

## Result Snapshot

<u>Amt. in Rs. Crs.</u>	<b>Q4FY20</b>	<b>Q3FY20</b>	<b>Q-o-Q(%)</b>	<b>Q4FY19</b>	<b>Y-o-Y(%)</b>
<b>Revenue</b>	170.1	164.9	3.2%	138.0	23.3%
<b>Other Income</b>	17.2	16.6		14.8	
<b>Total Income</b>	187.3	181.5	3.2%	152.8	22.6%
<b>EBITDA</b>	52.3	43.6	20.0%	20.1	160.2%
<b>EBIDTA (%)</b>	30.7%	26.4%		14.6%	
<b>EBIT</b>	46.4	37.8	22.8%	18.9	145.5%
<b>Profit/Loss in Association</b>	-0.7	-0.7			
<b>PBT</b>	61.2	53.2	15.0%	33.7	81.6%
<b>PAT</b>	44.3	62.0	-28.5%	28.2	57.1%
<b>PAT%</b>	26.0%	37.6%		20.4%	

## Result / Con-call Highlights:

### 1) Result Update:

For the quarter ended March, 2020 IndiaMART reported a topline of Rs. 170 cr up 3.2% Q-o-Q basis and 23.3% on Y-o-Y basis. Revenue increased on the back of increase in number of paying customers and better realisation per customer. EBITDA came in at Rs. 52 cr with EBITDA margins improving at 30.7% in Q4 FY20. EBITDA margin improved by 430 bps on Q-o-Q basis mainly on account of increase in revenue. The company reported PAT at Rs. 44.3 cr in Q4 FY20.

IndiaMART also announced an investment of Rs.10 cr in Bizom which offers sales force automation and distribution management system to medium and small enterprises.

### 2) Business Update:

<b>Business Operation Performance</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Paying Subscription Suppliers (in lakh)	0.72	0.96	1.08	1.30	1.47
Annualized Revenue per paying subscriber (in Thousand)	32.9	32.1	37.2	38.4	42.3
Registered Buyers (in lakh)	2.7	3.9	6.0	8.3	10.2
Traffic – no. of visits (in lakh)	26.2	32.6	55.3	72.3	74.8

- Platinum Subscription: Top subscription package provided by IndiaMART accounts for 10% of the customer base, 40% of the FY20 revenue and ~5%-6% of the annual customer churn in FY20
- Gold Subscription: The average annual price range of Gold packages is between Rs 25,000 and Rs 50,000 and accounts for 30%-35% of the customer base and 10% of the annual customer churn in FY20
- Silver Annual Subscription: Silver packages at annual price of Rs30,000 accounts for 20%-25% of annual customer churn while the rest is attributed to Silver Monthly Subscription in FY20

## Result / Con-call Highlights: (Continued)

### 3) Covid-19 impact:

The traffic i.e. the number of clients visiting IndiaMART's website has been reduced by 50% until now. The management has guided a 10% - 20% loss of subscription base suppliers due to the lockdown.

For the quarter ended March 2020, the total number of suppliers paying a subscription fee stood at 1.47 lakhs. We believe that a 10% - 20% loss of subscribers (~14,700 – 29,400 suppliers) is a significant loss to cause a dip in the revenue. So far, majority of the subscribers that have opted out of IndiaMART service are from the lower spectrum of the subscription model namely Silver Annual Plan and Silver Monthly Plan.

The management believes that the previously guided 20% growth in terms of revenue is a farfetched idea given the current economic situation. Management will be happy to maintain FY20 numbers which we believe would be hard to achieve.

Financial Metrics	FY-16	FY-17	FY-18	FY-19	FY-20
Total Income	251	332	430	548	707
Revenue from Operations	246	318	411	507	639
EBITDA	(126)	(54)	47	82	169
EBITDA Margin (%)	(51%)	(17%)	11%	16%	26%
EBIT	(129)	(59)	44	78	148
EBIT Margin (%)	(53%)	(19%)	11%	15%	23%
Adjusted Net Profit for the period*	(124)	(45)	63	85	147
Adjusted Net Profit Margin (%)	(50%)	(14%)	15%	16%	21%
Net Profit for the period	(132)	(64)	55	20	147
Cash Generated from Operating Activities	(56)	(1)	179	255	261
Collections from Customer	341	386	509	671	738
Deferred Revenue (period end)	257	325	424	586	685
Cash and Investments (period end)	159	177	388	685	931

\* Net Profit has been adjusted for FVTPL expenses or adjustments and one time benefits of Deferred Tax  
 \* Deferred revenue include Advances from Customers

IndiaMART's business was not even EBITDA positive until FY17 when the revenue started growing. Operating losses in previous years were mainly on account of increasing expenditures related to employee benefits, content development and advertising in order to expand sales network.

Employee cost stood at Rs. 339 cr in FY20 (53% of FY20 revenue). IndiaMART has not done any layoffs but cost rationalization measures are underway with appraisals being deferred and no incentives being paid. We believe even with the cost rationalization measures it would be very difficult to maintain FY20 EBITDA margins of 26% as the fall in topline would be much sharper than the cut in expenses.

As only 1/3 of the clients are more than 3 years old (fairly new clients), we believe a lot of clients would decide to temporarily suspend IndiaMART service given most of the businesses in India are non-operational. Customer retention measures such as discounts and relaxed payment terms are all positive step forwards taken by the company.

### 4) Outlook:

At the current price of Rs. 2212 IndiaMart trades at 43x trailing valuation based on the FY20 earnings. With the impact of Covid-19 being material on the business that has turned operationally profitable only a couple of years ago we believe that there is room for re-rating of the stock. Business impact and valuation shrinkage continue to keep the stock price under pressure. We assign a SELL rating to the stock.

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