

Matrimony.Com Limited

Issue Snapshot:

Issue Open: Sept 11 – Sept 13 2017

Price Band: Rs. 983 – 985 (A discount of Rs 98 is offered to investors in retail category)

Issue Size: *50,87,051 Equity Shares (including *Fresh issue of 13,19,797 Equity Shares + Offer for sale 37,67,254 equity shares)

Offer Size: Rs.500.05 crs – 501.07 crs

QIB	atleast	75% eq sh
Retail	Upto	10% eq sh
Non Institutional	Upto	15% eq sh

Face Value: Rs 5

Book value: Rs (-8.53) (June 30, 2017)

Bid size: - 15 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 10.63 cr
Post issue Equity:	Rs. 11.29 cr

Listing: BSE & NSE

Book Running Lead Manager: Axis Capital Ltd, ICICI Securities Ltd.

Registrar to issue: Karvy Computershare Pvt Ltd

Shareholding Pattern

Shareholding Pattern	Pre issue %	*Post issue %
Promoter and Promoter Group	55.97	50.63
Public	44.03	49.37
Total	100.0	100.0

Source for this Note: RHP

* = Assuming issue subscribed at the higher band

Background & Operations:

Matrimony.Com Ltd (MCL) is a leading provider of (i) matchmaking services and (ii) marriage services and related sale of products. In fiscal 2017 and the three months ended June 30, 2017, matchmaking services and marriage services accounted for all of its revenue and there was no revenue from the related sale of products. MCL is the leading provider of online matchmaking services in India in terms of the average number of website pages viewed by unique visitors in June 2017. It delivers matchmaking services to its users in India and the Indian diaspora through its websites, mobile sites and mobile apps complemented by its on-the-ground network in India. Its brand, BharatMatrimony.com, has been ranked as India's most trusted online matrimony brand and its other matchmaking brands such as CommunityMatrimony.com and EliteMatrimony.com are well-established in India.

As one of the first companies to provide online matchmaking services in India, MCL has an early mover advantage among consumers seeking online matchmaking services. As of June 30, 2017, it had a large database of profiles comprising 3.08 million active profiles (being profiles that has been published or logged in at least once during the prior 180-day period), which creates a network effect that attracts more users to register or subscribe through its websites, mobile sites and mobile apps and also results in higher customer engagement, which in turn drives monetization of its user base and enables to maintain a leading position in the online matchmaking market in India.

MCL differentiate itself from other players in India by following a micro-market strategy whereby it offers a range of targeted and customized products and services that are tailored to meet the requirements of customers based on their linguistic, religious, caste and community preferences as well as personalized matchmaking services through EliteMatrimony and its Assisted Service package. MCL leverage technology and analytics across all stages of the matchmaking process to drive acquisition of profiles, assist members in completing their profiles, validate profiles based on rules designed to remove inappropriate content in near real-time, identify appropriate channels of service for members and assist members in choosing the right packages, thereby helping in value creation and monetization

MCL intends to continue to invest in its mobile platform in view of the increasing mobile usage among users in India. To increase its footprint on the mobile platform, it has developed a range of mobile apps across mobile platforms including iOS, Android and Windows and intends to continue to expand mobile offerings. Its BharatMatrimony mobile app has been recognized as the best app in the social category at the Global Mobile App Summit and Awards held in July 2016 and July 2017. In addition, it has recently introduced mobile apps for its BharatMatrimony regional sites and certain community sites which has led to an increase in profile registrations. MCL's diversification beyond online matchmaking to marriage services, through the launch of marriage services initiatives, provides an opportunity to tap into this emerging segment. The provision of ancillary marriage services is an extension of the company's online matchmaking business and it will benefit from having a common customer base that has been acquired over the years through its online matchmaking business.

To support online matchmaking services and marriage services initiatives, MCL has devoted resources to developing and maintaining its sales infrastructure, sought to develop innovative products and product features to enhance user experience through its research and development ("R&D") efforts, instituted information security policies and established corporate governance policies and practices.

Objects of Issue:

The Offer consists of a Fresh Issue by MCL and an Offer for Sale by the Selling Shareholders. The Company will not receive any proceeds from the Offer for Sale. The Company proposes to utilize the Net Proceeds towards funding the following objects:

- Advertising and business promotion activities
- Purchase of land for construction of office premises in Chennai
- Repayment of overdraft facilities; and
- General corporate purposes.

Requirement of Funds and proposed schedule of deployment (Rs.mn)

Particulars	Amount
Advertising and business promotion activities	200.00
Purchase of land for construction of office premises in Chennai	425.79
Repayment of overdraft facilities	433.43
General corporate purposes	*
Total	*

Competitive Strengths

Large Database of Profiles and Consequential Network Effect: MCL is one of the first companies to offer online matchmaking services in India, it has an early mover advantage among customers seeking online matchmaking services and this has enabled to build a large database of profiles over several years. As of June 30, 2017, it had a database comprising 3.08 million active profiles (being profiles that has been published or logged in at least once during the prior 180-day period), according to the Key Business Metrics Report. Its large database of profiles creates a consequential network effect that attracts more users to register or subscribe through its websites, mobile sites or mobile apps and also results in higher customer engagement on its websites, mobile sites and mobile apps, which in turn enables MCL to maintain a leading position in the online matchmaking market in India. Further, the repository of information from its large database of profiles allows it to build a differentiated capability in providing its user base with an engaging user experience through analytics.

Micro-Market Strategy and Customized or Personalized Services: MCL's customers are making important life decisions and in this regard, it has adopted a micro-market strategy whereby it offers a range of targeted and customized products and services that is tailored to meet the specific requirements of customers based on their religious or caste preferences or other criteria such as marital status and age bracket. MCL also provides personalized matchmaking services through relationship managers to users through EliteMatrimony and its Assisted Service package. Its micro-market strategy differentiates it from other players in India and enables to grow in a fragmented and unorganized industry that has historically been difficult to monetize in a sustainable manner at scale.

Strong Consumer Brand: MCL has a high degree of brand recall and trust in India, as evidenced by the average number of its website pages viewed by unique visitors in June 2017 in the comScore Report. BharatMatrimony.com has been ranked as India's most trusted online matrimony brand by The Brand Trust Report India Study 2014 and has been featured in the Limca Book of Records for record number of documented marriages online. Quality database is important in the online matchmaking business and is critical to building trust with users. MCL invest efforts and resources in maintaining and continuously improving the quality of its database.

Wide On-the-Ground Network for Customer Acquisition and Support: As of June 30, 2017, MCL had 140 retail centers distributed across India where potential or existing customers can walk in and seek the assistance of retail executives to register on its websites and/or make payment for the matchmaking product or service of their choice. In addition, as of June 30, 2017, it had service delivery centers in 10 cities where service teams provides services such as reaching out to its members to educate them of the features and facilities available on its websites, mobile sites and mobile apps to assist them in making better use of online matchmaking services and choosing the most appropriate service and subscription package based on their requirements, assisting with doorstep collection and assisting customers in making payments. MCL's on-the-ground network of retail centers and service team helps in the customer education process, builds trust among its customers and drives monetization by encouraging existing free members to take up paid subscriptions.

Robust Technology and Analytics: MCL leverage technology and analytics across all stages of the matchmaking process such as acquisition and registration of profiles, validation, mutual discovery process and member contact. Technology and analytics are used extensively to drive acquisition of profiles, assist members in completing their profiles, validate profiles based on rules designed to remove inappropriate content in near real-time, identify appropriate channels of service for members and assist members in choosing the right packages, thereby helping in value creation and monetization. It employ business intelligence, data warehousing, data analytics with IBM Unica systems for campaign management, big data analysis and search algorithms development to provide fast and responsive service to its customers. Matrimony.com's Intelligent Matchmaking Algorithm ("MIMA") is a real-time recommendation engine which it has developed in-house using mathematical rules and machine learning systems that recommends appropriate profiles to members, thereby enhancing user experience.

MCL has also recently introduced mobile apps for its BharatMatrimony regional sites and certain community sites which has led to an increase in profile registrations. As of June 25, 2017, its BharatMatrimony mobile app and apps for its regional and community sites has achieved 6.2 million estimated installs according to www.androidrank.org. A significant number of MCL's members currently utilize its mobile sites and mobile apps for online matchmaking. According to the Key Business Metrics Report, in June 2017, 83.00% of profile views, 76.00% of "Express Interest" messages, 59.00% of personalized messages sent and received and 66.00% of phone numbers viewed on BharatMatrimony portals were undertaken through its mobile sites and mobile apps, and registrations through its mobile sites and mobile apps accounted for 75.00% of the total number of free profiles registered on MCL's database. Its technologies and analytics are secure, scalable and analyze large volumes of data. Further, it has a technology team which works on innovating products to enhance features, mobile apps and product offerings for PC and mobile platforms.

Efficient Business Model: MCL's business model is efficient and tailored for the Indian market. Members who subscribe for its paid online matchmaking packages are required to make payments in advance before they are able to access certain features and functionalities on its websites, mobile sites and mobile apps that are not available to free members, which results in low credit risk in its matchmaking business. In addition, MCL has maintained focus on capital efficiency and has grown without incurring any material indebtedness, and has instead funded the growth of its business primarily through internal accruals since fiscal 2009.

Business Strategy:

Expand User Base: The online matchmaking industry is still at a nascent stage in India and accounts for approximately 6.00% of marriages in India, providing a significant opportunity to grow in this space. In 2016, there were approximately 63 million individuals in India actively seeking prospective marriage partners and approximately 107 million unmarried individuals in India within the marriageable age bracket in 2016, being 18 to 35 years for females and 21 to 35 years for males. It is estimated that the population within the marriageable age bracket in India is expected to grow at an average rate of 0.84% until 2021 and that approximately 60.5 million weddings will take place in India from 2017 to 2021. To take advantage of this opportunity, MCL intends to continue to drive profile registrations and expand its user base by enhancing its user experience and engagement to ensure that existing users continue to visit, and new users are attracted to visit, its websites, mobile sites and mobile apps and that both existing free users and new users subscribe to its paid services. To enhance MCL's user experience, it intends to enhance the utility, features and verification processes of its existing products and services and create new products and services customized for diverse groups of users based on their geographic location, interests and other criteria. MCL also intends to deepen its geographic penetration across all parts of India and continue to drive registrations through its mobile platform.

Continue Investments in Mobile Platform: MCL intends to continue to invest in its mobile platform in view of the increasing mobile usage among users in India. It is estimated that mobile Internet penetration in India will grow at an average CAGR of 17.00% to reach 670 million users by fiscal 2020. A significant number of its members currently utilize its mobile sites and mobile apps to access online matchmaking services. To increase MCL's footprint on the mobile platform, it has developed a range of mobile apps across mobile platforms including iOS, Android and Windows and intends to continue to expand its mobile offerings. It aims to provide its users with a rich mobile experience and all features and functionalities available on its websites will similarly be made available on MCL's mobile sites and mobile apps.

Drive Monetization: MCL intends to drive monetization of its existing user base by increasing the value of its network through expanding its user base, improving the quality of user profiles and improving the ease of searching profiles and the quality of search results and responses. It aims to do these by investing in technology to make websites, mobile sites and mobile apps more user-friendly, continuously improving on existing products and services and creating more relevant new products and services, improving the quality of user profiles by encouraging users to include photographs and complete profile information through marketing campaigns, and developing better matchmaking algorithms (in addition to its existing MIMA algorithm) to ensure more relevant matches in searches. MCL intends to further drive monetization of its user base by increasing the use of analytics to identify prospective users who may opt for paid subscription. Further, it intends to invest resources in developing and training its collection team to collect efficiently and upsell. Through these means, it aims to encourage users to convert from free membership to paid subscriptions and also to upsell packages to, and improve renewals among, existing paid users.

Further Strengthen its Brands: MCL's brands constitute an important asset and it intends to continue to take steps to further develop and enhance its brands, especially BharatMatrimony.com, CommunityMatrimony.com and EliteMatrimony.com, through activities such as television advertising, online advertising and social media advertising. Its BharatMatrimony "Happy Marriage" television commercial was voted among the top 10 advertisements of 2013 by the brand equity editorial panel of a leading business newspaper in India. It has incurred advertisement and business promotion expenses constituting 21.93%, 21.09%, 17.83%, 17.80% and 16.58% of its total consolidated revenue in fiscal 2015, fiscal 2016, fiscal 2017 and the three months ended June 30, 2016 and 2017, respectively, and will continue to spend a significant portion of its revenue on promotional & marketing activities. Such efforts will enhance the visibility of MCL's brands, drive registration levels and result in increased conversion to paid subscriptions, which will consequently enable it to retain its leading position in the online matchmaking services market in India as well as maintain its position as the most used online matchmaking website in India.

Continue to Expand into Marriage Services: A key strategy for driving monetization is to increase the length of MCL's relationship with its customers and increase the amount of revenue earned from its customers by offering additional marriage services to its online matchmaking user base. MCL intends to continue to invest in building its marriage services verticals, with a focus on adjacent areas with a synergy with its core online matchmaking business, to target its existing online matchmaking clients and also clients who require marriage services. Marriage services that the company has introduced in recent years include MatrimonyDirectory.com for marriage-related directory services, MatrimonyPhotography.com to provide wedding photography and videography services and MatrimonyBazaar.com to help customers in availing wedding-related services such as wedding apparel, venue, stage decorations, photography, make-up, catering and honeymoon packages from various vendors to meet customers' wedding needs. It has also recently launched MatrimonyMandaps.com, a wedding venue discovery platform, to help customers find the right venue for their wedding in Chennai, Coimbatore, Madurai and Trichy in Tamil Nadu, Hyderabad and Secunderabad in Telangana, Bangalore in Karnataka and Kochi in Kerala.

Industry:

Indian Demographics for Matchmaking and Marriages

India is one of the world's most populous countries with an estimated population of approximately 1.27 billion as of July 2016, which equates to 17.30% of the world population, according to the CIA Factbook. Based on the KPMG Report, as of 2016, it is estimated that there were approximately 373 million individuals in India within the marriageable age bracket, being 18 to 35 years for females and 21 to 35 years for males, of whom 107 million were unmarried. Based on the KPMG Report, 59.00% of the unmarried population in India falls within the ages of 18 to 24 years, being the age group in which the majority of the Indian population gets married. In addition, approximately 40.00% and 60.00% of the 107 million unmarried individuals are located in urban and rural areas, respectively.

Based on the KPMG Report, it is also estimated that approximately 65.00% of the Indian population is under 35 years. The young base will get married in the next two decades and result in an average of 11 to 13 million weddings per year until 2021. There is an even spread of unmarried individuals between urban and rural areas in North, West and South India while the spread of unmarried individuals in East, North-east and Central India is skewed towards the rural areas.

Overview of Matchmaking Industry in India

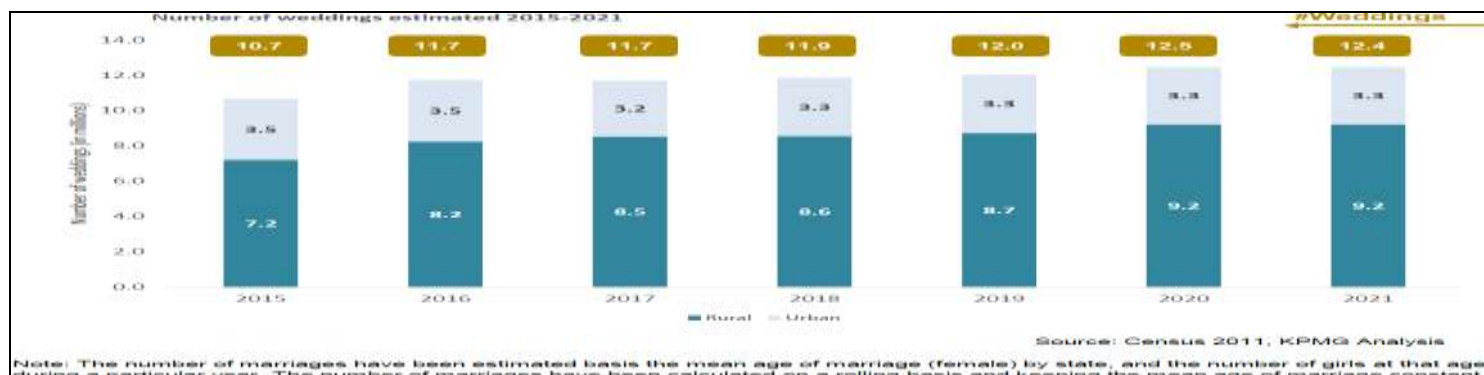
Matchmaking has traditionally been a very fragmented and unorganized industry in India, with friends and family being the predominant channel of matchmaking. Other offline channels of matchmaking include traditional matchmakers/brokers, community marriage bureaus, pundits/maulvis/priests and classifieds (prints).

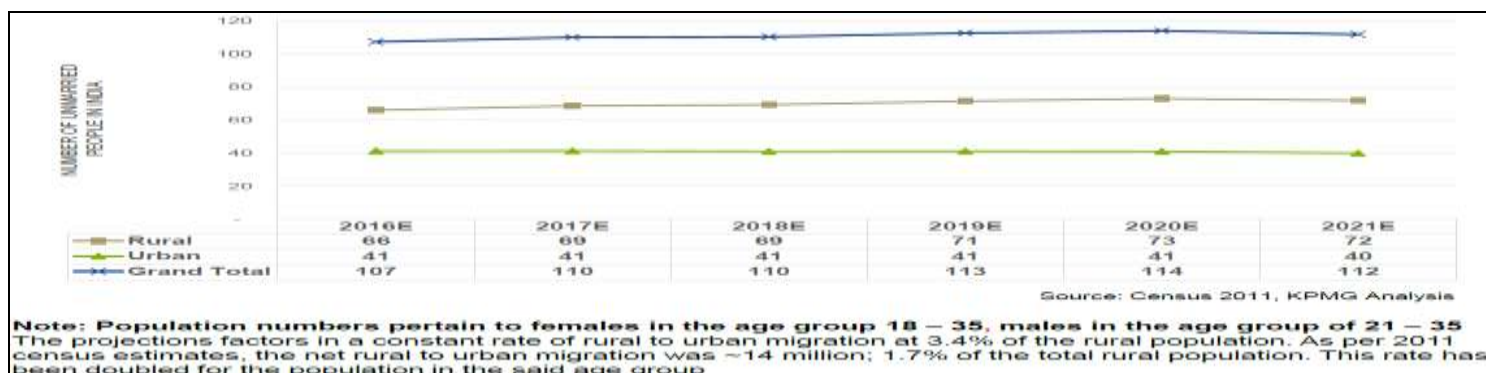
The online matchmaking industry is still at a nascent stage and accounts for approximately 6.00% of marriages in India. The online matchmaking industry in India is also a very fragmented market with over 2,600 wedding portals, only a handful of players of which have some scale and 700 of which are an extension of the community bodies which traditionally played a major role in alliance and matchmaking.

Key Drivers of Growth for Online Matchmaking in India

Favorable demographic trends

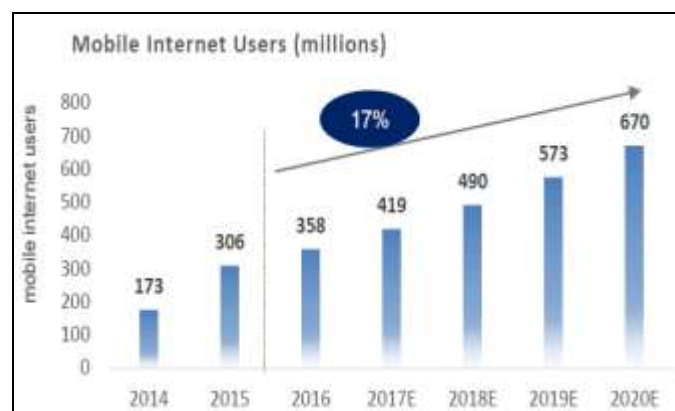
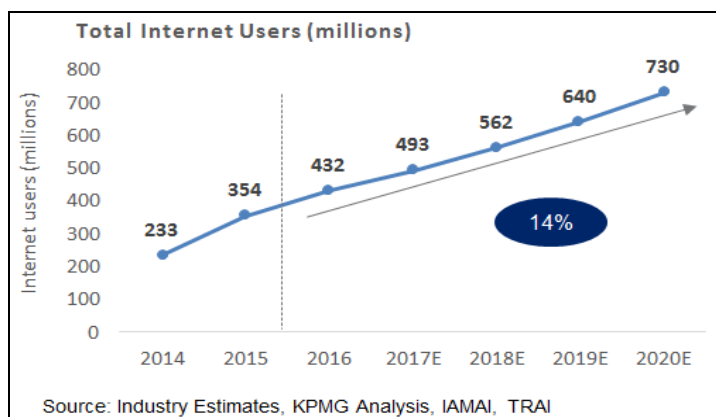
Based on the KPMG Report, approximately 11.70 million marriages took place in India in 2016, which translates to approximately 23.40 million individuals who got married in India in 2016. Further, it is estimated that in 2016, of the 107 million individuals in India who were unmarried, there were approximately 63 million individuals in India who were actively seeking prospective life partners. Based on the KPMG Report, the population within the marriageable age bracket in India will grow at an average rate of 0.84% until 2021 and that approximately 60.5 million weddings will take place in India from 2017 to 2021 (both years included).



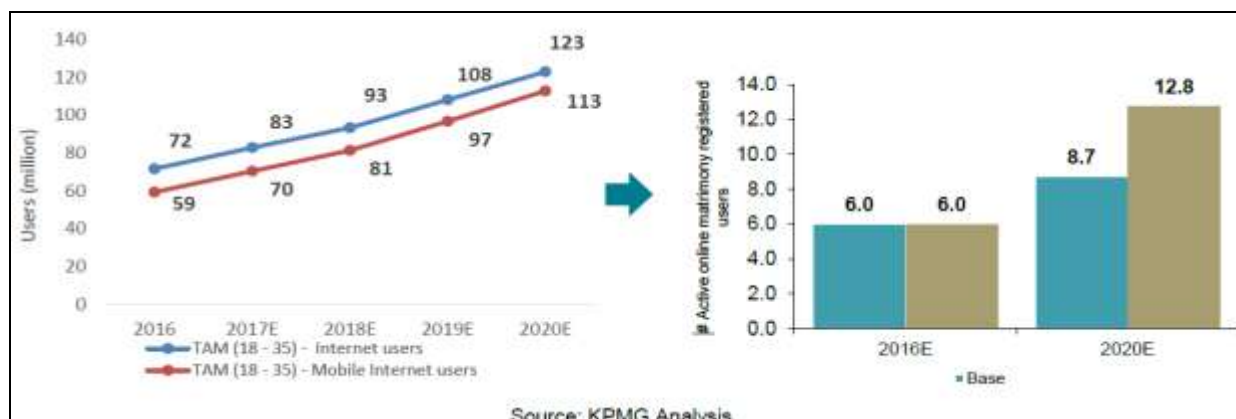


Increasing internet and mobile internet penetration

According to industry estimates, KPMG's analysis, IAMA and TRAI, the Internet and mobile penetration in India have seen a massive growth in the last decade and will continue to grow exponentially in the next five years. It is estimated that as of July 1, 2016, there were approximately 462 million Internet users (being individuals, of any age, who can access the Internet at home, via any device type (PC or mobile) and connection) in India, with an Internet penetration of 34.80% (source: <http://www.internetlivestats.com>). The number of Internet users in India is expected to reach over 730 million users by fiscal 2020, which would increase the penetration level to approximately 54.00% of the Indian population. By comparison, as of July 1, 2016 the penetration level was approximately 88.50% in the United States and 52.20% in China (source: <http://www.internetlivestats.com>). In addition, according to the KPMG Report, it is estimated that mobile Internet penetration in India will grow at an average CAGR of 17.00% to reach 670 million users by fiscal 2020.



In addition, it is assumed that the Internet penetration for the age group of 18 to 35 years is twice the Internet penetration for India. This increase in Internet penetration is expected to translate into an increased base of Internet users and mobile Internet users for this age group. Further, it is estimated that these two factors will lead to an increase in the active user base from 6.0 million in 2016 to 8.7 million in 2020 in a base case scenario. The active user base for online matchmaking could also increase to 12.80 million in 2020 if there is a shift from offline to online channels for matchmaking.



Cultural receptivity to arranged marriages

Arranged marriages have been traditionally accepted by the Indian society as a means by which brides, grooms, their immediate family, relatives and friends, community elders, matchmaking agencies and matrimonial sites, searched for a potential marriage partner for an individual in light of such individual's backgrounds, including religion, caste and regional origin. Parents tend to be the primary decision makers although with increasing education levels, the bride and groom are also having their say. Notwithstanding changes which have taken place in the Indian society, arranged marriage has continued to maintain its vitality as the societal institution. According to the United Nations Children's Fund, Human Rights Council, ABC News, as of 2016, approximately 88.40% of marriages in India are arranged (source: "Arranged/Forced Marriage Statistics – Statistic Brain" Statistic Brain Research Institute, publishing as Statistic Brain. August 16, 2016 <http://www.statisticbrain.com/arranged-marriage-statistics>) and the remaining 11.60% of marriages in India are closer to love marriages, being marriages based upon mutual love, affection, commitment and attraction.

Increasing mobility of individuals in Indian society

Increasing number of Indians are leaving their native places and moving out of India or their own societies in search of a job or a better lifestyle. However, when it comes to marriage, it has been ordinarily seen that they prefer to get married with people from their communities with similar background in terms of caste, religion, linguistic and regional features. In fact, one of the primary drivers of online matchmaking sites initially was the non-resident Indian segment, where potential non-resident Indian bridegrooms started using these online services extensively in search of Indian brides. The share of resident Indian segment in the total traffic on online matchmaking sites is expected to rise as similar trend of increasing mobility is witnessed within India. Creation of new industry clusters in various parts of India have led to a movement of young Indians to places where they could find an ideal job and this segment is expected to drive the growth in the resident Indian segment.

Increased freedom of choice over life decisions

A multitude of factors like increased exposure to other cultures, higher educational levels and joint families giving way to nuclear families in the Indian society has led to new generation of Indians who are more actively taking control over taking their lives. The younger generation today is increasingly participating in making important decisions in their lives like jobs and marriage as compared to the previous generations. One of the resources singles in India have resorted to for finding their life partners is online matchmaking sites which provide them access to a huge database and help them approach potential bride/bridegroom after applying a desired selection criteria to search on such database.

Overview of Marriage Services Industry in India

The majority of the categories of marriage services in India are unorganized and highly fragmented, presenting a potential opportunity for an organized aggregator to provide these services.

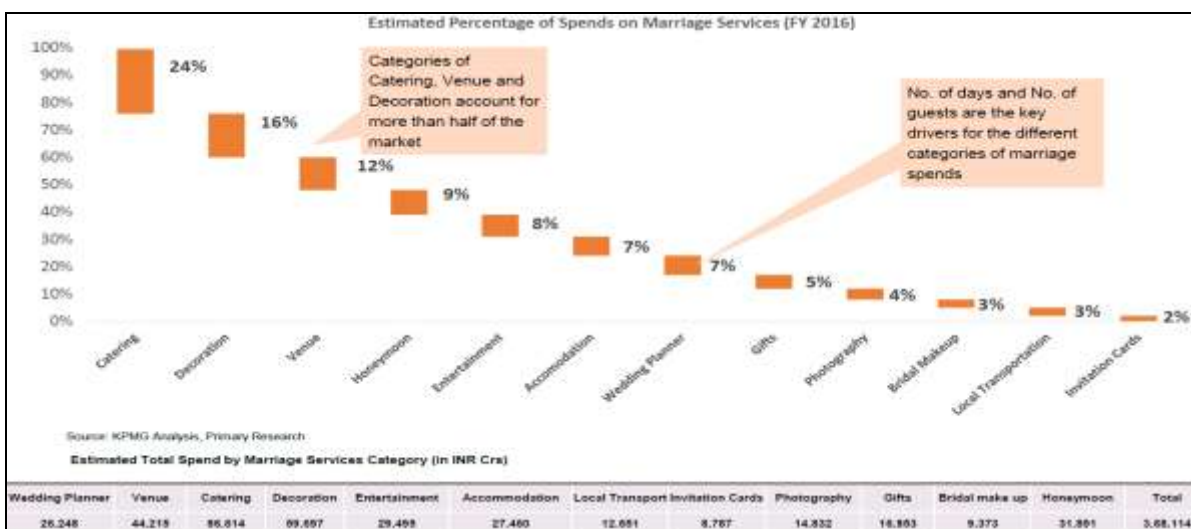
Degree of Organization for Service Providers

Category	Definition	Operating Model	Industry Structure
Venue	Physical area where various wedding ceremonies take place, could be indoor/outdoor	<ul style="list-style-type: none"> Split into indoor (hotels, banquet halls) and outdoor (farmhouses/part plots) booked directly/ via contractors No. of guests is a key driver 	
Decorations	Includes floral, lighting and stage decorations	<ul style="list-style-type: none"> Largely unorganized market with high vendor fragmentation Generally venue plus decoration package offered 	
Catering	Involves all elements of food from starters to main course to dessert either in buffet or sit-down system	<ul style="list-style-type: none"> For hotel banquets, catering is of hotel itself otherwise independent caterers hired Rates decided by menu chosen and head count 	
Photography	Photography includes all variants of photos and videos	<ul style="list-style-type: none"> Largely unorganized market 	
Gifts	Includes both gifts given by host to the guests	<ul style="list-style-type: none"> Both traditional and modern day gifts are provided Largely unorganized local market caters to demand 	
Entertainment	DJ, bands, orchestra, any celebrity performers or family performances	<ul style="list-style-type: none"> Direct approach by client is minimal, sourcing done via wedding planners/contractors 	
Travel	Includes accommodation and intercity and local travel of outstation guests	<ul style="list-style-type: none"> Planners/Contractors have tie-ups with local agencies Intercity travel and local travel facilities offered at discount 	
Honeymoon	Domestic/International travel and stay of married couple	<ul style="list-style-type: none"> Standard honeymoon packages offered by agencies with tie-ups with planners at discounted rates 	
Beautician	Make-up artists for bridal and other make-up	<ul style="list-style-type: none"> Based on personal relationships or references from wedding planners 	
Wedding Planners/Marriage Contractors	Aggregator of marriage services who liaises with marriage service providers to arrange a wedding	<ul style="list-style-type: none"> Based on personal relationships or references 	

There is a huge disparity in income levels and prosperity across different regions in India. The disparity in income requires Indian service providers to be flexible with respect to the various pricing options for marriage services.

Besides the regional differences, Indian wedding spend is driven by three key parameters, which are number of guests, number of days and income level. Indian wedding spend can be classified into four major categories – Elite, High, Medium and Low.

According to the KPMG Report, the marriage services industry in India is estimated to be worth approximately Rs. 3,681 billion in fiscal 2016, with catering, decoration, venue, gifts and photography accounting for approximately 61.00% of marriage services spends in fiscal 2016.



Key Drivers of Growth for Marriage Services in India

Rising disposable incomes

Marriages are the biggest event in families in India and are a crucial part of Indian tradition and culture. Indians spend a large part of their income and savings on the wedding of their children. As the disposable income rises, it is expected that wedding spend will also increase in time to come. GDP per capita is expected to reach US\$1,869.34 by 2018. In addition, Indian salaried professionals get a raise of between 10.00% and 15.00% every year and bonuses of between 5.00% and 10.00%.

Demographic dividend

India's demography benefits from a large young population. It is estimated that approximately 65.00% of the unmarried Indian population is less than 35 years. It is expected that this young base will get married over the next two decades, resulting in an average of 11 to 13 million weddings each year until 2021.

Move towards convenience/outsourcing

As Indian weddings become more elaborate, personalized and tailored, it requires more effort from the family and community of the marrying couple. In this regard, there is a gradual shift towards convenience and outsourcing of activities pertaining to marriage services. This will also result in an increase in marriage services spend.

Revenue metrics

Portal Metrics	For the three months ended June 30,		Fiscal 2017	Fiscal 2016	Fiscal 2015
	2017	2016			
Ever registrations (in millions)*#	27.65	24.27	26.75	23.53	20.89
Free registrations (in millions)	0.90	0.74	3.21	2.64	2.57
Active profiles (in millions)*	3.08	2.66	3.03	2.55	2.65
Average registrations per day	9,903	8,100	8,806	7,219	7,043
Financial Metrics	For the three months ended June 30,		Fiscal 2017	Fiscal 2016	Fiscal 2015
	2017	2016			
Paid subscriptions (in thousands)	190	177	702	678	647
Average Transaction Value (in Rs.)	4,242	3,946	4,065	3,827	3,655
Headcount^	4,212	4,030	3,955	3,745	4,106
Retail centers*	140	156	140	159	193
Service delivery centers (number of cities)*	10	10	10	10	12

Key Concerns

Rely on telecommunications and information technology systems : MCL is primarily in the business of providing online matchmaking services through technology-driven media, and it rely on information technology and telecommunications systems and networks and related infrastructure, some of which has been customized and developed internally. As such, its business operations, the quality of its service and ability to attract and retain customers depend on the efficient and uninterrupted operation, reliability, speed and availability of such systems, networks and infrastructure, both internal and external. MCL may not have access to alternative telecommunication networks other than those it currently use, in the event of disruptions, failures or any other problems in the network or infrastructure of its current telecommunications service providers. In addition, it cannot be assured that a more technologically sophisticated and reliable fixed telecommunications network or Internet infrastructure will be developed in India that will ensure its ability to deliver smooth and reliable provision of its products and services to the users. Any of the above could disrupt the ability to operate MCL's online services or may materially affect the efficiency of the services provided by it, its reputation and financial condition.

If third parties, including current or future competitors, are able to circumvent protection measures which are put in place for the protection of database or systematically copy its online content or misappropriate confidential information, its business and reputation would be adversely affected: All MCL's trademarks, online domains and other intellectual property rights are its material assets and are crucial to its business operations. It depends on a combination of trademark laws, domain name protection laws and confidentiality provisions and provisions that restrict the post-employment operations of its employees in their employment agreements to protect its logo, brand name, domain names, database and customized information technology. Third parties have in the past collected, and third parties may in the future collect, information from MCL's websites, mobile sites and mobile apps and start online portals displaying the same information. Historically, it has taken legal action in this regard. Its employees are required under their employment agreement to keep confidential all information relating to its clients, working systems technical know-how, security arrangements and administrative or organization matters of the Company or clients during and after their employment with it. If MCL fails to prevent third parties or its employees from circumventing its protection measures or if it fails to successfully prosecute third parties or its employees from using or copying its website, mobile site or mobile app content or misappropriate confidential information, this could damage the reputation, cause interruptions in operations, expose it to a risk of loss or litigation and possible liability, and could also cause customers and potential customers to lose confidence in its internal systems and processes, which would have a negative effect on the demand for its services and products.

Face significant competition in online matchmaking business from Indian companies: The matchmaking industry in India is highly competitive, and it is expected that the competition in this industry will continue to increase. Its key online competitors are Shaadi.com and Jeevansathi.com, and its key offline competitors include traditional brick and mortar companies offering marriage bureau and matchmaking services as well as community associations. Other new entrants, locally and/or internationally, may enter the online matchmaking industry in India and compete against it. If MCL is not able to compete effectively with existing or future competitors, its business and financial condition could be adversely affected. Its online competitors may also provide online matchmaking services for free or at substantially lower cost than MCL or offer more innovative and cost-effective subscription packages in an effort to attract more customers and build up a substantial database of profiles of prospective brides and grooms. Its inability to adequately address these and other competitive pressures would likely have a negative impact on the level of fees it can charge for its services, as well as increase the costs associated with growing its customer base, which is likely to have a material adverse effect on its business, prospects, financial condition and results of operations.

It may fail to convert free members to paid members or fail to retain existing base of paid members: Users can register on MCL's websites, mobile sites and mobile apps for free. Once members are registered with its websites, they can contact and may be contacted by other members. In addition, existing paid members may choose not to renew their subscriptions for various reasons, including the inability to find a suitable match or an unsatisfactory user experience, which may occur due to various factors, including the inability of the Company or its service or retail executives to deliver to its customers' expectations or personal preferences of the user, and existing paid members will not renew their subscriptions once they have found suitable matches. Given that subscription revenue accounted for almost all of its revenue for matchmaking services in each of fiscal 2015, fiscal 2016, fiscal 2017 and the three months ended June 30, 2017, this failure to convert free members to paid members or retain its existing base of paid members will adversely affect the business, prospects, brand, reputation, financial condition and results of operation.

Restated Consolidated Summary Statements reflect that MCL had a negative net worth as of March 31, 2014, 2015, 2016 and 2017 and June 30, 2016 and 2017: As of March 31, 2013, 2014, 2015, 2016, 2017 and June 30, 2016 and 2017, MCL's Restated Consolidated Summary Statements reflect that it had a net worth of Rs. 69.69 million, Rs. (21.90) million, Rs. (9.30) million, Rs. (760.91) million, Rs. (311.32) million, Rs. (667.99) million and Rs. (161.65) million, respectively. The consolidated net worth was negative as of March 31, 2014, 2015, 2016 and 2017 and June 30, 2016 and 2017, primarily on account of a negative balance in its reserves and surplus of Rs. (81.28) million, Rs. (101.23) million, Rs. (852.84) million, Rs. (417.53) million, Rs. (760.28) million and Rs. (267.95) million, respectively. This negative balance was primarily on account of a restated loss of Rs. (91.59) million, Rs. (29.29) million and Rs. (750.69) million in fiscal 2014, fiscal 2015 and fiscal

2016, respectively. Although MCL's revenue from operations has grown, its revenue growth in the future may be lower. It cannot be relied on the revenue growth of any prior period as an indication of its future performance. It is also expected that its costs to increase in future periods as it continue to spend substantial financial resources. If MCL is unable to achieve revenue growth that outpaces the growth of its expenses, it may not achieve profitability, its net worth may remain negative, its cash position may deteriorate and its results of operation could be adversely affected.

Business could be adversely affected if MCL fails to keep pace with changing technology and evolving industry standards and norms: The markets for MCL's products and services are characterized by rapidly changing technology, evolving industry standards and norms, new product and service introductions and evolving website presentations and features. Its results of operations and financial condition depend on its ability to develop and introduce new products and services, as well as its ability to modify and upgrade its existing products and services. The process of developing new products and services or modifying existing products and services is complex and requires it to accurately predict and respond to customers' changing and diverse needs and emerging technological trends. It cannot be assured that it will successfully identify new product and service opportunities, develop and introduce new products and services in a timely manner, price such new products and services at optimal levels, modify and upgrade existing products and services, achieve market acceptance of its products and services, or that products and services offered by its competitors will not render its products and services non-competitive. Its failure to respond successfully to any of these challenges will significantly harm its results of operations and financial condition.

If service platforms are misused, it could lead to user dissatisfaction: MCL has experienced in the past, and may in the future experience, misuse of its service platforms, including third parties assuming its identity, uploading illegal content and circulating spam emails or viruses to its members. The occurrence of any such events in the future could lead to user dissatisfaction and discourage the use of its products and services. Such events may also give rise to complaints and actions against the company. Any of these factors could have a material adverse effect on its brand, reputation, business, prospects, financial condition and results of operations.

MCL is vulnerable to liability for fraudulent activities on its websites, mobile sites and mobile apps : In the past, individual profiles has been placed on MCL's websites, mobile sites and mobile apps for persons without their consent. This included profiles of individuals who were already married. Such fraudulent activities damage its brand name and reputation and also make vulnerable to complaints and claims from members for invasion of privacy and fraud by other members which may negatively affect the business, prospects, financial condition and results of operations. MCL has received, and continue to contest, several consumer complaints filed in various forums, which allege deficiency in its services and the provision of misleading and false representations.

Privacy and data protection legislation and regulations and public perception concerning security and privacy on the Internet may adversely affect the reputation, business and profitability: In the processing of MCL's customer transactions, it receives and store a large volume of member information. Its database of individual profiles is one of its material assets and is a key component in its business operations. Such information is increasingly subject to legislation and regulations in various jurisdictions, including India, and governments are increasingly acting to protect the privacy and security of personal information that is collected, processed, stored and transmitted in or from the governing jurisdiction. MCL could be adversely affected if legislation or regulations are expanded or amended to require changes in its business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affects its business, prospects, financial condition and results of operations. As privacy and data protection become more sensitive issues in India, it may also become exposed to potential liabilities.

Inability to build and maintain brand names will adversely affect the business, prospects, financial condition and results of operation: Brand recognition is important to the success of MCL's business. Establishing and maintaining its brand names for people relying on online matchmaking services to look for marriage partners is critical to the success of the customer acquisition process of its business. Although it has expended, and expect to continue to expend, a significant amount of resources, financial and otherwise, on establishing and maintaining its brands, no assurance can be given that its brand names will be effective in attracting and growing user and customer base for its businesses or that such efforts will be cost-effective, which may negatively affect its business, prospects, financial condition and results of operations.

May not be able to reduce dependency on search engines to direct users to its websites and mobile sites: MCL depends on various Internet search engines to drive a portion of the online traffic to its websites and mobile sites. The placement of the hyperlinks to its websites and mobile sites on the results of a user search on such search engines is used for driving online traffic to its websites and mobile sites. In addition, a portion of its users are currently directed to its websites and mobile sites through adwords, pay-per-click and display advertising campaign. Internet search engines that MCL utilize may change the logic used on their websites that determines the placement and display or results of a users' search, change its priority position or change the pricing of their advertising campaigns, in a manner that negatively affects the search engine ranking of its websites or mobile sites or the placement of hyperlinks to its websites or mobile sites. As a result, MCL's access to existing and potential users may become limited as these users may be directed to its competitors or other

alternatives. If it is unable to reduce its dependency on search engines, it remain subject to the change in “logic” and pricing and operating dynamics of these search engines, which may lead to a decline in user traffic and adversely affect the business, prospects, financial condition and results of operations.

The growth of the business depends on the growth of mobile Internet penetration and supporting infrastructure in India: it is estimated that mobile Internet penetration in India will grow at an average CAGR of 17.00% to reach 670 million users by fiscal 2020. MCL intends to continue to invest in its mobile platform in view of the increasing mobile usage among users in India. A significant number of its members currently utilize mobile sites and mobile apps for online matchmaking. Although it has and will continue to invest substantially in the growth and success of its mobile platform and apps, there can be no assurance that the levels of mobile access will continue to increase. While the growth potential of this market is difficult to forecast, it has identified mobile apps as a potentially strong revenue and growth source for its business. As with MCL’s other growth initiatives, it expects to incur significant costs in introducing and supporting its websites through mobile apps and its efforts may not be Successful. It may lose all or a substantial portion of its investment in this growth initiative, which may have a material adverse effect on its business, financial condition and results of operations.

If it is unable to effectively collect payments for the services, in full or otherwise, from the members, it could lead to loss of revenue: MCL’s members can choose among various payment methods to pay for their subscription and/or purchases of its services, including online payment using net banking or debit/credit cards, payment by cheque, cash or demand draft payments to certain designated bank accounts, payment through automated telephone payment systems or cash payment at its offices or to its doorstep collection executives. The multiplicity of its payment collection methods gives rise to a number of collection risks. In addition, MCL has engaged, in the past, third party collection agents for doorstep collection of subscription amounts from customers in certain cities and may therefore be exposed to the credit risk of such third parties which are obligated to remit these payments to it either on the same day of collection or the next working day. In the last three fiscal years, MCL has lost negligible amounts on account of fraud, cash theft and underreporting by its collection executives. Any of the above could lead to loss of revenue and in turn adversely affect the business, prospects, financial condition and results of operations.

Certain changes in social trends may lead to a decrease in the number of customers subscribing for online matchmaking products and services: According to the United Nations Children’s Fund, Human Rights Council, ABC News, as of 2016, approximately 88.40% of marriages in India are arranged which refer to marriages that are arranged by people other than the individuals getting married, such as parents, matchmaking agencies, matrimonial sites or a trusted third party. Certain changes in social trends in India away from arranged marriages may lead to a decrease in the number of customers subscribing for online matchmaking products and services, which will in turn adversely affect its business, prospects, financial condition and results of operation.

Continue to explore the diversification of the business and the implementation of new products and services, such as marriage services: In order to achieve MCL’s goal of being a provider of a wide range of matrimony services, it constantly evaluate the possibilities of expanding its business through acquisitions and/or starting new products or services. It has launched marriage services such as MatrimonyDirectory.com for matrimony-related directory services, MatrimonyPhotography.com to provide wedding photography and videography services and MatrimonyBazaar.com to help customers in availing wedding-related services such as wedding apparel, venue, stage decorations, photography, make-up, catering and honeymoon packages from various vendors to meet customers’ wedding needs. there are synergies between its current business and expansion plans, it do not have any experience or expertise in certain of these new products and services, such as MatrimonyPhotography.com. These new products and services and the implementation of its strategic initiatives may pose significant challenges to its administrative, financial and operational resources, and additional risks, including some which it is not aware of. If MCL is not successful, its business, prospects, financial condition and results of operations may be adversely affected.

Revenue is subject to seasonal fluctuations: MCL’s business experiences seasonal fluctuations. It tends to experience lower revenue from its business during the second quarter of each year, which are considered inauspicious by the members. As a result, subscription revenues during such quarter would register a slight dip which could in turn affect the price of the Equity Shares, and quarter-to-quarter comparisons of its results may not be meaningful.

May face difficulties in protecting domain names and trademarks: MCL has registered various domain names, including www.matrimony.com, www.bharatmatrimony.com, www.elitematrimony.com, www.communitymatrimony.com and www.matrimonydirectory.com, and has legal rights over the domain names and the sub-domain names for the period for which such domain names are registered. It conduct its business under each of the aforementioned brand name and logo, and has registered and applied in India for various trademarks derived from each of their individual brand names. It currently face, and may in the future continue to face, claims and legal actions by third parties that are using, or disputing its right to use, the domain names under which its websites or mobile sites currently operate. MCL may also face the problem of competing websites using domain names that are similar to its, which may

create confusion for people wishing to access MCL's websites, mobile sites or mobile apps and hamper its efforts at brand-building. The acquisition and maintenance of domain names are generally regulated by Internet regulatory and administrative bodies, which may modify their regulatory policies and the requirements for the holding of domain names. MCL may, therefore, be unable to obtain or maintain relevant domain names in all countries in which it has, or propose to undertake, business operations. It may also face additional difficulties in expanding into any other country and may have to expend considerable time and other resources to obtain domain name registration in such countries. Any delay in acquiring preferred domain names may provide its competitors the opportunity to obtain such domain names. It cannot be assured that its business strategy of creating a strong brand and reputation will be successful if it is unable to protect its domain names and trademarks and any such failure may have an adverse effect on its business, prospects, financial condition and results of operations.

Some of the products or services has only been recently introduced and, as a result, it may be difficult to evaluate their performance and prospects: Some of the products and services offered by MCL were introduced recently, such as MatrimonyPhotography.com, MatrimonyBazaar.com and MatrimonyMandaps.com as well as its Classic Premium subscription package which offers certain additional features that are not included in its other Classic subscription packages, its "Till-U-Marry" subscription package which offers certain features not included in its "Classic" line of packages, and its twin pack combination package which offers access to both BharatMatrimony.com and CommunityMatrimony.com database. It has invested time and other resources and incurred expenses towards the introduction of these new products and services. In the event that these new products or services do not perform well, MCL may lose its entire investment in these products and services, which may result in a material adverse effect on its business, prospects, financial condition and results of operations.

MCL may not be able to raise additional funds to implement business strategy successfully in a timely and cost efficient manner, on commercially acceptable terms, or at all: MCL may need to raise additional funds to implement its business strategy successfully, such as expanding its sales and marketing operations to increase productivity, undertaking marketing and brand-building initiatives, developing new technology, upgrading current network and infrastructure systems, investing in mobile platform and developing new and expand current products and services to generate demand. It cannot be assured that it would be able to raise funds in a timely and cost efficient manner, on commercially acceptable terms, or at all. MCL's inability to raise additional funds may impair its ability to effectively implement its business strategy. If it cannot obtain the required funds on acceptable terms or at all, it may be forced to curtail some or all of these expansion plans, which may impair business growth and results of operations.

Wage pressures in India may impact the business and reduce profit margins: Employee benefits represent MCL's largest expense and its ability to maintain or reduce the percentage of such expenses is critical for its business operations. It may need to increase the levels of its employee compensation to remain competitive and manage attrition. Any further increase in wages paid to its employees may result in a material adverse effect on its profits in the event that it is unable to pass on such increased expenditure to the price of its products and services, without losing the business to its competitors. Likewise, if MCL is unable to sustain or increase the number of employees as necessary to meet growing demand, its business, prospects, financial condition and results of operations could be adversely affected.

Fluctuations in currency exchange rates may have an adverse impact on the business, prospects, financial condition and results of operation: MCL's exposure to foreign currency risk arises in respect of its non-Indian Rupee-denominated trade and other receivables, trade payables, and cash and cash equivalents. While its presentation and functional currency is the Indian Rupee, it has certain loans and advances, trade receivables, trade payables and other long-term liabilities denominated in U.S. dollar and United Arab Emirates dirham. Any fluctuation in the value of the Indian Rupee against the U.S. dollar or the United Arab Emirate dirham will affect its results of operations. If the Indian Rupee further depreciates against the U.S. dollar or United Arab Emirates dirham, this may have an adverse impact on its business, prospects, financial condition and results of operation.

Profit & Loss

Rs in million

Particulars	Q1FY18	FY17	FY16	FY15
Revenue from Operations	838.4	2928.2	2548.2	2414.1
<i>Matchmaking services</i>	789.6	2807.6	2440.3	2319.9
<i>Marriage services</i>	48.8	120.6	107.9	73.5
<i>Sale of products – return gifts</i>	0.0	0.0	0.0	20.7
Other Income	0.4	1.1	6.1	14.3
Total Income	838.9	2929.3	2554.3	2428.4
Total Expenditure	643.0	2337.3	2482.0	2250.3
Purchase of traded goods	0.0	0.0	0.0	15.1
Increase / (decrease) in inventories of traded goods	0.0	0.0	0.0	3.9
Advertisement and business promotion expenses	139.1	522.3	538.6	532.5
Employee benefits expense	324.0	1165.9	1252.5	1059.3

Other expenses	179.8	649.1	690.9	639.6
PBIDT	195.9	592.0	72.3	178.1
Interest	-2.3	6.5	-12.4	-16.4
PBDT	198.2	585.5	84.7	194.5
Depreciation	24.7	103.8	97.5	81.7
PBT	173.5	481.7	-12.9	112.8
Exceptional items	0.0	43.7	737.7	141.8
Tax (incl. DT & FBT)	27.3	0.1	0.0	0.1
Tax	27.3	0.1	0.0	0.1
Reported Profit After Tax before Minority Interest	146.2	437.8	-750.6	-29.0
Minority Interest	0.0	0.0	0.1	0.3
Adj. Profit	146.2	437.8	-750.7	-29.3
EPS (Rs.)	6.9	20.6	-40.8	-1.6
Equity	106.3	106.2	91.9	91.9
Face Value	5.0	5.0	5.0	5.0
OPM (%)	23.3	20.2	2.6	6.8
PATM (%)	17.4	15.0	-29.5	-1.2

Balance Sheet:

Rs in million

Particulars	Q1FY18	FY17	FY16	FY15
Equity & Liabilities				
Shareholders Funds	-161.7	-311.3	-760.9	-9.3
Share Capital	106.3	106.2	91.9	91.9
Reserves and surplus	-267.95	-417.5	-852.8	-101.2
Minority Interest	0.0	0.0	2.6	2.5
Non-Current Liabilities	24.4	22.0	227.3	54.9
Long-term borrowings	0.0	0.0	1.6	5.0
Other long-term liabilities	2.55	2.5	209.5	34.8
Long-term provisions	21.86	19.5	16.3	15.0
Current Liabilities	1430.5	1482.9	1769.4	983.9
Short-term borrowings	433.43	443.8	481.9	267.3
Total outstanding dues of creditors other than micro enterprises and small enterprises	152.4	163.7	352.2	226.5
Other current liabilities	783.77	817.4	883.1	443.2
Short term provisions	60.9	58.1	52.3	46.9
Total Equity & Liabilities	1293.3	1193.6	1238.5	1031.9
Assets				
Non-Current Assets	421.3	432.8	396.1	363.6
Property, Plant and Equipment	184.16	177.7	192.0	162.3
Intangible assets	59.77	64.7	92.0	74.5
Intangible assets under development	0.0	0.0	0.0	2.9
Goodwill on consolidation	0.0	0.0	0.4	0.4
Long-term loans and advances	177.33	190.4	111.7	123.6
Current Assets	872.0	760.8	842.3	668.3
Trade receivables	30.36	21.6	19.0	10.2
Cash and bank balances	652.26	580.1	583.8	531.2
Short-term loans and advances	46.47	39.1	109.7	92.1
Other current assets	142.91	120.1	129.8	34.7
Total Assets	1293.3	1193.6	1238.5	1031.9

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