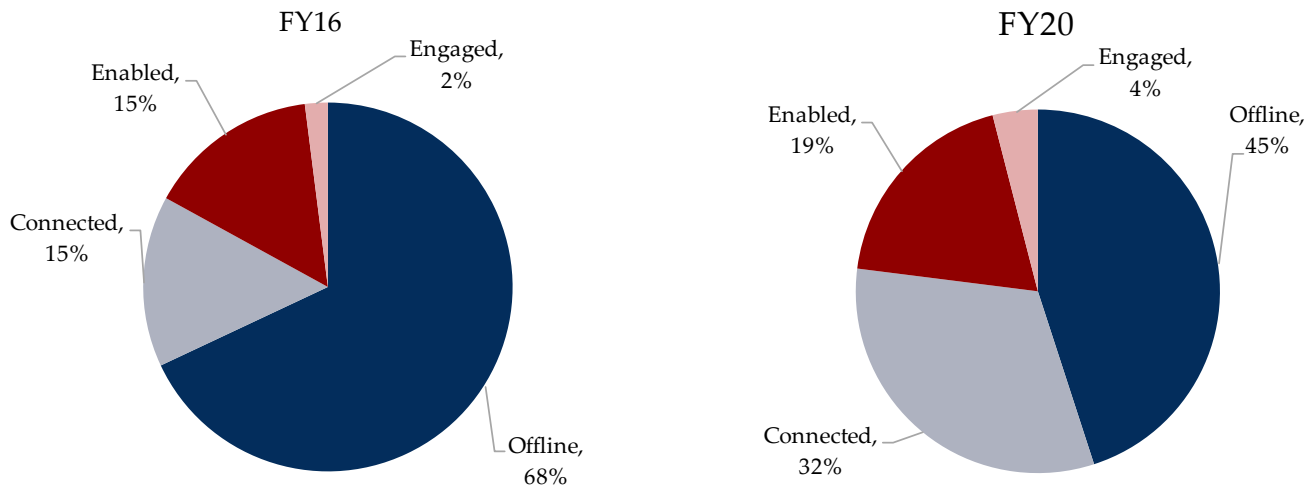
Source: Redseer, HSIE Research

*Digitally Connected: Use internet for general information gathering and communication but not for business purposes

#Digitally Enabled: Have their own website/social media account for business, maintain corporate e-mail id to engage with customers

^Digitally Engaged: MSME using digital technology actively to enable business online

Digital engagement of MSMEs has improved, ~55% Digitally penetrated vs. ~90% for China

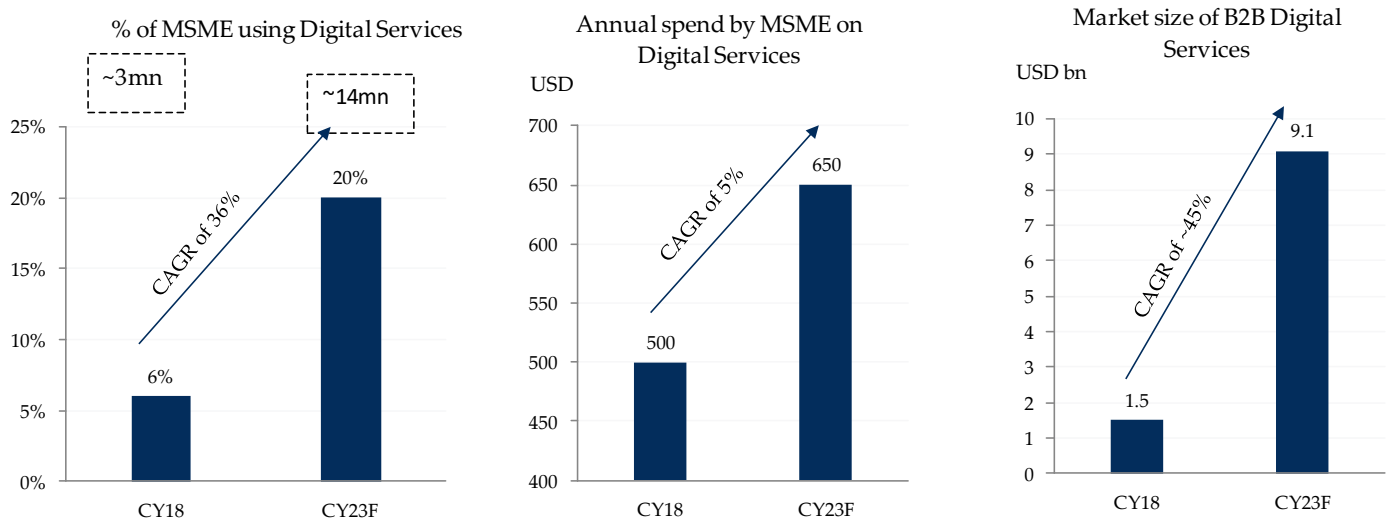


Source: Company, HSIE Research, Digitally penetrated is Connected+Enabled+Engaged

The overall B2B market size in India can be viewed in multiple ways and depends upon the model considered. The two prime models are the subscription model and the online marketplace model (commission revenue based on GMV). IndiaMART has a subscription based model and has proved its leadership with a 60% market share in the free listing category and ~70-75% share (KPMG estimate) in paid listings.

As per the Redseer report, there are around 3mn MSMEs using B2B digital services. They spend ~USD 500 annually (~INR 37K) and the total market size is USD 1.5bn. The majority of the 3mn MSMEs are of medium size (INR 2-5mn turnover) and are based out of Tier-1 cities. Out of the total size of USD 1.5bn, ~80% is commission revenue, earned from the online marketplace, while the rest is from listing/subscription and other digital services. With the higher drive for digitisation, the number of digitally engaged MSMEs is expected to rise to ~14mn (~36% CAGR) in the next five years, taking the total addressable market to USD 9bn (~45% CAGR). IndiaMART earns the majority of its revenue from the subscription model; thus, the opportunity for it is USD 2bn (~20% of total).

B2B Digital services : (Subscription + Online Marketplace)



Source: Redseer, HSIE Research

Market Leadership in B2B

IndiaMART is a leader in the B2B e-commerce classified space with a ~60% market share. It has 6.4mn registered suppliers with 71mn product listings across 56 industries. It has 119mn registered users/buyers on the platform and 100% of the traffic is organic. It commands a 71% traffic market share and is a clear leader in the subscription based online B2B segment. Other players like TradeIndia have a 35% market share with 4mn registered suppliers, but in terms of paying sellers, it's 1/3rd of IndiaMART size, despite having a lower pricing (ARPU is 40% lower than IndiaMART). This explains that IndiaMART also has a pricing power due to its quality offerings for sellers and higher ROI. The conversion ratio (paying suppliers to free suppliers) is also only 1.3% for TradeIndia vs. 2.3% for IndiaMART. In terms of business leads (RFQs), IndiaMART provides ~9 RFQ per paying supplier daily, which is almost double than that of TradeIndia.

Apart from these players, Just Dial (JD Mart) and Alibaba are also present in the subscription-based model. Just dial, which is primarily a B2C player has recently launched its B2B portal JD Mart. Currently, JD Mart has ~6mn listing (~8% of IndiaMART) and ~30mn products. Just Dial has a large sales team (~8.5K) and spends aggressively on marketing (~10% of rev). The platform offers a wide variety of services (RFQ management + Analytics + Catalogue Management + Lead Management + Logistics Integration) but the success of the platform is still debatable, considering the track record of Just Dial. JD Mart platform is also facing legal issues with respect to copyright infringement from IndiaMART. We believe there is ample space for two large players, considering the huge market opportunity. Based on our interaction with sellers, we can say they are comfortable with a dual listing if the ROI for them is favourable.

IndiaMART vs. Peers (Subscription based online B2B)

Parameters	IndiaMART	TradeIndia	Industry Buying	Moglix	Udaan
No of Registered Buyers FY20 (mn)	102.0	5.60	0.085	NA	3.0
Industry Category (No's)	56	40	37	37	NA
Market Share %	55%	35%	NA	NA	NA
Daily RFQs/ Paying Seller (No's)	9	4	NA	NA	NA
No of Suppliers (mn)	6.4	4.0	0.005	0.016	0.03
Paying Sellers (mn)	0.148	0.05	NA	NA	NA
Conversion %	2.3%	1.3%	NA	NA	NA
Value/Buyer (USD)	32				1,033
Revenue (FY20) INR mn	6,389	1,270	1,250	2,170	9,780
ARPU (INR/Year)	43,166	25,400	NA	NA	NA
Revenue/Buyer (INR)	63	227	NA	NA	3,260
Total traffic (Mobile Web + desktop) mn	143.3	16.3	5.3	4.9	
Direct traffic (% of total traffic)	15%	15%	47%	33%	
Search traffic (% of total traffic)	83%	82%	51%	63%	
Organic search (% of total search)	83%	82%	32%	32%	
Website rank (based on traffic)	62	612	1620	1904	
Android App download	10mn+	0.5mn+	0.1mn+	0.5mn+	5mn+
Rating (Google Playstore)	4.7	4.3	2.5	4.1	4.3
No of Votes	423K	8.8K	2.9K	3.2K	107K

Source: Company, Semrush, HSIE Research, Traffic data as of Feb-21, Udaan valuation USD3.1bn, USD-INR 74

In the transaction based B2B model, there are players like Amazon Business, Udaan, Ali Express and Power2SME. Udaan has shown exponential growth during the pandemic, with revenue up 21x in FY20 to INR 9.7bn and loss up 3x to INR 25bn. Udaan provides end-to-end services such as logistics, warehousing, and trade financing for buyers apart from matching services. This model requires huge investments. As per the latest funding round, Udaan is valued at ~USD 3bn (23x P/S). **Based on value/buyer, Udaan is valued 32x more than IndiaMART. Revenue/Buyer for Udaan is ~\$44, comparable to Alibaba B2B, ~ \$48) and ~50x of IndiaMART (~\$1).**

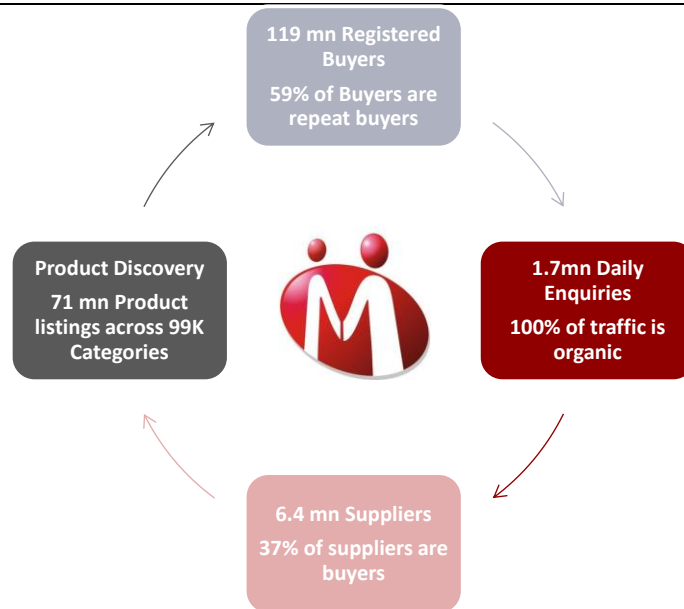
Udaan (INR mn)	FY19	FY20	YoY %	X
Revenue	463	9,780	2012%	21
Expenses	8,500	34,880	310%	4
EBITDA	-8,037	-25,100	NM	3
EBITDA %	-1736%	-257%		
PAT	-7,796	-25,187	NM	3
OCF	-8,317	-27,029	NM	

Source: Media Reports, HSIE Research

Network effect: the driving force behind building strong brands

A network effect is a mechanism where every new user makes the product/service/experience more valuable to every other user. Network effect fuels growth and increases defensibility. In the case of IndiaMART, the network effect coupled with a significant value proposition for both buyers and sellers has led to a significant rise in registered buyers, registered sellers, and traffic on the platform. IndiaMART’s registered suppliers / paying subscription suppliers / registered buyers have clocked a CAGR of +23/+16/+33% over FY16-21.

Network Effect: IndiaMART



Source: Company, HSIE Research

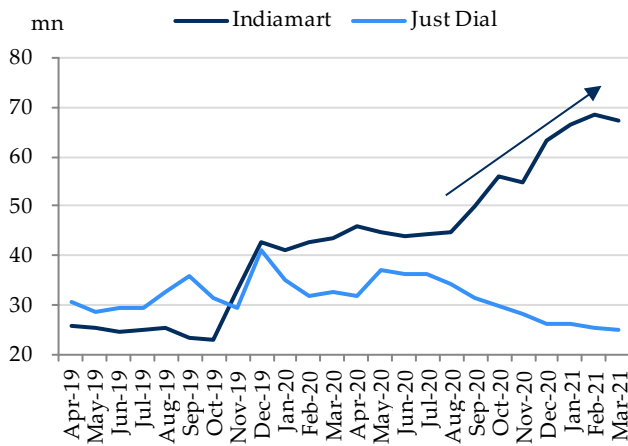
The success of IndiaMART’s business model stems from a circular web of a large pool of suppliers and buyers it has managed to create over the last few years. The presence of a large number of buyers results in increased business enquiries, attracting more suppliers to register and create storefronts on the platform, thereby attracting more buyers. 59% of the registered buyers are repeat buyers while 37% of the suppliers are also buyers. With continuous increase in buyers and suppliers, the network effect

essentially increases the value of the matchmaking service provided by IndiaMART and leads to an increase in “willingness to pay” by a supplier.

IndiaMART has a dominant traffic market of ~71% in March-21 and traffic increased 155% YoY to reach 67mn visits as per the Semrush data. The prime reasons for volume surge and market share gain were higher value proposition for a seller, robust platform, efficient matching algorithm, and network effect.

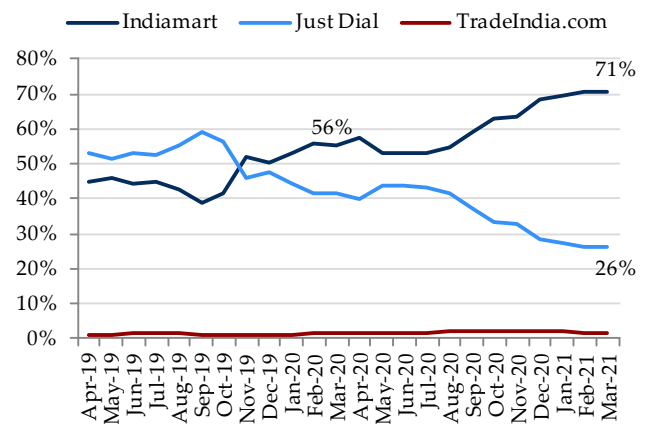
With the rise in competition, sellers are compelled to try multiple B2B platforms but IndiaMART’s ability to attract 100% organic traffic, efficient search engine optimisation (SEO) tools and a high proportion of repeat buyers increase the stickiness on the platform. IndiaMART has a churn rate of ~20%, which is healthy.

IndiaMART traffic has increased 155% YoY led by COVID, Network effect and high ROI for suppliers



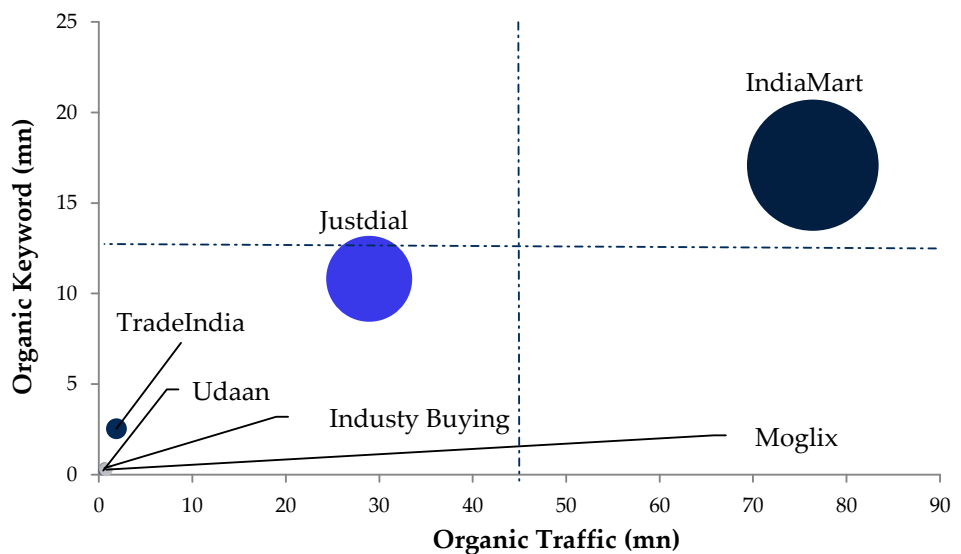
Source: Semrush, HSIE Research

IndiaMART traffic market share is at 71% vs 56% YoY and 100% of the traffic is organic



Source: Semrush, HSIE Research

IndiaMART is way ahead than peers in terms of organic traffic

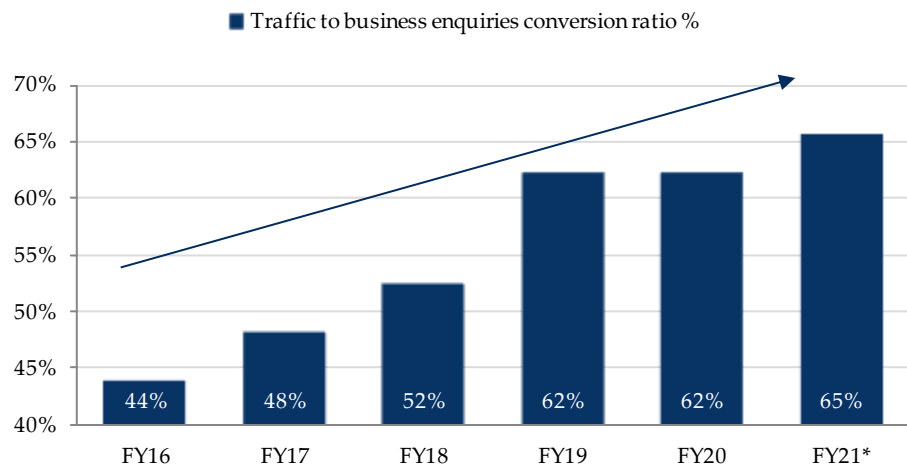


Source: Semrush, HSIE Research

Consistent improvement in quality of traffic

IndiaMART’s platform has consistently improved the value proposition for its paying suppliers. The buyer traffic has increased at a CAGR of 29% but the bigger success for the company is the ability to convert buyer traffic into business leads for its paying suppliers. The traffic to business enquiry ratio has improved from 44% in FY16 to 65% in FY21. This is an important factor as business leads matter more for a supplier than just visitors.

Consistent improvement in traffic to business enquiries

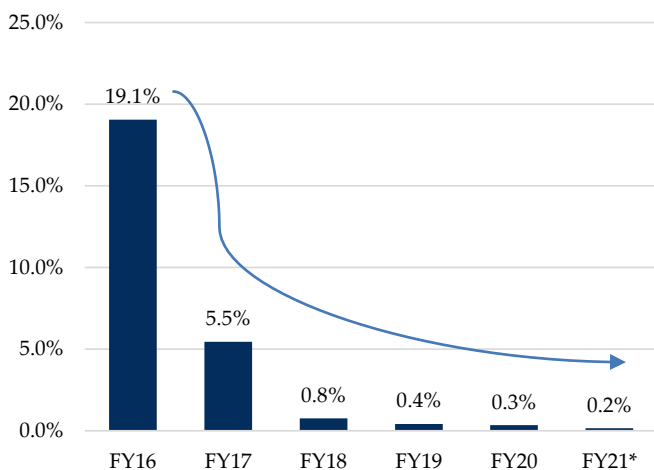


Source: Company, HSIE Research, *FY21 is 9M annualised

100% organic traffic resulting in lower advertisement expenses

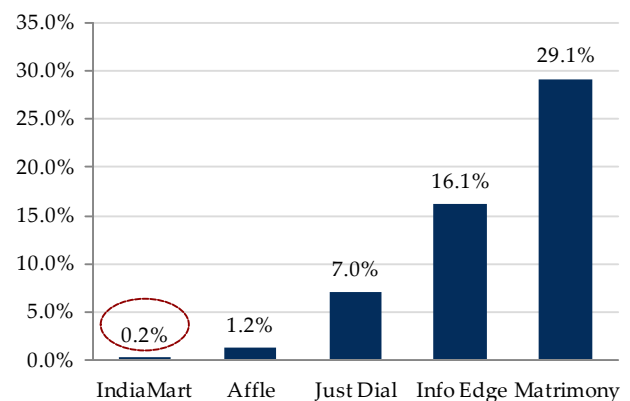
IndiaMART can attract buyer traffic due to its rich product listings, lack of sizeable competition, a high proportion of repeat buyers and network effect. It has 100% organic traffic and manages to appear on the first page of Google search for many product categories despite not paying Google for ads. Traffic is diverted to the IndiaMART page mostly through Google search. This has resulted in low spends on promotion and advertisement. IndiaMART spends only 0.2% of its revenue on advertisement as compared to 7/16% spend by Just Dial/Info Edge respectively.

IndiaMART has reduced its advertisement expenses significantly over the years



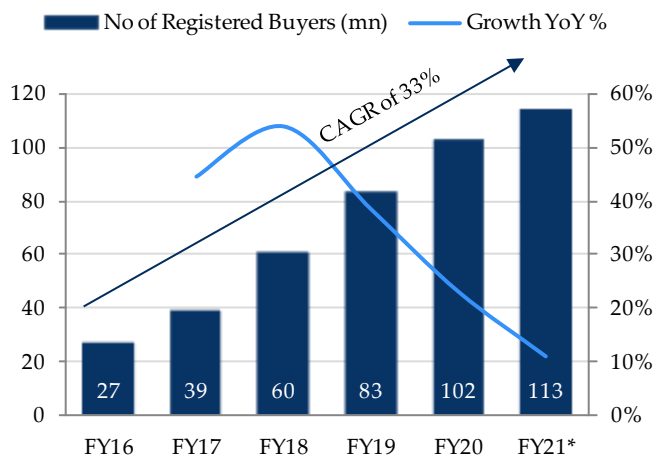
Source: Company, HSIE Research, *FY21 is 9M annualised

IndiaMART spends the lowest on advertisement, strong network effect results in 100% organic traffic



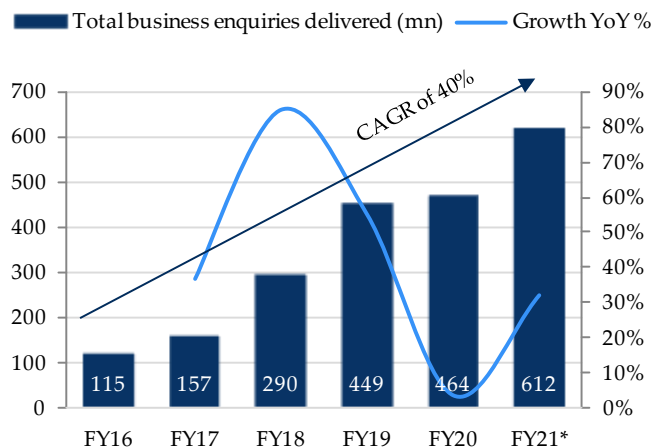
Source: Company, HSIE Research, FY20 numbers for peers

Registered buyers on IndiaMART has registered a strong CAGR of 33%



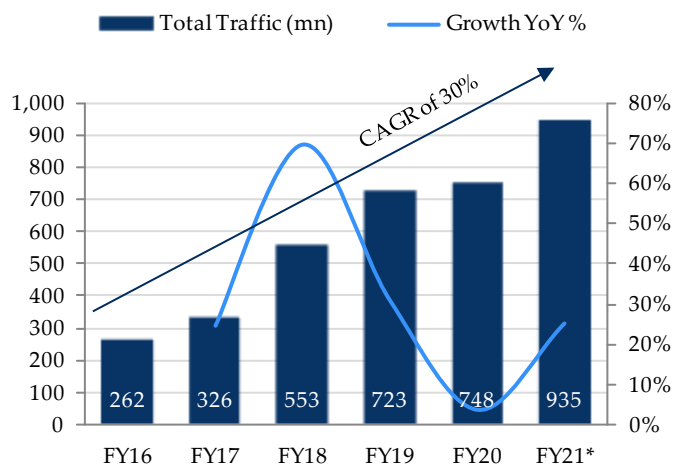
Source: Company, HSIE Research, *FY21 is 9M average

Business Enquiries delivered on IndiaMART has grown a healthy CAGR of 40%



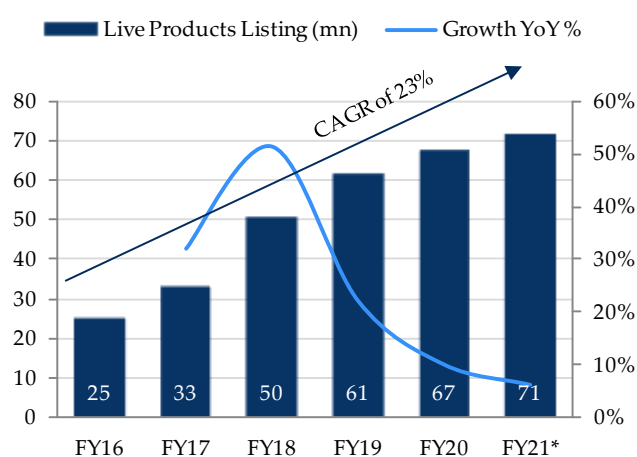
Source: Company, HSIE Research, *FY21 is 9M annualized

Traffic has increased consistently on the Platform, commands ~71% traffic market share



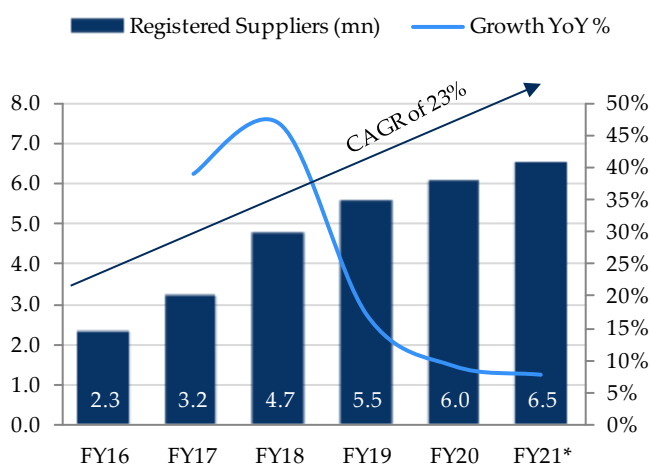
Source: Company, HSIE Research, *FY21 is 9M annualised

Product listings have grown at a CAGR of 23%



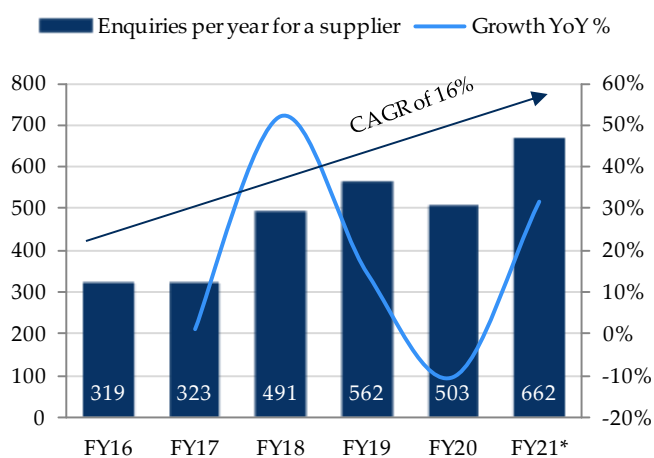
Source: Company, HSIE Research, *FY21 is 9M annualised

Registered supplier has grown at a CAGR of 23%



Source: Company, HSIE Research, *FY21 is 9M annualised

Enquiries per supplier have increased consistently



Source: Company, HSIE Research, *FY21 is 9M annualised

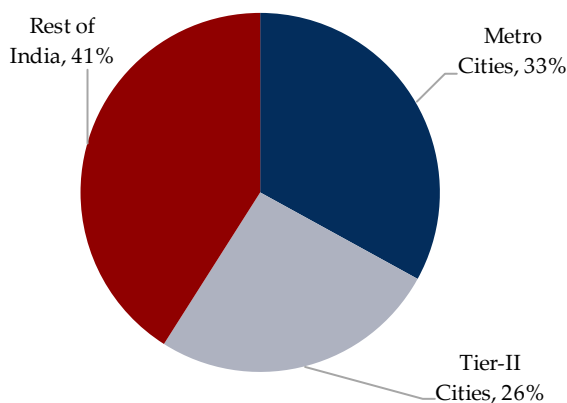
Well diversified across product categories and markets

IndiaMART’s products and services are well-diversified across categories and geographies. The paying suppliers are well distributed across 50+ categories and the Top-10 industry categories account for 54% of suppliers. Only eight industry categories account for more than 5% of paid suppliers. The buyer traffic is fairly distributed across India, but the sellers are mostly concentrated in the metros (58% of paying suppliers are from metro cities). There is huge untapped potential in Tier-II and the Rest of India (~1,000 cities), which will unfold with the shift to digital, accelerated by the pandemic.

IndiaMART paying suppliers distribution across categories

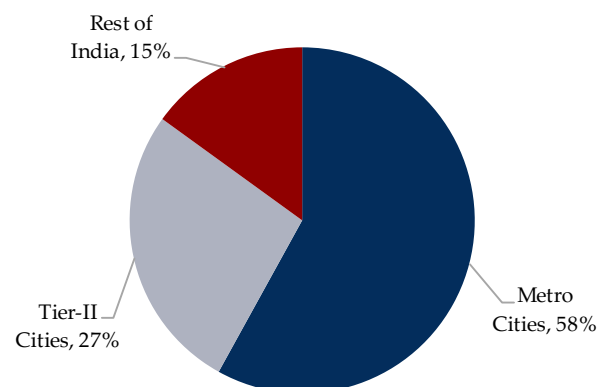
S. No	Industry Category	% of Paid Suppliers
1	Industrial Plants, Machinery & Equipment	8%
2	Construction & Building Raw Material	7%
3	Apparel, Clothing & Garments	6%
4	Packaging Material, Supplies & Machines	6%
5	Consumer Electronics & Household Appliances	5%
6	Construction Machinery, Building Supplies & Services	5%
7	Industrial & Engineering Products, Spares and Supplies	5%
8	Electrical Equipment and Supplies	5%
9	Mechanical Components & Parts	4%
10	Vegetables, Fruits, Grains, Dairy & Other FMCG & Grocery Items	3%
11	Chemicals, Dyes & Allied Products	3%
12	Furniture, Furniture Supplies & Furniture Hardware	3%
13	Operation Theater, Medical Imaging & Pathology & Hospital Supplies	3%
14	Housewares, Home Appliances, Household Decorations & Consumables	3%
15	Kitchen Containers, Utensils, Stove, Cookware, Tableware & Food Choppers	2%
16	Pharmaceutical Drugs, Medicines, Vitamins & Other Healthcare Products	2%
17	Cosmetics, Toiletries & Personal Care Products	2%
18	Tools, Machine Tools, Power Tools & Hand Tools	2%
19	Fertilizers, Seeds, Agro Machines, Poultry & Animal Husbandry	2%
20	Scientific, Measuring, Laboratory Instruments & Supplies	2%
21	Electronics Components and Supplies	2%
22	Home Furnishings and Home Textiles	1%
23	Sports Goods, Games, Toys & Accessories	1%
24	Automobiles, Spare Parts and Accessories	1%
25	Others	16%

Buyers evenly spread across India



Source: Company, HSIE Research, Metro - Delhi NCR, Mumbai, Bangalore, Hyderabad, Kolkata, Ahmedabad, Pune and Chennai, Tier-II cities - population more than 0.5mn excluding Metros, Rest of India - 1,000+ cities with population less than 0.5mn

Paying Suppliers dominant in Metro cities



Source: Company, HSIE Research

Paid Suppliers: ~4x Growth Opportunity

IndiaMART has 6.4mn registered suppliers (free + paid) and has clocked a healthy CAGR of 23%. Out of the total registered suppliers, ~0.15mn are paying suppliers, resulting in a conversion factor of 2.3%. The conversion factor for IndiaMART is higher than Just Dial (1.5%) but way lower when compared to 9.2% of 1688.com (Alibaba B2B platform). With a higher value proposition for the sellers more and more will be willing to pay for listing services. **If we assume a similar conversion factor (9.2%) for IndiaMART, then the paid suppliers can reach 0.60mn (~4x of current base).**

The factors which will drive conversion are (1) higher ROI for sellers, (2) increase in business enquiries, (3) higher conversion of RFQs to business, (3) ancillary services like logistics and inventory management and (4) enhanced customer satisfaction with efficient matching engine and analytics.

We have compared IndiaMART with 1688.com (Alibaba B2B) on various parameters. Alibaba B2B fared well on most of the parameters like registered suppliers (1.6x of IndiaMART), paid suppliers (6.2x), the conversion factor (4x), revenue (22x) and ARPU (3.6x). However, in terms of buyer traffic, renewal rate, mobile traffic and penetration IndiaMART stand better than Alibaba B2B.

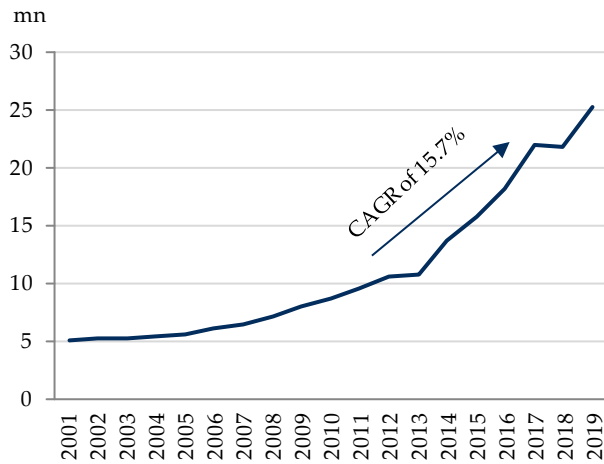
Alibaba B2B was a pure subscription-based matching platform until 2013. It launched Cainiao in 2013, the logistics division of 1688.com. With this, Alibaba wanted better control on logistics for faster delivery and inventory to stop the sale of counterfeit products. This increased the popularity of the platform and led to growth in paying suppliers (higher conversions) and higher ARPU (transaction-based model).

IndiaMART vs 1688.com (Alibaba): Increasing conversion factor is the key

Comparison	IndiaMART	1688.com (Alibaba)
Revenue TTM (USD mn)	89	1,974
4Y CAGR (FY16-20) %	27%	29%
Active Buyers (mn)	119	41
Registered Suppliers (mn)	6.40	10.00
Paid Suppliers (mn)	0.15	0.92
Conversion Factor %	2.3%	9.2%
Revenue/Registered supplier (USD)	14	197
Revenue/Paying supplier (USD)	603	2,145
Revenue/Buyer (USD)	0.7	48
Total Product listings (mn)	71	550
Listings/Supplier	5	3
Mobile Traffic % of Total Traffic	81%	76%
Registered/Active Buyers CAGR 4Y %	39%	22%
Renewal Rate %	80%	69%
Covid Push		
Buyers Growth YoY% on the platform	39%	51%
Enquiries/Seller	169	300
MSME Penetration		
	India	China
Total Legal Enterprises (mn)	12.7*	25.3
Registered Suppliers on the Platform (Free + Paid)	6.4	10.0
Penetration %	50%	40%

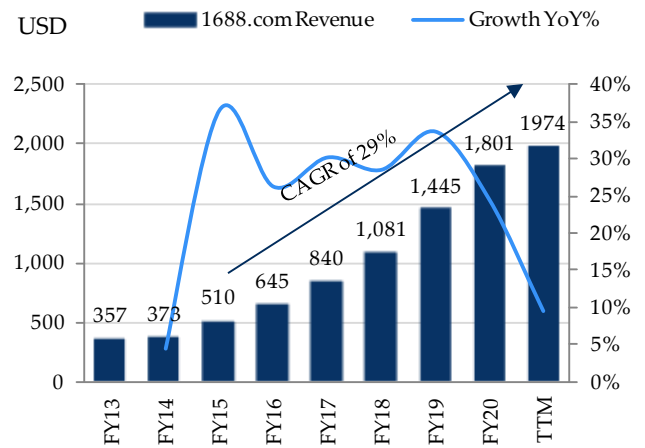
Source: Company, NBS China, Alibaba, 1688.com, HSIE Research, * GST registrations, USD –INR 74

No of legal enterprises in China has grown at a CAGR of 15.7% during FY12-17, 10Y CAGR of 12%



Source: NBS China, HSIE Research

Alibaba B2B revenue CAGR is 29%, IndiaMART has also clocked a similar level of growth



Source: Alibaba, 1688.com, HSIE Research

High sensitivity to conversion factor: 1% increase in conversion factor leads to 30% increase in EPS

The two most important factors in a subscription-based revenue model is the growth in paying suppliers and ARPU. The growth in paying suppliers is linked to the conversion factor, which is a percentage of the free suppliers who are willing to pay. The RFQs generated on the platform is diverted to paying suppliers and the RFQ conversion factor ranges from 6-10%.

The conversion factor (free to paid supplier) has a very high sensitivity on earnings; for a ~100bps increase in conversion factor, the EPS increases by 30%. We have earlier highlighted the paid suppliers can be 4x of the current size if the conversion factor is similar to that of Alibaba B2B. However, if we assume that even if we reach 50% of Alibaba B2B, then also there is a ~60% upside to the FY23E EPS estimate.

EPS sensitivity to ARPU and Conversion Factor (free to paid)

FY23 EPS (Rs)		ARPU YoY Growth %						
		2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%
Conversion Factor %	2.1%	102	103	104	105	106	106	107
	2.3%	110	111	112	112	113	114	115
	2.5%	117	118	119	120	121	122	123
	2.7%	125	126	127	128	129	130	131
	2.9%	133	134	135	136	137	138	139
	3.1%	140	141	142	143	145	146	147
	3.3%	148	149	150	151	152	154	155

Source: HSIE Research

Value proposition attractive for sellers

IndiaMART not only generates business leads for its paying suppliers, but it also helps in managing the lead with the help of technology. For a paying seller on the IndiaMART platform, the cost of receiving a lead is INR 68/lead and, on average, a seller receives ~44 leads per month. Assuming a lead conversion ratio of 8% and average order value (AOV) of INR 40K, the cost/AOV comes to ~2%, which is less compared to the transaction-based model, where the commission rate is ~5-6%. This makes the value proposition attractive for sellers and increases the probability of conversion from a free to a paid supplier.

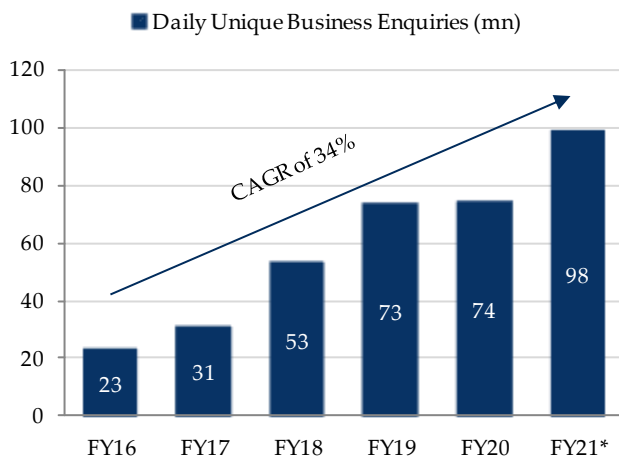
During COVID, the number of business enquiries has gone up by 32% and the cost of enquiry has come down by 21%. Over the long term, the cost of enquiry for a seller has come down at a CAGR of 9% and unique enquiries have gone up by 34%. This has attracted more sellers to the platform, thus creating a strong network effect.

Value proposition for a paying seller is attractive

Value proposition for Seller	FY20	FY21*
No of enquiries (mn)	464	612
No of unique enquiries (mn)	74	98^
Cost of Enquiry (Revenue/Unique Enquiry) INR	86	68
No of sellers competing for one unique enquiry (Nos)	6	6
No of Paying Suppliers (mn)	0.147	0.148*
No of monthly enquiries for paid suppliers assuming that ~80% of the enquiries are diverted to paying suppliers (Nos)	34	44
Orders processed @ 8% conversion (Nos)	3	4
Total Sales (INR) assuming AOV of 40K	107,392	141,261
Cost/Average order value (AOV) %	2.7%	2.1%

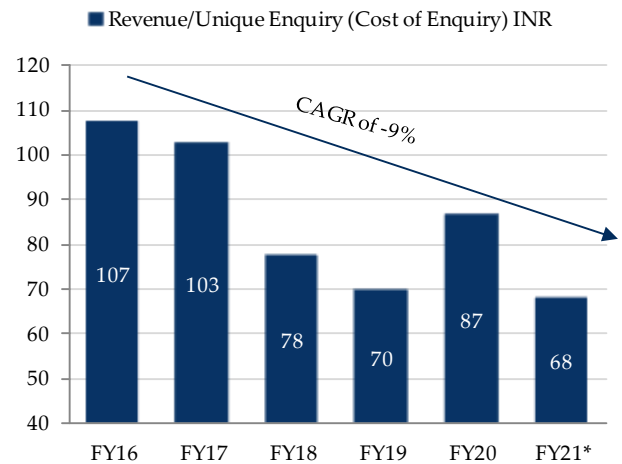
Source: Company, HSIE Research, * 9M annualized, #3QFY21 number, ^ based on 9M

Daily business enquiries have grown at a CAGR of 34%



Source: Company, HSIE Research, *FY21 is based on 9M

Cost of enquiry coming down for a registered seller



Source: Company, HSIE Research, *FY21 is based on 9M

Premiumisation: Increases in shift to higher subscription packages are attractive for a seller and provide a boost to ARPU

The platform is free for buyers, and revenue is generated from suppliers through a subscription model. There are three different kinds of subscription models - Platinum, Gold, and Silver - offered on a monthly and annual basis. Out of the total paying suppliers, ~67/33% of the suppliers are on annual/monthly subscriptions, and ~90% of new suppliers opt for the monthly (silver) package. The seller journey starts from a silver package and, gradually, it move towards a platinum package. The sellers' confidence in the platform increases when they start getting valid business enquiries (RFQs) and conversions. Finally, when they start generating returns on their investment, the stickiness increases. This explains the low churn rate of 20% and higher LTV/CAC ratio of ~10x. The churn in a platinum package is very low (high single digits) but it gradually increases for the gold and silver packages.

Based on our analysis, the cost of RFQ is ~70% lower for a platinum package vs. a silver package. The platinum package offers an ROI of 5x, which is ~3.2x better than a silver package. In terms of breakeven days, the seller on a platinum package recovers the investment in six days compared to 18 days for a seller on a silver package. This is assuming that ~20% of the RFQs received are converted to final orders (AOV is INR 35K with a 3% margin). Based on the higher ROI, it makes sense for a seller to move to an annual package, which drives ARPU growth and increases revenue visibility (deferred revenue) for IndiaMART.

IndiaMART's ARPU has grown at a CAGR of 7% and stands at INR 45.9K for 9MFY21. The Top-10 suppliers of IndiaMART, which are ~42% of revenue, generate an ARPU of INR 178K (~5x of blended ARPU) and non-Top-10 ARPU is INR 25.5K (~0.7x of blended ARPU). The Top-10 suppliers' ARPU is growing at double the rate of non-Top-10, driving blended ARPU growth.

Value proposition improves if a seller moves to a higher subscription package

Value proposition as per package	Silver	Gold	Platinum
Weekly RFQ (One Week Validity) Nos	7 - 10	20 - 30	50 - 100
Daily Unique RFQ (Day Validity) Nos	1	2	4
No of weekly RFQs received in a month (Nos)	28	80	200
No of daily RFQs received in a month (Nos)	30	60	120
Monthly Rate (INR)	3,000	NA	NA
Annual Rate (INR)	28,500	55,000	80,000
Package cost/month + GST@18% (INR)	3,540	5,408	7,867
Cost/RFQ (INR) ^	126	68	39
RFQ conversion %	8%	8%	8%
No of orders processed (Nos)	2	6	16
AOV (INR)	40,000	40,000	40,000
Total order value (INR)	89,600	256,000	640,000
Seller Margin %	3%	3%	3%
Profit made by seller (INR)	2,688	7,680	19,200
ROI (x)	0.8	1.4	2.4
Breakeven days for a supplier (Nos)	40	21	12

Source: Company, HSIE Research, ^ as per weekly RFQ

ROI sensitivity to RFQ conversion factor and Average Order Value

We have done a sensitivity analysis for calculating the ROI for various packages. The sensitivity to conversion factor is higher than the average order value. A 1% increase in RFQ conversion factor increases the ROI by ~13% and a 1% increase in AOV increases the ROI by only ~1%. Thus, for a seller, the quality of traffic (buyers, RFQ) generated on the platform is important as it increases the probability of conversion of a business enquiry to final sales.

ROI sensitivity for Silver package

Breakeven (days)		RFQ Conversion %				
		4%	6%	8%	10%	12%
AOV (INR)	30,000	0.3	0.4	0.6	0.7	0.9
	35,000	0.3	0.5	0.7	0.8	1.0
	40,000	0.4	0.6	0.8	0.9	1.1
	45,000	0.4	0.6	0.9	1.1	1.3
	50,000	0.5	0.7	0.9	1.2	1.4

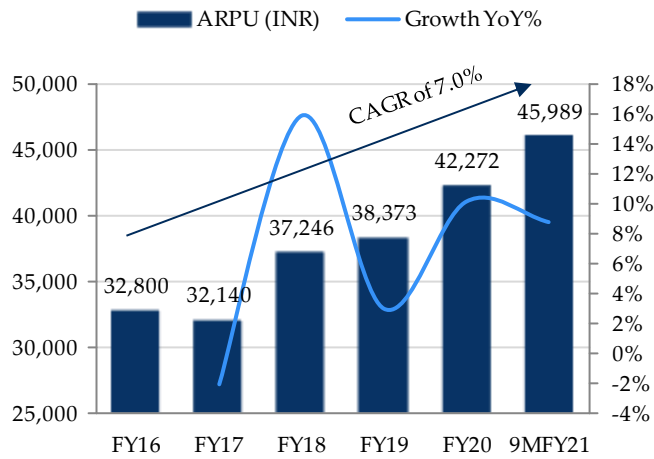
ROI sensitivity for Gold package

Breakeven (days)		RFQ Conversion %				
		4%	6%	8%	10%	12%
AOV (INR)	30,000	0.5	0.8	1.1	1.3	1.6
	35,000	0.6	0.9	1.2	1.6	1.9
	40,000	0.7	1.1	1.4	1.8	2.1
	45,000	0.8	1.2	1.6	2.0	2.4
	50,000	0.9	1.3	1.8	2.2	2.7

ROI sensitivity for Platinum package

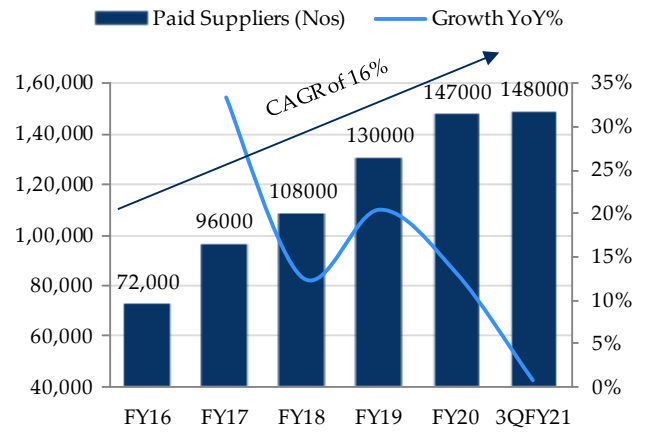
Breakeven (days)		RFQ Conversion %				
		4%	6%	8%	10%	12%
AOV (INR)	30,000	0.9	1.4	1.8	2.3	2.7
	35,000	1.1	1.6	2.1	2.7	3.2
	40,000	1.2	1.8	2.4	3.1	3.7
	45,000	1.4	2.1	2.7	3.4	4.1
	50,000	1.5	2.3	3.1	3.8	4.6

Blended ARPU has grown at a CAGR of 7%



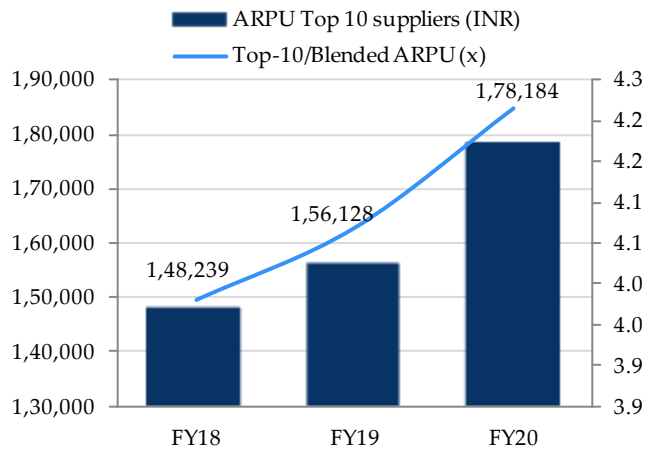
Source: Company, HSIE Research

Paid Suppliers has grown at a CAGR of 16%



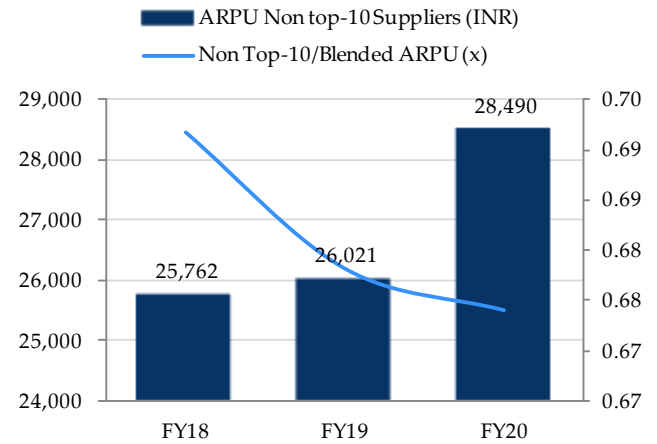
Source: Company, HSIE Research

Top-10 paid suppliers ARPU is 4.2x of Blended ARPU, indicating a shift to higher subscription packages



Source: Company, HSIE Research

Non Top-10 paid suppliers ARPU is 0.7x of Blended ARPU, comprising of entry-level Silver package



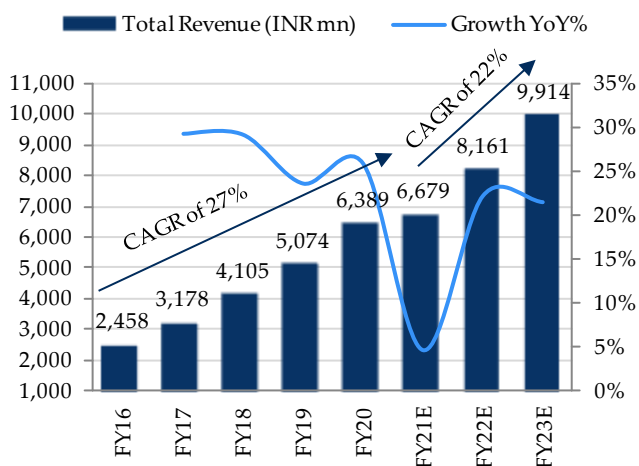
Source: Company, HSIE Research

Prowess in Financial performance

IndiaMART has demonstrated exceptional financial performance with consistent revenue growth and strong expansion in margins. The robust financial performance has been a result of (1) buyer-centric approach that resulted in an increase in traffic on the platform, (2) strong value proposition for sellers which leads to pricing power and growth in paying suppliers with higher conversion, (3) efficient and focused sales engines leading to optimum cost management, and (4) sprawling network effect leading to higher value for both buyers and sellers. The revenue has grown at a CAGR of 27% over FY16-20 and EBITDA has grown from negative INR 1.26bn to positive INR 1.69bn FY20. **Over the past three years, EBITDA is up 7x (~2x in FY21 itself), which is a result of non-linearity and tight control over cost structure during the pandemic.**

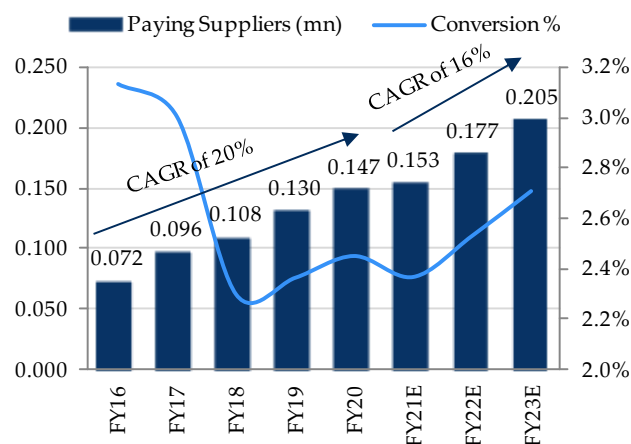
Over FY21-23E, we expect the revenue CAGR of 22%, driven by 16/5% CAGR in paying suppliers/ARPU. The paying supplier growth will be a function of growth in free suppliers (CAGR of 8%) and increasing conversion factor (2.7% for FY23E).

Revenue growth is healthy, expect momentum to continue



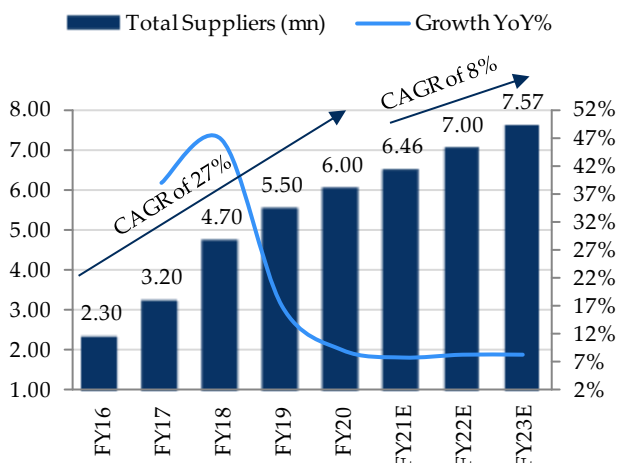
Source: Company, HSIE Research

Growth in paying suppliers has been consistent, expect conversions to increase to 2.7% in FY23E



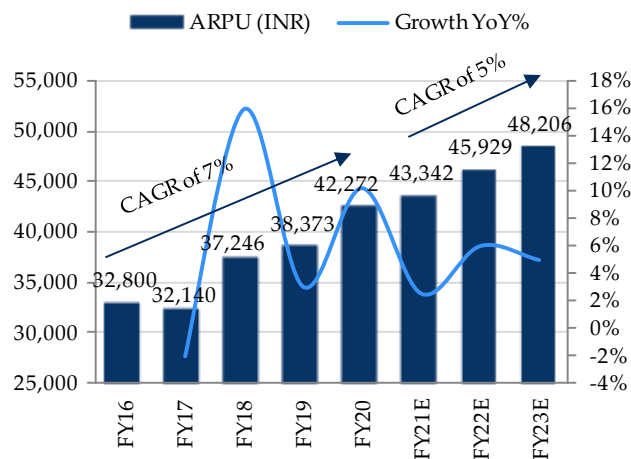
Source: Company, HSIE Research

Growth in total suppliers has been healthy, commands 60% market share



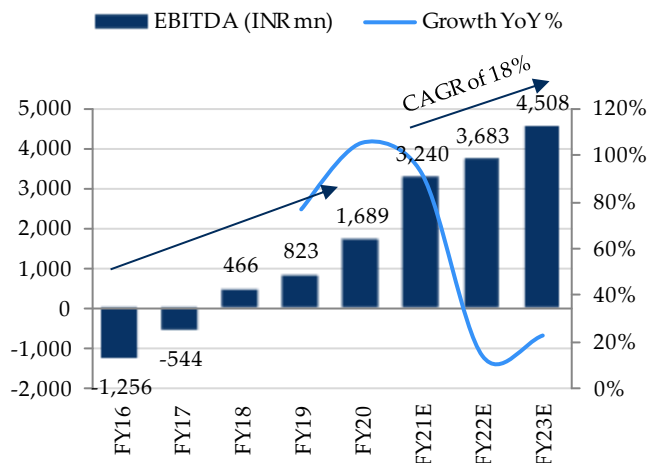
Source: Company, HSIE Research

ARPU has been consistent, further rise will be led by a shift to higher duration packages



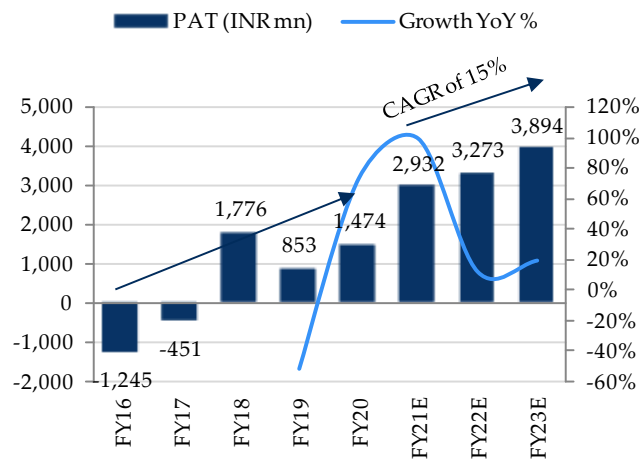
Source: Company, HSIE Research

EBITDA growth has been overwhelming, expect 18% CAGR over FY21-23E



Source: Company, HSIE Research

PAT almost doubled in FY21E, will post 15% CAGR over FY21-23E



Source: Company, HSIE Research

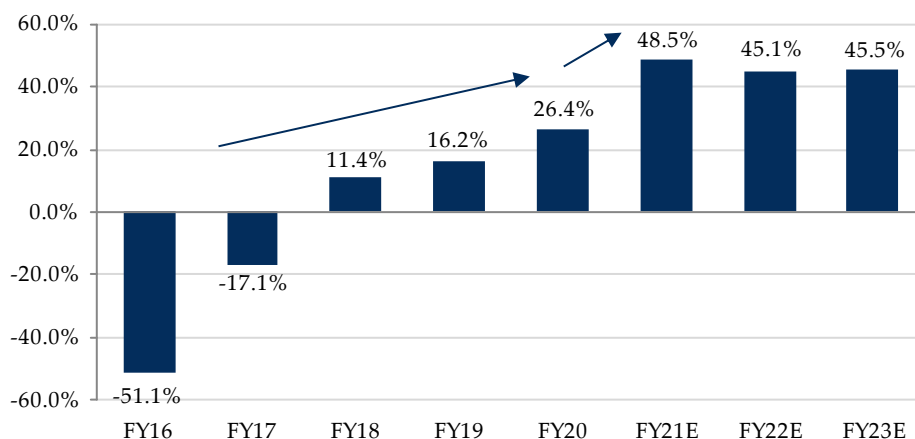
Healthy margin expansion driven by non-linearity, slight moderation in FY21-23E

The EBITDA margin for IndiaMART expanded by 1500bps from 11.4% in FY18 to 26.4% in FY20 due to a rise in organic traffic, lower spend on advertisement and embedded non-linearity in the business. The non-linearity can be explained by the fact that during the period FY18-20, the revenue increased by a CAGR of 25% while the cost increased by only 14% CAGR.

The cost structure of IndiaMART is flexible due to dependence on outsourced sales cost and high variable linked sales pay structure. Hence during the pandemic, the company was able to cut overall cost by ~27% in FY21E led by a 24/29% cut in employee cost and outsourced employee cost.

We expect the cost structure to increase as the growth returns and we have assumed the cost to go up by +30/+21% in FY22/23E leading to an EBITDA margin of 45.1/45.5% in FY21/23E respectively.

EBITDA margin has improved significantly driven by non-linearity and cost-cutting during the pandemic



Source: Company, HSIE Research

Costing breakup

Costing % of Sales	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Employee Expenses	74.0%	66.0%	47.5%	45.3%	41.7%	30.5%	29.9%	28.6%
Outsourced Employee Cost	8.6%	8.5%	10.8%	11.3%	11.3%	7.7%	9.0%	10.0%
Content development expenses	9.2%	6.6%	5.7%	4.6%	3.7%	1.9%	2.3%	2.3%
Buyer Engagement Expenses	4.8%	4.0%	3.6%	3.7%	2.7%	2.6%	2.3%	2.1%
Customer Support Expenses	7.1%	5.6%	5.8%	4.8%	3.6%	2.5%	2.6%	2.6%
Internet and other online expenses	4.0%	3.2%	2.9%	3.5%	3.6%	3.0%	3.4%	3.6%
Rent	6.4%	6.0%	5.1%	3.0%	0.4%	0.3%	0.2%	0.2%
Advertisement	19.1%	5.5%	0.8%	0.4%	0.3%	0.2%	0.2%	0.3%
Others	17.9%	11.9%	6.5%	7.0%	6.2%	2.7%	4.9%	4.9%
Total Cost	151.1%	117.1%	88.6%	83.8%	73.6%	51.5%	54.9%	54.5%
EBITDA Margin %	-51.1%	-17.1%	11.4%	16.2%	26.4%	48.5%	45.1%	45.5%

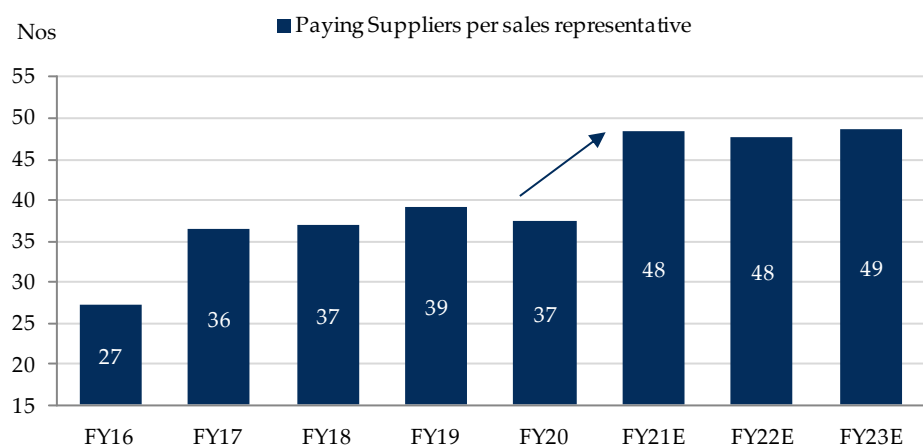
Source: Company, HSIE Research

Cost Growth YoY %	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Employee Expenses	15%	-7%	18%	16%	-24%	19%	16%
Outsourced Employee Cost	28%	63%	30%	26%	-29%	43%	35%
Content development expenses	-8%	12%	1%	0%	-47%	50%	20%
Buyer Engagement Expenses	8%	16%	26%	-8%	1%	10%	10%
Customer Support Expenses	1%	35%	2%	-6%	-27%	25%	20%
Internet and other online expenses	3%	18%	48%	31%	-13%	35%	30%
Rent	21%	11%	-27%	-85%	-18%	5%	10%
Advertisement	-63%	-82%	-32%	3%	-51%	70%	50%
Others	-15%	-29%	33%	11%	-54%	120%	22%
Total Cost	0%	-2%	17%	11%	-27%	30%	21%

Sales productivity improved during COVID

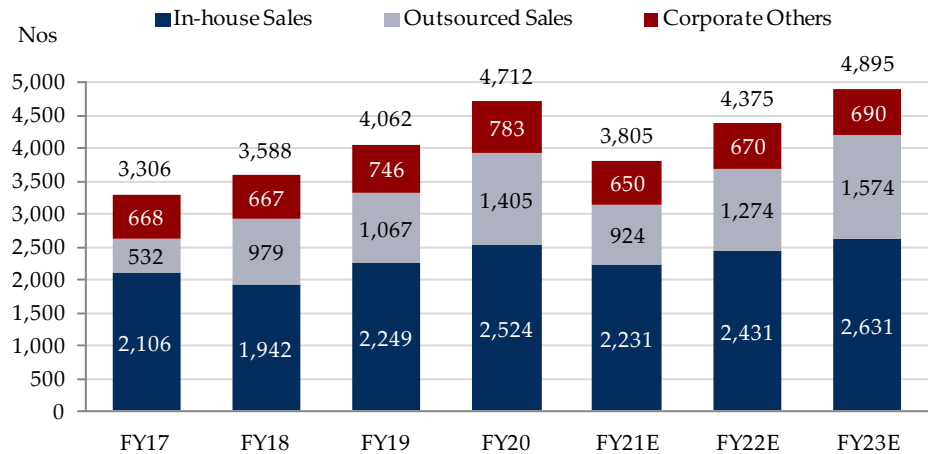
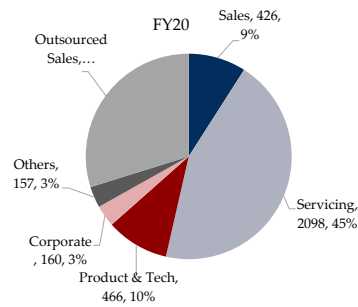
Sales efficiency is the most important factor in a subscription-based business model. Out of the total employee base of ~2,826 employees in Dec-20, ~77% is in-house sales and servicing workforce. Including the outsourced sales workforce, the total sales strength is ~83% of the employee base. The sales efficiency can be measured from the number of paying suppliers per sales representative, which has improved consistently over FY16-20 and improved significantly during the pandemic. We expect the current efficiency to continue and expect it to gradually improve with the use of technology.

Sales efficiency has improved during the pandemic, will gradually increase with the better conversion ratio

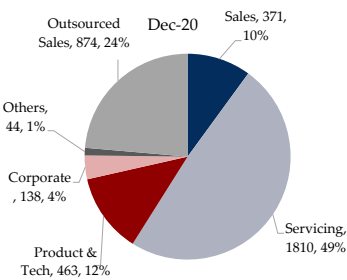


Source: Company, HSIE Research, Sales representative is In-house sales + outsourced sales

IndiaMART employee mix, outsourced sales strength came down sharply during the pandemic



Source: Company, HSIE Research

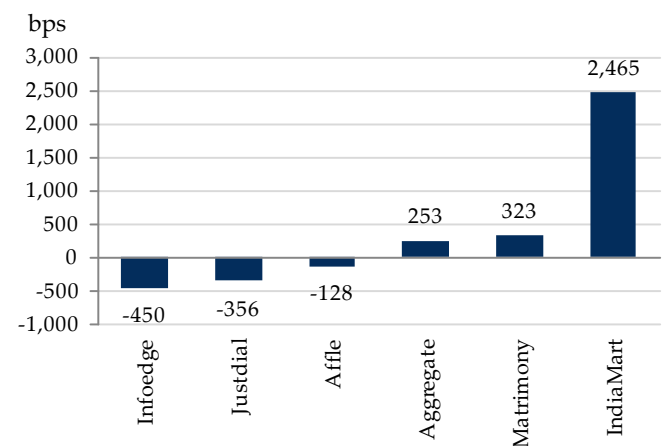
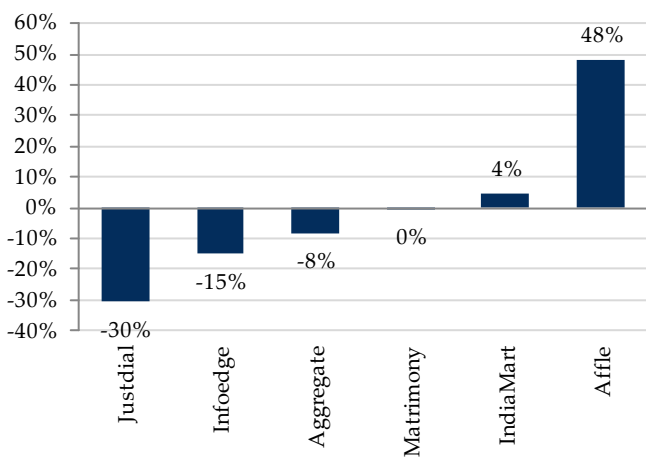


Impressive performance during the pandemic

The pandemic accelerated the adoption of technology by MSMEs and, as a result, the traffic of the platform increased (+35% YoY), resulting in higher business enquiries (+39% YoY) for sellers. The impact of the pandemic was felt in 1QFY21 (revenue down 10% QoQ) and then the recovery post 1Q has been gradual (+6.6% CQGR). The major highlight for the company was the expansion in margin achieved during the 9MFY21, which is way ahead of what peers have delivered. The revenue was up 4% YoY but the EBITDA margin doubled (50% in 9MFY21) during 9MFY21. We expect some of the cost to increase but, still, expect the EBITDA margin to be in the range of 45-46% for FY22/23E.

Revenue growth during the pandemic for Internet companies (9MFY21 YoY %)

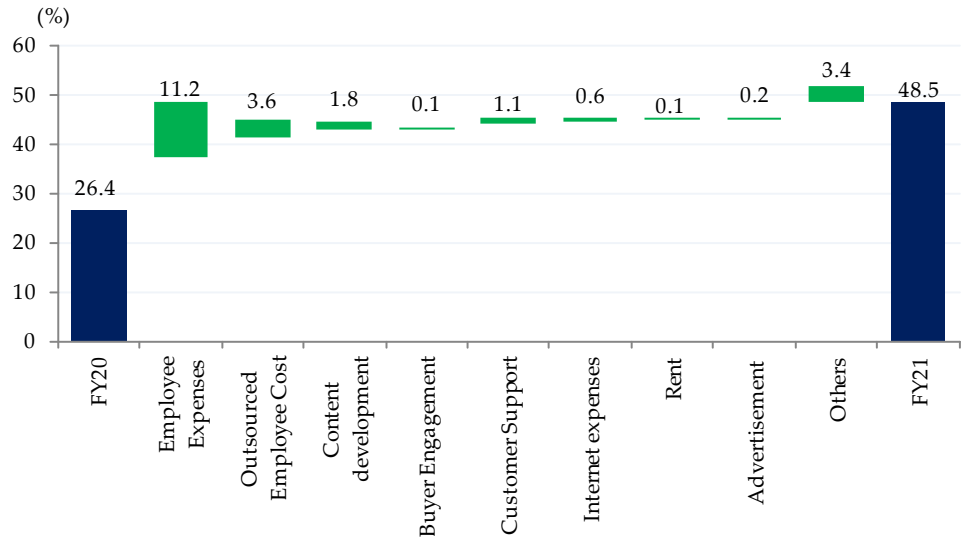
IndiaMART margin expansion has been significant, way ahead of peers (9MFY21)



Source: Company, HSIE Research

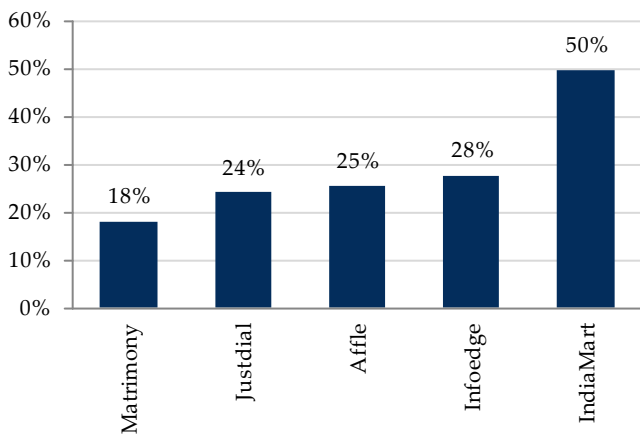
Source: Company, HSIE Research

EBITDA margin expansion during the pandemic largely driven by a cut in employee cost and outsourced sales cost



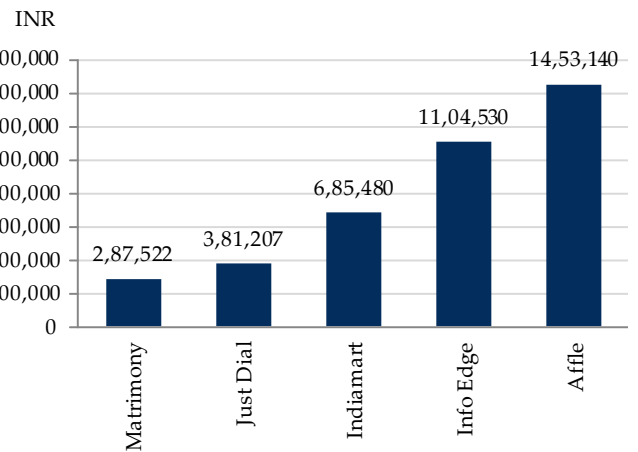
Source: Company, HSIE Research

IndiaMART margin is almost double compared to peers



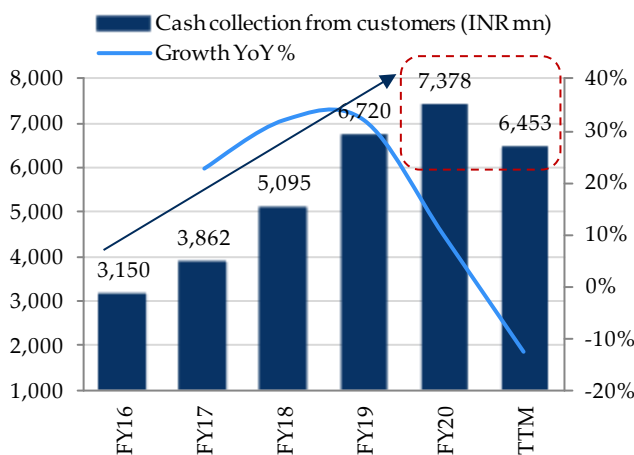
Source: Company, HSIE Research

The cost per employee is almost double of Justdial



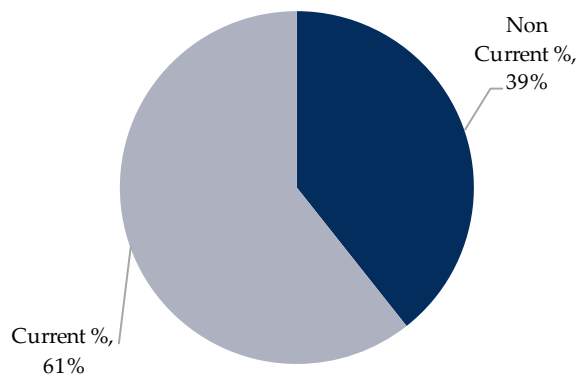
Source: Company, HSIE Research

Cash collections have grown at a CAGR of 24% over FY16-20, impacted in the near term due to pandemic



Source: Company, HSIE Research

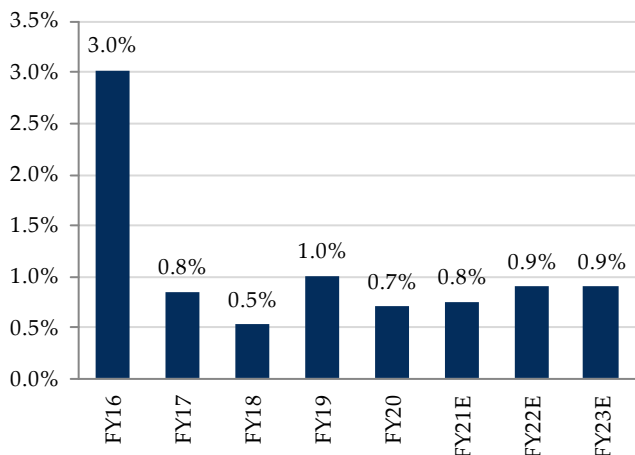
The current portion of deferred revenue is at 61%, constant over the last three years



Source: Company, HSIE Research

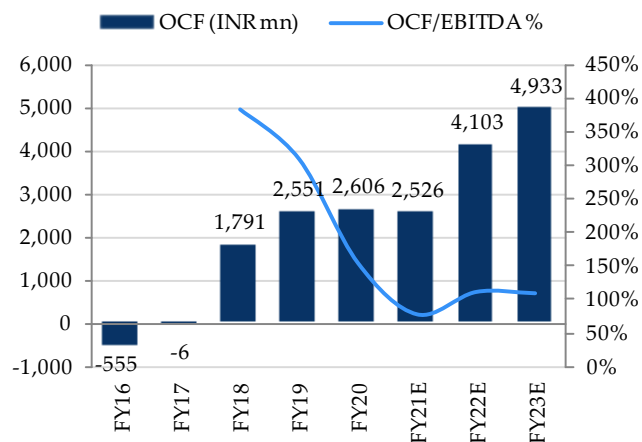
Robust balance sheet position and excellent cash generation

Capex is less than 1% of revenue vs. an average of ~3% for Internet companies



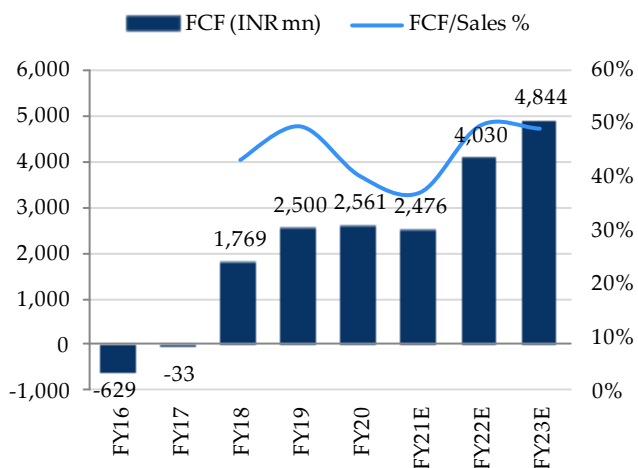
Source: Company, HSIE Research

OCF generation has improved significantly and OCF/EBITDA will stand at ~100% over FY21-23E



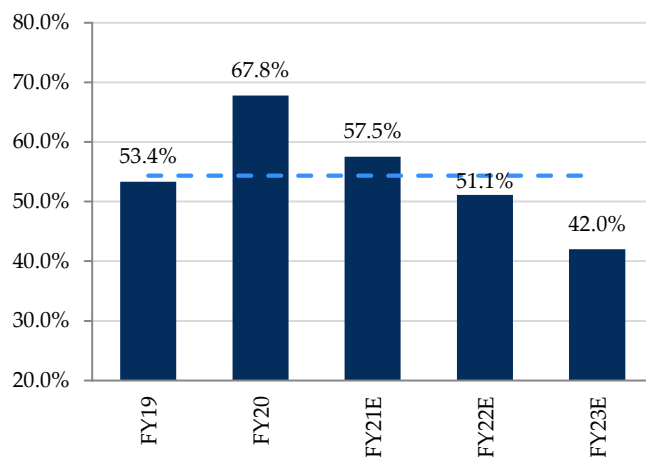
Source: Company, HSIE Research

FCF generation is healthy, aided by lower Capex requirements



Source: Company, HSIE Research

RoE is healthy at 68% for FY20 but will decline over FY21-23E due to lower payout



Source: Company, HSIE Research, RoE % for FY21-23E is calculated ex of QIP money

India Internet comparison across various parameters

Parameters	India Internet				
	IndiaMART	Just Dial	Info Edge	Affle	Matrimony
Revenue CAGR % 3Y (FY18-21)	17.6%	-4.5%	9.4%	44.5%	4.3%
Revenue INR bn (FY21)	6.68	6.80	12.00	5.05	3.81
EBITDA Margin % (FY21)	48.5%	24.1%	24.5%	25.2%	18.4%
PAT INR bn (FY21)	2.93	2.29	2.72	1.00	0.44
PAT CAGR % 3Y (FY18-21)	75.0%	16.9%	14.3%	53.4%	-16.0%
Advertising expenses % (FY20)	0.3%	7.0%	16.1%	1.2%	29.1%
Market Cap INR bn	240.02	53.13	611.70	134.11	21.74
P/S FY20 (x)	36	8	51	27	6
FY21 P/E (x)	78	24	198	132	49
Asset Turns FY20 (x)	7.5	5.6	9.9	71.4	2.9
Goodwill & Intangibles % of Total Assets	0.0%	0.1%	0.1%	40.7%	0.8%
Du Point Analysis (FY20)					
Profit Margin %	23.1%	28.6%	16.2%	19.6%	7.9%
Asset Turnover (x)	0.6	0.5	0.4	0.8	0.9
Leveraging Factor (x)	5.2	1.6	1.3	2.7	1.9
RoE %	67.8%	23.8%	8.6%	43.5%	13.7%
OCF/EBITDA %	154%	56%	75%	83%	105%
FCF/PAT %	174%	55%	135%	64%	154%
Capex % of Revenue	0.7%	0.2%	1.9%	9.3%	3.1%
Total Payout INR 3Y average mn	227	1651	549	0	41
Total Payout/OCF 3Y average (%)	8.9%	102.1%	21.3%	0.0%	6.6%
Total Payout/FCF 3Y average (%)	9.0%	107.3%	23.0%	0.0%	8.7%
Total Payout/Net Profit 3Y average (%)	14.8%	69.9%	21.7%	0.0%	10.7%
Subscribers 3Y CAGR % (FY18-21)	12.3%	1.3%	7.0%	39.5%	3.1%
ARPU 3Y CAGR % (FY18-21)	5.2%	-5.7%	3.6%	10.9%	1.4%
Traffic 3Y CAGR (FY18-21)	19.2%	4.5%	NM	NM	NA
Deferred Revenue 3Y CAGR (FY18-21)	16.2%	7.0%	11.4%	32.9%	5.9%
Net Cash & Cash Eq (INR mn)*	22,443	14,281	33,204	627	2,527
Net Cash % of Net Worth (FY20)	140%	124%	88%	27%	103%
Net Cash % of Total Assets (FY20)	92%	87%	69%	16%	58%
Net Cash % of Market Cap	9%	27%	5%	0%	12%

Source: Company, HSIE Research, FY21 is 9MFY21 annualised for all except IndiaMART, Payout includes buyback and dividend, * 6MFY21 figure for Justdial, Matrimony, Infoedge is 9M and Affle is FY20, IndiaMart as per our estimate

Most of the suppliers indicated good RFQ conversion level

Parameter	Printing equipment supplier, Mumbai	Hydraulic Jack Manufacturer, Delhi	Lace Supplier, Madhya Pradesh	Cement and steel materials supplier, Bangalore	Cement Supplier, Kolkata	Medical equipment supplier, Ambala
Number of years with IndiaMART	7	5	3	10	5	10
Subscription Package	Multiyear package	Maximiser package	Gold	3 year plan	3 year plan	Gold
Number of leads	21 per week	30 leads per week and 50 leads purchased extra	20 - 30 leads per week	2 leads per day + 24 leads per week	22 leads per week free and 2 bonus leads per day	500-600 leads per month
On comparison with other B2B platforms	Prefer IndiaMART over Flipkart wholesale, Amazon business and Udaan because of genuine and good customer base	Much better than other players like Trade India and Just Dial because of buyer base and servicing provided by IndiaMART	Benefit of top search results in Google. Number one platform for industrial and manufacturing verticals. India's Alibaba.	Not used any other platform and happy with IndiaMART. Good buyer base.	IndiaMART better than TradeIndia. High pricing but good business volumes. Small orders on Just Dial.	Found IndiaMART better as it is a known brand. More of a promotion platform.
Plan to stay with IndiaMART	No plan of quitting	Plans to continue	May think of continuing	Plan to continue	Don't know	May continue for brand value
Turnover achieved due to IndiaMART	INR 20 mn annually	INR 2.4 mn annual	Good contribution in business	3-4 lakhs per month	Not Disclosed	Not Disclosed
RFQ Conversion %	20%	10-15%	10-15%	20%+	Difficult to put a number	Not measured

Source: HSIE Research

Company Background

IndiaMART InterMESH Ltd is India's largest online B2B marketplace with ~60% market share. It provides a two-way discovery platform for buyers and sellers. It has a diversified product catalogue (71mn products) across 99,000 categories in 56 industries. The traffic on the platform is 100% organic, with 81% of it flowing through mobile, and with negligible spending on advertising (0.2% of revenue). IndiaMART has a strong buyer base of 119mn registered buyers and 6.4mn registered suppliers, with 59% repeat buyers, and 37% of the suppliers acting as buyers. The platform is free for the buyers while the company generates revenue through a subscription-based revenue model, offering monthly and yearly packages. The number of paying suppliers/buyers has increased at a CAGR of 15%/33% over the past five years. The company expects to add ~5,000 suppliers per quarter in the near to medium term. The top-10 platinum customers contribute ~42% of the revenue.

IndiaMART's platform serves as an ROI driven value proposition for the sellers, thereby acting as a catalyst to leverage the benefits of a strong network effect. Steady price increases and upselling the higher duration premium packages would be the driving factors behind the growth in ARPU. IndiaMART plans to continue with a subscription-based model with an asset-light balance sheet. The fresh QIP issue of 1,070 Cr made in February 2021 will be used to make strategic investments or acquisitions to complement its existing service offerings. For instance, because of providing an end-to-end value chain, IndiaMART, via strategic investments, intends to be a logistics aggregator and, in partnerships with NBFCs or banks, intends to provide transaction financing to buyers.

Board Composition and Key Management Personnel

Board of Directors	Designation	Qualification	Previous Experience
Mr. Dinesh Chandra Agarwal	Managing Director & CEO	B.Tech (Computer Science & Engineering)	Hindustan Management and Technical Services Private Limited, HCL America, Inc., HCL Limited, HCL Hewlett-Packard Limited, Centre for Development of Telematics (C-Dot) and CMC Limited
Mr. Brijesh Kumar Agrawal	Whole-Time Director	PGD (Business Management)	H N Miebach Logistics India Private Limited
Mr. Dhruv Prakash	Non-Executive Director	Master's Degree - Science (Chemistry) PGD (Business Management)	Korn/Ferry International Private Limited, Helion Ventures Private Limited, Hewitt Associates (India) Private Limited, Amar Dye-Chem Limited, DCM Toyota Limited, Hindustan Reprographics Limited and Escorts Limited
Ms. Elizabeth Lucy Chapman	Non-Executive - Independent Director	Bachelor's Degree - Science, CFA	DBS Bank Limited, Goldman Sachs International, The Welcome Trust Limited and Nahar Credits Private Limited
Mr. Vivek Narayan Gour	Non-Executive - Independent Director	B.Com, MBA, President Management Programme - HBS	First Leasing Company of India Limited, Infrastructure Leasing & Financial Services Limited, Tata Finance Limited, Genpact India and GE Capital Services India Managing Director - Air Works MRO Services Private Limited and Air Works India (Engineering) Private Limited

Source: Company, HSIE Research

Key Managerial Personnel	Designation	Qualification	Previous Experience
Mr. Dinesh Chandra Agarwal	Managing Director & CEO	B.Tech (Computer Science & Engineering)	Hindustan Management and Technical Services Private Limited, HCL America, Inc., HCL Limited, HCL Hewlett-Packard Limited, Centre for Development of Telematics (C-Dot) and CMC Limited
Mr. Brijesh Kumar Agrawal	Whole-Time Director	PGD (Business Management)	H N Miebach Logistics India Private Limited
Mr. Prateek Chandra	CFO	B.Com, Chartered Accountant	exl Service.com (I) Private Limited, Bharat S Raut & Co., Chartered Accountants and HT Media Limited
Mr. Manoj Bhargava	SVP - Legal & Secretarial, CS & Compliance Officer	B.Com, Law CS, PGD- IP Law, PGD - Cyber Laws	Capital Cars Private Limited, Integrated Databases India Limited (India Today group), Barista Coffee Company Limited, Varun Beverages Limited and HT Media Limited

Source: Company, HSIE Research

Technology Timeline

Year	Technology / Features Added
2009	Request for Quotation – Buy Lead
2010	Cloud Telephony – PNS
2013	Price Discovery
2015	Behavioral Matchmaking
2017	Payment Program Protection
2018	CRM – Lead Manager
2019	Mobile Accounting & Tax Invoicing (Vyapar)
2019	Voice and MultiLanguage Search
2019	Order Management System (Pooraa)
2020	Distribution Management System & SFA (Bizom)
2020	Supplier Reviews & Ratings

Subsidiary / Associates

Subsidiary / Associates	Holding/ Subsidiary/ Associate	% of shares Held	Description	Revenue FY20 (mn)	PAT FY20 (mn)
Tolexo Online Private Limited (TOPL)	Wholly owned Subsidiary	100%	TOPL operates a business process software referred to as “Pooraa”. Pooraa provides businesses with an easy-to-use software based system for catalog management, pricing management, customer management, inventory management, analytics and reporting, order management, invoicing, payment reminders and tally integration. Revenue is generated through the sale of subscription packages for availing such services. As of December 31, 2020, Pooraa had 117 paying subscription suppliers.	3.04	-68.76
Pay With IndiaMART Private Limited (PW IPL)	Wholly owned Subsidiary	100%	PWIPL is engaged in the business of electronic payment facilitation mechanisms through internet based solutions and products, financial intermediation and services in connection with electronic payments and receipts, products, technologies, markets.	29.27	-2.56
Tradezeal International Private Limited (TIPL)	Wholly owned Subsidiary	100%	TIPL is currently not actively engaged in any business; however, it is authorized to engage in the business of investment, acquire, hold and deal in those shares, stocks, debentures, debenture stock, bonds, obligation or securities of companies or partnership firms or body corporates or any other entities whether in India or elsewhere	NA	NA
Hello Trade Online Private Limited (HTOPL)	Wholly owned Subsidiary	100%	HTOPL is currently not actively engaged in any business; however, it is authorized to engage in conducting domestic trade and international business facilitation, including sales, marketing, operational, technological, information processing and other trade and business related services	NA	NA
Ten Times Online Private Limited (TTOPL)*	Associate	30%	TTOPL operates an online platform “Ten Times” (www.10times.com) for business events discovery and networking. The Ten Times platform also enables businesses to create, manage and host virtual events. Organizers’ events, such as exhibitions and trade shows in India and abroad. It earns revenue through marketing fees as well as subscription fees for hosting events on its virtual platform.	128.28	8.81
Simply Vyapar Apps Private Limited (Vyapar)	Associate	26%	Vyapar is a mobile based accounting software that automates billing and accounting processes. Vyapar helps businesses to handle their business and operational processes. Vyapar generates revenue through subscription packages. As of December 31, 2020, Vyapar had 74,912 paying subscription suppliers	56.05	-54.22
Mobisy Technologies Private Limited (MTPL)	Investment	9%	MTPL owns Bizom, a sales force automation and distributor management system software. Bizom facilitates businesses with business and operational processes, such as order management, distributor management, claims management, retail execution and merchandising, asset management, task and lead management, service representative management and attendance management	NA	NA
Legistify Services Private Limited (LSPL)^	Investment	11%	LSPL, via its flagship product Legistrak, offers a SaaS based ERP tool, which allows enterprises to manage their legal workflows. Some of the key features of the Legistrak tool are - Litigation Tracking, Notices Management, Legal Vendor Management, etc.	17.3	NA

Source: Company, HSIE Research

Valuation and recommendation

We initiate coverage on IndiaMART with a DCF derived base case fair value of INR 9,400, implying a P/E and EV/EBITDA multiple of 73x and 58x on FY23E estimates, translating into 19% upside. Our long-term estimate assumes a revenue CAGR of 19% over FY21-30E vs. a historical average of 27%. The growth estimates are reasonable, given the huge opportunity in paid suppliers' growth (~4x of current level) and scope for ARPU improvement (premiumisation). The EBITDA margin can sustain at 45% over FY22-23E, post doubling in FY21E. We expect revenue/EBITDA/EPS CAGR of +22/18/15 over FY21-23E.

The derived target EV/EBITDA multiple of 58x is ~1.4x the historical average and is supported by (1) +21/+15% revenue/EPS CAGR over FY21-25E, following an outperformance in FY21E (EPS doubled in FY21E), (2) industry leading margin profile (double of Just Dial), (3) embedded non-linearity in the business, (4) 100% organic traffic resulting in lowest spend on advertisement, (5) pricing power (~70% higher than competition), (6) ~60% market share in B2B classified market, (7) low risk of disruption from Big Tech, (7) asset-light business model (Capex is ~1% of revenue) and (8) high cash generation (OCF/EBITDA of 154%).

There is no direct comparable for IndiaMART but we can compare it to Just Dial (B2C) and Infoedge (Naukri) among listed peers in India. IndiaMART trades at a P/E and EV/EBITDA of 61.5x and 46.1x FY23E, which is at a significant premium to its peers. Infoedge trades at a standalone EV/EBITDA of ~56x FY23E, which is at a 20% premium to IndiaMart. Based on reverse DCF, at CMP the company is factoring in a growth of 17.8% over FY21-30E.

Valuation Scenarios

	Bear Case	Base Case	Bull Case
Paid Suppliers CAGR (FY21-25E)	11%	15%	20%
ARPU CAGR (FY21-25E)	3%	5%	6%
Revenue CAGR (FY21-25E)	14%	21%	27%
EBIT CAGR (FY21-25E)	13%	20%	26%
APAT CAGR (FY21-25E)	10%	15%	21%
Revenue FY21-30E	15%	19%	22%
EBIT CAGR FY21-30E	16%	19%	22%
FCF CAGR FY21-30E	19%	23%	26%
FY23E EPS	115	128	140
TP (Rs)	7,025	9,400	11,500
Upside %	-11%	19%	46%

Source: Company, HSIE Research

DCF Assumptions

DCF Assumptions			
RFR	6%	Terminal growth rate (%)	4%
Market Premium	6%	PV (ex-Terminal) INR mn	91,615
Beta	0.7	PV (Terminal) INR mn	171,494
Cost of Debt (%)	NA	Cash & Cash Eq INR mn*	22,443
Debt (mn)	0	Shares (mn)	30.4
WACC (%)	10%	TP (INR)	9,400

Source: Company, HSIE Research, * includes QIP of INR 10.7bn raised in Feb-21

Key Assumptions

Assumptions	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Free Suppliers (mn)	4.70	5.50	6.00	6.46	7.00	7.57	8.20
Growth YoY%	46.9%	17.0%	9.1%	7.7%	8.2%	8.2%	8.2%
Paid Suppliers (mn)	0.108	0.130	0.147	0.153	0.177	0.205	0.235
Growth YoY%	12.5%	20.4%	13.1%	4.1%	15.7%	15.8%	14.6%
Conversion Factor %	2.3%	2.4%	2.5%	2.4%	2.5%	2.7%	2.9%
ARPU (INR)	37,246	38,373	42,272	43,342	45,929	48,206	50,794
Growth YoY%	15.9%	3.0%	10.2%	2.5%	6.0%	5.0%	5.4%
Total Employees (Nos)	2,609	2,995	3,307	2,881	3,101	3,321	3,541
In-house Sales Employees (Nos)	1,942	2,249	2,524	2,231	2,431	2,631	2,831
No of Outsource Employees (Nos)	979	1,067	1,405	924	1,274	1,574	1,774
Paid Suppliers/Sales Representative (Nos)	37	39	37	48	48	49	51
Cost/Employee (INR)	747,413	767,947	807,378	708,088	786,125	852,442	924,146
Growth YoY%		2.7%	5.1%	-12.3%	11.0%	8.4%	8.4%
Cost/Outsource Employee (INR)	449,438	543,580	512,456	557,135	576,893	628,262	686,109
Growth YoY%		20.9%	-5.7%	8.7%	3.5%	8.9%	9.2%
Revenue (INR mn)	4,105	5,074	6,389	6,679	8,161	9,914	11,969
Growth YoY%	29%	23.6%	25.9%	4.6%	22.2%	21.5%	20.7%
EBITDA Margin %	11.4%	16.2%	26.4%	48.5%	45.1%	45.5%	45.5%
EBIT Margin %	10.7%	15.4%	23.1%	45.1%	42.2%	43.0%	43.2%
EPS (Rs)	58.5	28.1	48.5	96.6	107.8	128.3	145.4

Source: Company, HSIE Research

Key Risks

Though IndiaMART leverages its technology and a strong network effect to create maximum value, it carries its own set of challenges and risks, which we believe could be the main hurdles for its future growth trajectory:

- 1) The presence of fake buyers and sellers could hit at the credibility of the members on the platform. However, the company has been actively taking measures to keep this issue in check by providing features like TrustSEAL - a paid add on feature that certifies a supplier as a genuine and trusted supplier - thereby, building credibility of the supplier among prospective buyers.
- 2) If JD Mart gets a clear way from the current legal issues with IndiaMART, any of its aggressive offerings could cause the latter to potentially lose some customers. Furthermore, competition from JD Mart and other competitors like Udaan could lead to increased advertising and marketing spends, which could impact the margins.
- 3) Extended lockdown can impact economic recovery, which can impact growth in FY22E.

Peer Valuation

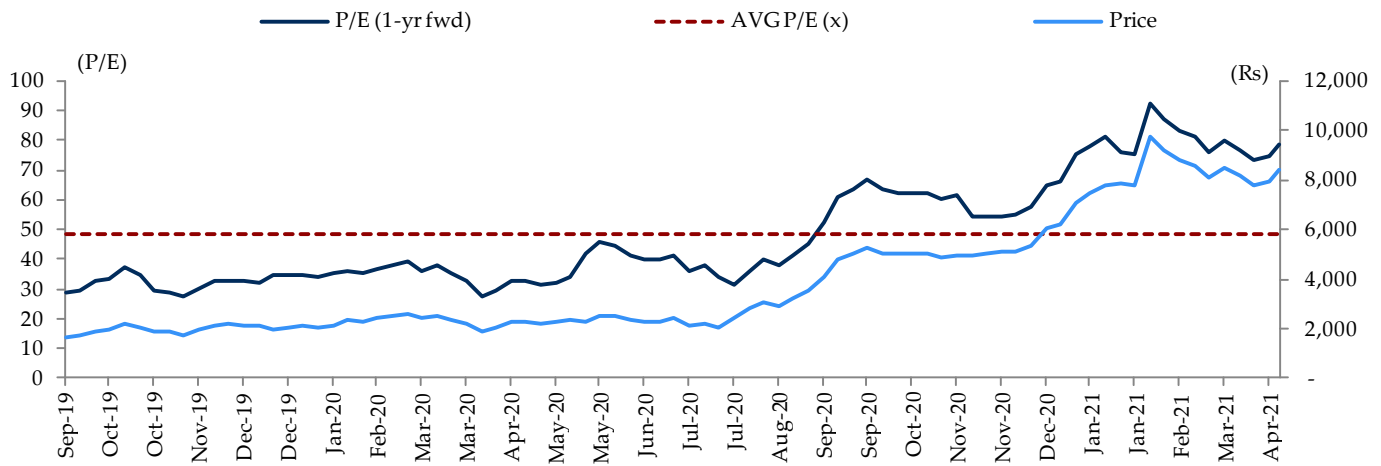
Company	Country	MCap (Rs bn)	EV/EBITDA (x)				P/E (x)				P/S (x)				ROE (%)				Rev CAGR% FY21-23	EPS CAGR% FY21-23
			FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E		
IndiaMART Intermesh	India	240	136.5	67.0	57.8	46.1	162.4	81.7	73.1	61.5	37.5	35.8	29.3	24.1	67.8	57.5	51.1	42.0	21.8	15.2
Just Dial	India	53	19.2	32	24.3	19.3	20.5	24.2	23.8	19.3	5.6	7.8	6.3	5.6	23.8	16.5	16.0	18.1	18.0	11.9
Affle India	India	134	152.4	105.1	82.1	62.5	200.5	131.8	107	81.7	40.0	26.4	20.7	16.0	43.5	34.4	30.3	29.3	28.6	27.0
Matrimony.Com	India	22	35.8	27.9	20.7	17	72.3	49.0	34.9	27.5	5.8	5.6	4.9	4.4	13.7	17.6	21.3	22.9	12.9	33.6
Info Edge India	India	612	159.1	201.5	134.2	117	NM	198.3	151.1	138.1	46.6	51.0	41.0	35.5	NM	4.0	10.8	16.0	19.9	19.8
India Internet Median			136.5	67.0	57.8	46.1	117.4	81.7	73.1	61.5	37.5	26.4	20.7	16.0	23.8	17.6	21.3	22.9	19.9	19.8

Company	Country	MCap (USD bn)	EV/EBITDA (x)				P/E (x)				P/S (x)				ROE (%)				Rev CAGR% FY21-23	EPS CAGR% FY21-23
			FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E		
Yandex	Russia	22	29.4	36.5	31.0	20.6	102.6	59.8	67.3	38.7	8.2	7.3	5.2	3.8	6.9	9.8	7.0	11.3	37.7	24.4
Ebay Inc	USA	42	18.7	13.3	11.2	10.3	29.6	7.8	15.3	13.5	4.9	4.1	3.5	3.3	39.0	176.2	71.8	217.5	11.9	NM
Costar Group	USA	35	68.0	73.2	49.6	39.5	101.6	147.6	80.2	61.6	24.8	20.9	17.9	15.4	9.8	5.2	7.9	9.5	16.5	54.8
Zillow Group	USA	35	NM	198.1	64.8	50.1	NM	NM	164.8	110.3	12.8	10.5	6.4	4.4	(9.1)	(4.0)	(2.7)	(4.9)	55.2	NM
Jd.Com	China	125	42.5	42.0	28.8	19.6	66.2	16.9	39.5	29.3	1.5	1.2	0.9	0.7	17.2	36.7	9.8	11.6	26.5	NM
Mercadolibre	Argentina	79	NM	281.2	419.2	159.1	NM	NM	1720.4	427.9	34.3	19.8	13.4	9.6	(14.2)	(0.0)	3.8	12.3	43.9	NM
Ww Grainger	USA	21	14.8	18.2	14.0	12.6	26.0	31.0	21.6	19.0	1.8	1.8	1.7	1.6	44.6	37.4	48.2	50.1	5.8	27.7
E-Commerce + Classifieds Median			29.4	42.0	31.0	20.6	66.2	31.0	67.3	38.7	8.2	7.3	5.2	3.8	9.8	9.8	7.9	11.6	26.5	27.7

Company	Country	MCap (USD bn)	EV/EBITDA (x)				P/E (x)				P/S (x)				ROE (%)				\$ Rev CAGR% FY21-23	EPS CAGR% FY21-23
			FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E		
Google	USA	1,527	29.6	24.8	17.0	14.4	NM	NM	28.6	24.6	9.4	8.4	8.2	7.0	18.1	19.0	20.4	20.4	9.4	NM
Facebook	USA	886	27.1	20.4	15.5	12.9	48.0	30.5	25.5	21.8	12.5	10.3	8.2	6.9	20.0	25.4	22.9	21.5	22.3	18.2
Baidu	China	76	16.1	19.2	14.1	11.6	254.3	22.5	21.7	17.7	4.9	4.9	3.9	3.4	1.3	13.0	10.2	11.1	19.3	12.7
Twitter	USA	57	54.7	75.3	36.5	28.7	37.4	NM	77.8	59.6	16.4	15.3	11.8	9.7	18.9	(13.6)	7.6	10.0	25.4	NM
Amazon	USA	1,691	42.7	32.1	24.1	19.5	143.1	78.8	56.1	42.5	6.0	4.4	3.6	3.0	21.9	27.4	24.1	24.8	20.1	36.1
Alibaba	China	603	38.1	26.7	17.2	14.2	43.9	27.2	21.8	19.2	10.7	8.2	5.6	4.3	20.4	23.9	19.2	17.1	38.8	19.2
Big Tech Median			33.9	25.8	17.1	14.3	48.0	28.8	27.0	23.2	10.1	8.3	6.9	5.6	19.4	21.5	19.8	18.8	21.2	18.7

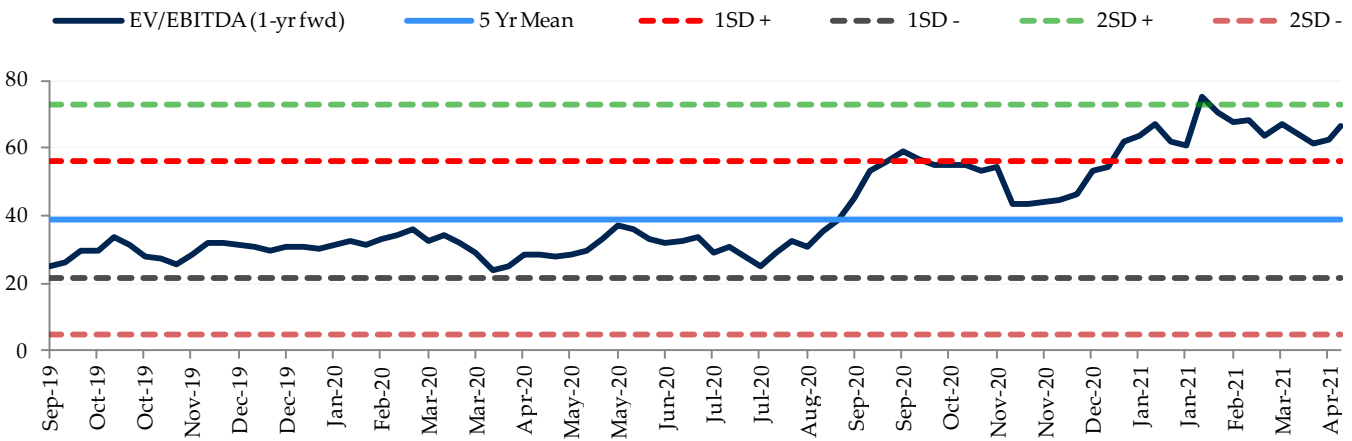
Source: Company, HSIE Research, Bloomberg estimates except for IndiaMART

IndiaMART P/E (1-yr fwd) Trend



Source: Company, HSIE Research, Bloomberg

IndiaMART EV/EBITDA (1-yr fwd) Trend



Source: Company, HSIE Research, Bloomberg

Financials

Consolidated Income Statement

Year ending March (INR mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Net Revenues	3,178	4,105	5,074	6,389	6,679	8,161	9,914	11,969
<i>Growth (%)</i>	29.3%	29.2%	23.6%	25.9%	4.6%	22.2%	21.5%	20.7%
Manpower Expense	2,097	1,949	2,300	2,667	2,040	2,438	2,831	3,272
Outsourced sales cost	271	442	576	724	515	735	989	1,217
Other Expense	1,354	1,249	1,375	1,308	885	1,306	1,586	2,035
EBITDA	(544)	466	823	1,689	3,240	3,683	4,508	5,444
<i>EBITDA Margin (%)</i>	-17.1%	11.4%	16.2%	26.4%	48.5%	45.1%	45.5%	45.5%
Depreciation	46	29	41	211	226	236	249	278
EBIT	(590)	437	782	1,478	3,014	3,447	4,259	5,166
<i>EBIT Margin (%)</i>	-18.6%	10.7%	15.4%	23.1%	45.1%	42.2%	43.0%	43.2%
<i>EBIT Growth (%)</i>	NM	NM	78.8%	88.9%	104.0%	14.4%	23.6%	21.3%
Other Income (Including EO Items)	(51)	(1,038)	(243)	670	961	981	997	778
Interest	-	-	-	33	68	64	64	64
PBT	(641)	(601)	539	2,114	3,907	4,364	5,192	5,880
Tax (Including Deferred)	2	(1,149)	339	640	975	1,091	1,298	1,464
Minority/Share of Associates	0	0	-	-	-	-	-	-
RPAT	(644)	547	200	1,474	2,932	3,273	3,894	4,415
EO (Loss) / Profit (Net Of Tax)	(193)	(1,229)	(653)	-	-	-	-	-
APAT	(451)	1,776	853	1,474	2,932	3,273	3,894	4,415
<i>APAT Growth (%)</i>	NM	NM	-52.0%	72.8%	98.9%	11.6%	19.0%	13.4%
Adjusted EPS (INR)	(14.8)	58.5	28.1	48.5	96.6	107.8	128.3	145.4
<i>EPS Growth (%)</i>	NM	NM	-52.0%	72.8%	98.9%	11.6%	19.0%	13.4%

Source: Company, HSIE Research

Consolidated Balance Sheet

YE March (INR mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
SOURCES OF FUNDS								
Share Capital - Equity	92	100	286	289	303	303	303	303
Reserves	-3,992	-3,312	1,313	2,462	15,497	18,115	21,230	24,763
Total Shareholders Funds	-3,900	-3,213	1,599	2,751	15,800	18,418	21,534	25,066
Minority Interest	0	0	0	0	0	0	0	0
Total Debt	0	0	0	0	0	0	0	0
Net Deferred Taxes	0	-1,156	-858	-246	117	117	117	117
Other Non-current Liabilities & Provns	2,484	3,791	99	878	875	948	1,034	1,135
TOTAL SOURCES OF FUNDS	-1,417	-577	840	3,383	16,792	19,483	22,685	26,319
APPLICATION OF FUNDS								
Net Block	87	81	91	856	824	825	863	931
CWIP	2	2	2	2	2	2	2	2
Goodwill	0	0	0	0	0	0	0	0
Investments	0	0	0	296	286	286	286	286
Other Non-current Assets	53	345	44	630	274	278	291	307
Total Non-current Assets	142	428	137	1,784	1,386	1,390	1,442	1,526
Cash & Equivalents	1,769	3,578	6,852	8,957	22,443	26,736	31,735	37,450
Debtors	5	7	6	17	18	21	26	32
Other Current Assets	292	259	355	225	185	208	236	269
Total Current Assets	2,067	3,844	7,213	9,200	22,646	26,966	31,997	37,751
Creditors	302	419	450	179	165	335	407	492
Other Current Liabilities & Provns*	3,323	4,429	6,060	7,421	7,075	8,537	10,346	12,466
Total Current Liabilities	3,626	4,848	6,510	7,601	7,240	8,873	10,754	12,958
Net Current Assets	-1,559	-1,004	703	1,599	15,406	18,093	21,243	24,793
TOTAL APPLICATION OF FUNDS	-1,417	-577	840	3,383	16,792	19,483	22,685	26,319

Source: Company, HSIE Research, * includes non-current part of contract liabilities

Consolidated Cash Flow

YE March (INR mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Reported PBT	(641)	(601)	539	2,114	3,907	4,364	5,192	5,880
Non-operating & EO Items	79	1,080	342	(589)	(961)	(981)	(997)	(778)
Interest Expenses	0	0	0	33	68	64	64	64
Depreciation	43	24	38	211	226	236	249	278
Working Capital Change	526	1,297	1,684	1,023	261	1,511	1,723	2,012
Tax Paid	(12)	(10)	(52)	(186)	(975)	(1,091)	(1,298)	(1,464)
OPERATING CASH FLOW (a)	(6)	1,791	2,551	2,606	2,526	4,103	4,933	5,993
Capex	(27)	(22)	(51)	(45)	(50)	(73)	(89)	(108)
Free Cash Flow (FCF)	(33)	1,769	2,500	2,561	2,476	4,030	4,844	5,885
Non-operating Income	(94)	(44)	(116)	(276)	961	981	997	778
INVESTING CASH FLOW (b)	(121)	(66)	(167)	(321)	911	908	908	670
Debt Issuance/(Repaid)	0	0	(3)	(166)	0	0	0	0
Interest Expenses	0	0	0	(33)	(68)	(64)	(64)	(64)
FCFE	(33)	1,769	2,498	2,362	2,408	3,966	4,780	5,821
Share Capital Issuance \ QIP	73	152	144	19	10,704*	0	0	0
Dividend	0	0	0	(333)	(586)	(655)	(779)	(883)
FINANCING CASH FLOW (c)	73	152	141	(513)	10,049	(719)	(843)	(947)
NET CASH FLOW (a+b+c)	(54)	1,877	2,525	1,772	13,486	4,293	4,999	5,716
EO Items, Others	(349)	68	(749)	(334)	0	0	0	0
Closing Cash & Equivalents	1,769	3,578	6,852	8,957	22,443	26,736	31,735	37,450

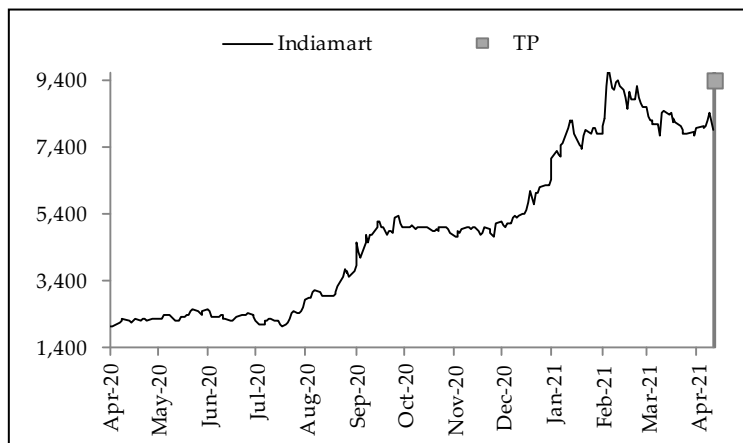
Source: Company, HSIE Research, *QIP

Key Ratios

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY24E
PROFITABILITY (%)								
EBIT Margin	-18.6	10.7	15.4	23.1	45.1	42.2	43.0	43.2
APAT Margin	-14.2	43.3	16.8	23.1	43.9	40.1	39.3	36.9
RoE*	NM	NM	53.4	67.8	57.5	51.1	42.0	35.1
RoIC (or Core RoCE)	NM	NM	NM	NM	NM	NM	NM	NM
RoCE*	36.4	NM	101.6	70.9	49.0	44.7	38.0	32.3
EFFICIENCY								
Tax Rate (%)	-0.3	191.1	62.8	30.3	25.0	25.0	25.0	24.9
Fixed Asset Turnover (x)	36.5	50.9	56.0	7.5	8.1	9.9	11.5	12.9
Debtors (days)	1	1	0	1	1	1	1	1
Other Current Assets (days)	34	23	26	13	10	9	9	8
Payables (days)	35	37	32	10	9	15	15	15
Other Current Liab & Provns (days)	382	394	436	424	387	382	381	380
Cash Conversion Cycle (days)	-382	-407	-442	-420	-385	-387	-386	-386
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	0.5	1.1	-4.3	-3.3	-1.4	-1.5	-1.5	-1.5
Interest Coverage (x)	NA	NA	NA	NA	NA	NA	NA	NA
PER SHARE DATA (INR)								
EPS	-14.8	58.5	28.1	48.5	96.6	107.8	128.3	145.4
CEPS	-44.1	59.4	29.5	55.5	104.0	115.6	136.5	154.6
Dividend	0.0	0.0	0.0	10	19	22	26	29
Book Value	-425	-106	53	91	520	607	709	826
VALUATION								
P/E (x)	NM	134.8	280.7	162.4	81.7	73.1	61.5	54.2
P/BV (x)	NM	NM	149.7	87.0	15.2	13.0	11.1	9.6
EV/EBITDA (x)	NM	505.8	282.4	136.5	67.0	57.8	46.1	37.1
EV/Revenues (x)	74.8	57.5	45.8	36.1	32.5	26.1	20.9	16.9
OCF/EV (%)	0.0	0.8	1.1	1.1	1.2	1.9	2.4	3.0
FCF/EV (%)	0.0	0.7	1.1	1.1	1.1	1.9	2.3	2.9
FCFE/Mkt Cap (%)	0.0	0.7	1.0	1.0	1.0	1.7	2.0	2.4
Dividend Yield (%)	0.0	0.0	0.0	0.1	0.2	0.3	0.3	0.4

Source: Company, HSIE Research, * RoE and RoCE for FY21-24E excludes QIP money, RoIC NM due to negative capital employed ex cash

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
13-Apr-21	7,885	BUY	9,400

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

We, **Amit Chandra, MBA, Apurva Prasad, MBA, & Mohit Motwani, MBA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock –No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

HDFC securities**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com