Webinar Transcript

Event: IndiaMART Q1 FY2024 Earnings Webinar

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CORPORATE PARTICIPANTS:

Mr. Dinesh Chandra Agarwal – Chief Executive Officer

Mr. Brijesh Kumar Agrawal – Whole-Time Director

Mr. Prateek Chandra – Chief Financial Officer

Mr. Kshitij Agrawal – Investor Relations Team

Kshitij Agrawal: Good evening, ladies and gentlemen. On behalf of IndiaMART InterMESH Limited, I welcome you all to the Company's Q1 FY 2024 Earnings Webinar. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes.

Joining us today from the management side, we have Mr. Dinesh Agarwal, Chief Executive Officer; Mr. Brijesh Agrawal, Whole-Time Director; Mr. Prateek Chandra, Chief Financial Officer.

Before we begin, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer Slide Number 3 of the earnings presentation for the detailed disclaimer.

Now, I would like to hand over the call to Mr. Dinesh Agarwal for his opening remarks. Thank you, and over to you, Dinesh.

Dinesh Chandra Agarwal: Thank you, Kshitij. Good evening, everybody and welcome to IndiaMART's FY 2024 earnings webinar. Sorry for the slight delay in starting. I hope you guys can hear us clearly. We have already circulated our earnings presentation which is available on our website as well as on the stock exchanges website. I'm sure you would have gone through the presentation, and I would be happy to take any questions afterward. I'm pleased to report that IndiaMART have started this financial year on a positive note, with about 26% year-on-year growth in collections to 321 Cr and 25% growth in deferred revenue to 1,202 Cr. Revenue from operations also grew by 26% to 282 Cr. Total traffic and resulting unique business inquiries on the platform remained stable.

On the People front, we added about 238 new people, new employees, across sales servicing, product and technology in this quarter. We will continue to make these investments in strengthening our organization to leverage the growth opportunities. In this quarter, we decided to withdraw discount in our entry-level packages and restored the prices to the pre-covid level. Due to this change in the prices, our net customer addition of 5k was lower than our guidance. It would take us at least one more quarter to normalize the impact of this pricing. We should get back to our guidance of 7k to 8k net customer additions per quarter from Q3 onwards.

As you may have noticed, we have expanded our Board with the addition of Mr. Aakash Chaudhry. Akash is an entrepreneur, co-founder of the Akash Educational Services Limited. He successfully scaled up Akash Institute before selling the business to Byju's. We look forward to working with him closely and benefit from his experience.

Before I conclude I would like to say that we have reviewed our capital needs in this quarter and approved distribution of surplus funds of Rs. 500 Cr to the shareholders by way of buyback. This buyback remains subject to the approval of shareholders. Overall, we stay confident of growth on all important metrics, as we see improving macro-environment, increased adoption of internet by businesses.

Now I will hand over the call to Brijesh for update on Busy Infotech. Thank you and over to Brijesh.

Brijesh Kumar Agrawal: Hi Good evening, everyone. Busy has delivered a billing of 23 Cr in the Q1. This represents a YoY growth of about 94%. The revenue from operations have grown by about 26% to 13.5 Cr and the deferred revenue has grown by 57% to 36 Cr. The EBITDA for the quarter stood at 3.1 Cr, which is a margin of 23% and the net profit for the quarter was 3.6 Cr. We generated positive cash flows of 11.1 Cr during this quarter and we've also sold 9,000 new licenses in Q1 itself. Now the total count is up to 340,000 licenses at the end of June 2023. The overall performance has been in line with our expectations, and we are focused on increasing our growth rate as we had suggested last time and hopefully, we are on track to achieve that.

With this, I will hand over the call to Prateek, so that he can talk about the financial performance.

Prateek Chandra: Good evening, everyone. I will take you through the financial performance for the quarter ending June 2023. Consolidated collection from customers and revenue from operations grew by 26% each to 321 Cr and 282 Cr respectively. Deferred revenue for the quarter stood at 1,202 Cr, an increase of 25% on a year-over-year basis. IndiaMART standalone collection from customers for the quarter were at Rs. 298 Cr and revenue from operations stood at Rs. 268 Cr registering year-on-year growth of 23% and 25% respectively. Our growth in revenue was primarily driven by 16% increase in paying subscription suppliers and 8% improvement in ARPU due to higher monetization. Deferred revenue were at 1,165 Cr representing a YoY growth of 25%.

IndiaMART standalone EBITDA stood at Rs. 76 Cr, representing a growth of 27% YoY, and margin of 28%. Consolidated EBITDA was at Rs. 77 Cr representing a margin of 27%. Our consolidated net profit grew substantially to Rs. 83 Cr as compared to June last year, primarily due to changes in fair value gains on treasury investments. Consolidated cash flow from operations was Rs. 91 Cr and cash and treasury balance stood at Rs. 2,394 Cr as at the end of this quarter.

The buyback proposal as approved by the Board is for buyback up to 12.5 lakh shares at price of Rs. 4,000 per share for an amount not exceeding Rs. 500 Cr. This is proposed to be done via tender offer route with pro rata participations from the promoters and the promoter group. As this accounts to roughly around 24% of the share capital and reserves and approximately 2% of total paid up equity shares, the proposal remains subject to the approval from the shareholders.

Thank you very much. We are now ready to take on the questions.

Question-and-Answer Session

Kshitij Agrawal: We will now begin the Q&A session. If you wish to ask a question to the panelists, kindly raise your hand and allow camera and microphone access. Alternatively, you may type your question in the chat menu, and we will revert on it. Please restrict to two questions so that we may be able to address questions from all the participants. We will wait for a couple of seconds while the question queue assembles.

Operator: First question is from the line of Manish Gupta from Solidarity Capital. Hi Manish, please go ahead with your question. Manish, you are on mute.

Manish Gupta: Thank you for the opportunity. I have two questions. The first question is for Prateek that if you look at your revenue to collections ratio, FY22 and in FY23, it is about 80%. Is my understanding correct that all your selling cost is written off in the same year because there's nothing in prepaid expenses in selling cost. And therefore, if one will follow the matching principle of selling cost apportioned to revenue proportionately, under IFRS your reported margins will expand by 4% or 5%.

Prateek Chandra: Manish to answer your question, the financials what we have reported is as per the IndAs, which is pretty much in line with the IFRS. So, what it talks about is that essentially any cost that you incur needs to be recognized upfront. Since, you know, we pay upfront for the customer acquisition, which is primarily a selling and distribution costs, we recognize the entire cost upfront and depending upon the period of the contract the revenue gets recognized. So, your point is correct that from looking at a pure matching perspective, of course, the costs are taken upfront while revenues are taken over a period of contract.

Dinesh Chandra Agarwal: Not all the costs because there are servicing cost also, and the servicing costs would be commensurate to the revenue recognition.

Manish Gupta: Yeah, my point was only on selling cost, which is about 20% of revenue. So, to the extent that all the selling costs are being recognized upfront, the true profitability is actually higher than reported profitability, right?

Dinesh Chandra Agarwal: That we calculate by way of the collection from customers, so there is a slide on collection from customers and collection margin.

Manish Gupta: My second question was that our top 10% of customers are approximately 50% of revenue, and you have such extensive disclosures, is it possible to add a disclosure on gross additions and net additions of your top 10% customers?

Dinesh Chandra Agarwal: Top 10% customer is not directed inward or outward from there, it is just the total number of customers, which is 208,000 and top 10% becomes 20,800 customers. So, the revenue recognized from those top 10% customer that is 46% in this particular quarter.

Manish Gupta: Yeah, my question is, is it possible to report attrition in that bucket separately?

Dinesh Chandra Agarwal: That I anyway talked about because when you say top 10% customer, and I said this multiple times that in our platinum bucket itself is greater than top 10%. Earlier it used to be almost equal to the top 10%. So, all of those customers are in the platinum subscription. And in the platinum subscription, our churn rates are less than 1% per month.

Manish Gupta: Okay. And my last question is that, will we see busy in a cloud format at some point in time?

Brijesh Kumar Agarwal: To that, there are two things that we are doing with Busy; one is to take the Busy desktop version and make that available on cloud, so essentially, it is a desktop version but it's the machine, which is hosted on cloud, which you can access using a remote desktop facility from anywhere. That is something which we are going to launch in the near future. The pure, let's say, Busy as a SaaS version, I think that is multiple years away because what has been created in the last 25 years at Busy, it will take many more years before we could fit it in a SaaS content.

Manish Gupta: Okay, thank you.

Brijesh Kumar Agarwal: One more addition to this. We've already introduced a mobile app that connects with the Busy desktop, which means the data that is available to users on the Busy desktop is synced on the cloud, which can be viewed using a mobile app. One can also now create orders, invoices, receipts, through the mobile app, which is synced back into the Busy desktop. So that's another product that we launched just a couple of quarters back.

Manish Gupta: Thank you.

Operator: Thanks, Manish. Next question is from the line of Ms. Ruchi Mukhija from Elara Securities. Hi, Ruchi. Please go ahead with your question.

Prateek Chandra: Sorry, Ruchi, we can't hear you.

Ruchi Mukhija: Hi. Thank you for the opportunity. I have two questions. Firstly, we've seen for IndiaMART platform, the traffic has been static for some quarters, even the unique inquiries has been, I would say, range bound in the recent quarter. You're seeing that to reach the guidance of about 6,000 to 7,000 quarterly paying vendor addition, we will take some more time. So, in that context, the pricing increase in your junior most category that seems that it carries some risk. So here just want to understand what is the reasoning behind taking this pricing increase at this point of time?

Dinesh Chandra Agarwal: So, we were at Rs. 3,000 per month, or Rs. 30,000 per year pricing we introduced in September or November 2018 and we continued doing that until 2020 and then in 2020, we hit the Covid and a lot of micro and small enterprises were facing challenges on the cash flows. So that's when we gave the discount from Rs. 3,000 to Rs. 2,500. So, if you really see what we have restored back is 2018 September, October, November prices, which is not really increasing any prices at the bottom of pyramid. It is just going back to the old price, which we carried for almost one and a half years.

Ruchi Mukhija: And could you talk about was it effective throughout the quarter or it was taken in between the quarter?

Dinesh Chandra Agarwal: Started in the middle of the quarter.

Ruchi Mukhija: And was there any change in the conversion rate after the pricing increase, or we saw almost a similar run rate, even after the pricing increase?

Dinesh Chandra Agarwal: No, as I said, we had the productivity issues and that we have seen every time there is a change in the price, it takes three months to four months for productivity to get back to the previous levels. And you know we have only completed two months so far. I think in a couple of more weeks, the productivity should get back to the previous.

Ruchi Mukhija: I understood. Now second aspect I wanted clarity was on the buyback. We've made so welcome announcement, here just wanted to get more clarity. We've been announcing dividends at several, I would say, frequency. We've done buyback even last year. So, you've been rewarding or distributing cash flow to the shareholder. But is there some thought process where we put commitment and quantify how much on regular basis would we return capital to the shareholder?

Prateek Chandra: Ruchi, thanks for your question. So, as a Company, if you see our track record, we've been using both dividend distribution and buyback for distributing the surplus funds. This buyback was primarily decided, because when we reviewed the funds, we had almost 2,400 Cr of cash balance as of now. And if you see in the last few years, we've been generating anywhere between 500 to 600 Cr of cash every year, including the income from treasury and the cash flow from operations. So looking at the cash flow generation as well as our own growth capital needs and the safety cash requirements of the business, we thought that this 500 Cr was the surplus funds which needed to be distributed to the shareholders and accordingly we proposed a buyback of 500 Cr.

Ruchi Mukhija: I understood and that's helpful. Thank you and all the best.

Operator: Thanks, Ruchi. Next in queue is Anmol Garg from DAM Capital. Hi, Anmol. Please go ahead with your question.

Anmol Garg: Yeah, hi. I hope I'm audible.

Dinesh Chandra Agarwal: Yes.

Prateek Chandra: Yes, Anmol.

Anmol Garg: Yeah. Hi. Firstly, congratulations on a good buyback announcement. I had a couple of questions. Firstly, if I look at our paid supplier as a conversion factor, then we are at around 2.7% of the total supplier. Now historically, this has been in the range of 2.3 to 2.5 odd percent. Now, given that the paid supplier growth that we are seeing for a longer term, which is 7,000 to 8,000 kind of paid supplier addition, and given that our total supplier additions has been a little bit softer than that, in terms of the growth rate, so we will surpass 3% kind of number on the conversion factor at some time. So, do you think that this is kind of which is sustainable in terms of the overall conversion factor? And what are the factors that or what are the things that we are doing to add on to the new paid suppliers?

Dinesh Chandra Agarwal: Worldwide in the classified space, premium classified space, you know anywhere between 2%-3% to 4%-5% paying subscriber base is very common and very normal. If you see from our own angle, you know total GST supplier base is about 13-14 million today in the country, and out of that we probably have only got 20-25% on our portal, rest is non-GST of about total 75 lakh that we have. We do all kinds of things to make suppliers register with our portal. Many buyers, many people who come as a buyer first, they are given a "Sell on Indiamart" button from where they register, which is available on mobile app as well as our desktop, both.

Apart from that, we have a field sales force of about 1,500 people of our own and 150 channel partners in different cities. They also have field sales force. And these people have a IndiaMART mobile ERP system on their app where they go and collect this information from the various wholesale markets, so that is another source. And third, we regularly visit all the trade fairs and collect any directories that are there and then do email marketing and telemarketing to them. We also run a freelancer program, which basically helps on the supplier registering. Many suppliers also call us on our reply number at 9696969696, so from there also we get supplier registration. We have been getting about 0.1 million supplier every quarter free of cost, and about 6,000-7,000 supplier per quarter or 8,000 per quarter. So that is fine, I think.

Anmol Garg: Sure. Thanks for the detailed answer. Another thing that I wanted to understand is that this year we have added some 280 odd employees. Now last time, we indicated that for addition of 7000 to 8000 kind of paid supplier, we need to add some 120 to 130 employees to service them. Now the paid supplier addition has been a bit lower this quarter, despite that, the total addition in the employees has been higher. So, if you can indicate do you see that the paid supplier additions, maybe in the second half of the year will be much higher than 7,000 to 8,000?

Dinesh Chandra Agarwal: It is more of a you know, planning and deployment and execution and since the price has been increased in the recent quarter and we believe that is the right thing to do and this productivity loss is a temporary two-three months loss and that might be the reason. So, we will definitely like to get back to our 7,000 to 8,000 number sometimes later this year for sure. Where the hiring of the numbers are concerned, people are to be hired and trained and deployed on the field, especially June-July is the time when a lot of campus hiring concludes after the examination, so you know plus minus 100 here and there will continue to happen, I think.

Anmol Garg: Sure. And lastly, from my end, just wanted to have understanding on the margin trajectory; how should we look at the margins particularly for FY24 and beyond as well?

Dinesh Chandra Agarwal: For FY 2024, I've been saying that the target is to see if we can reach 30%. Historically, pre-covid, our margin was 28%, which has increased from 12% to 16% to 28%. So, now, on a full year basis, if we can reach 28% and maybe towards the end of the year, if we can reach on a quarterly basis towards 30%, that should be our target. Going beyond, I think, you know as I've guided earlier also, these businesses typically operate in 25% to 35% margin, so I think we are at the middle of that, and we would like to stay that way to maintain our growth. If you see the operating leverage, that operating leverage was slowly playing out but then we we have saved the costs during the covid and then there is a sudden runoff of the cost because of the salaries in the market and we backfilled the people. I think we are fine at 30%. Let's see, once we stabilize at 30%, how do we go from there.

Anmol Garg: Sure Dinesh. Thanks. Thanks for the answers. That's it from my end.

Operator: Thanks, Anmol. Next in queue is Mr. Rahul Jain from Dolat Capital. Hi, Rahul, please go ahead with your question.

Rahul Jain: Yeah, hi. I hope I'm audible.

Brijesh Kumar Agrawal: Yes, please.

Rahul Jain: Yeah, thanks for the opportunity. Firstly, you know just want to understand your experience, you shared a little bit about that, but it would be great if you could spend some more time on that. What is the general experience for you for this kind of a price hike impact? Is it on the new additions run rate basis and also increase on the existing monthly plans on the silver basis? So, if you could tell in both the aspect that what kind of impact you have observed and what is your past experience and your understanding how and when it should normalize back?

Dinesh Chandra Agarwal: We don't increase prices of the existing product; I mean existing means existing customers. Existing customers will pay higher price when it comes to next upgrade or next year renewal. So, for example, on the monthly scheme if you have taken a 2,500, as long as you don't churn, you will continue to pay 2,500, there is no increase on that. It is only the new customers who are coming in, is coming in at Rs. 3,000, so it is very incremental impact on the overall ARPU to begin with. Yes, over the year and a half or so, it starts to take overall impact, because if the entry level price is higher, then the upsell price is also higher, renewal price is also higher. So that is how we see it.

So, the good part in our business is that any price hike that is taken in either package doesn't reflect immediately in the ARPU. So, if you see there is a consistent growth in the average revenue per customer, year-on-year, despite the fact that we have actually reduced the price from 3,000 to 2,500 because some other packages, some other maybe Gold or Platinum, that's where we compensated. So, it's a mix of so many different packages and different customer vintage that is visible in the average revenue per customer. So, in the past also, we have seen that it takes typically two to three months or maximum to finally get back to the previous sales productivity. And once it stabilizes, then I think it builds up the base for both, it helps us reduce the churn from 2,500 subscribers and it also helps us increase the further upsell price from say 40,000 to 45,000.

Rahul Jain: Right. Right. Yeah, thanks for that color. Just one more question regarding the sales cost which has also gone up 6% QoQ despite weak net addition, is it that we have also increased our channel partner commission along the lines of price hike?

Dinesh Chandra Agarwal: Not really, because cost will go up probably because the productivity has gone lower, that is why you might be seeing it.

Rahul Jain: But if the channel partners are monetized or you know commercialized based on the conversion, is it higher because our gross addition would be much higher and the net is lower, so we might have paid for a higher addition, but the net impact was lower, is that understanding right? You want me to repeat the question, sir?

Dinesh Chandra Agarwal: No, I don't have that answer upfront, maybe you can send us an email and then we can give you that answer because it is not 100% variable, because we do provide assistance, a minimum guarantee for channel partners and then there is a variable component.

Prateek Chandra: So, Anmol, I mean, half of our cost is essentially not completely variable, because there we pay on a per person basis and half of the cost you can say when we pay, it is completely channel partner on a per hosting basis, there also we do provide an early support to the channel partners depending upon their own vintage with us. So, therefore, it could be a mix of the things we will look into it and then we can come back to you with the detailed answer there.

Rahul Jain: Sure. And just one clarification to your earlier comment where you said the upsell plan prices are also revised up. Is that what you were trying to say?

Dinesh Chandra Agarwal: No, once we stabilize this, the upsell prices are also upwardly revised, because we have a stair-cased upsell approach.

Rahul Jain: Right. So, you're saying you would do it after some time or it is already implied, but would be relevant as these people progress into that plan?

Dinesh Chandra Agarwal: As these people progress in.

Rahul Jain: So, the effective date would be what?

Dinesh Chandra Agarwal: No, it is not as effective date, because if you come in at Rs. 2,500 your annualized cost becomes 30,000. So, your multi-year if you take a three-year package, it becomes Rs. 60,000.

Rahul Jain: Right, right. Yeah, so essentially what you're saying is that if you take a multi-year plan, that longer tenure discount also would have that revision would have happened even if I take a two-three-year plan versus what I would have taken a two-three-year plan earlier.

Dinesh Chandra Agarwal: Yes.

Rahul Jain: Yeah. Yeah. Understood, understood. And is there a way to understand what could be the addition to the EBITDA or revenue on a like-for-like basis because of this pricing impact on annual basis?

Dinesh Chandra Agarwal: It will be very little because, to begin with, out of the 208,000 customers, we would be adding maybe 2,000 customers per month on this new pricing. Imagine that is going to come at so 1% new customer is going to come at 20% higher so it's a 0.2% addition to the revenue to the additional collection per month.

Rahul Jain: Right. Okay, I'll take this offline. Thank you. And I'll join back the queue.

Operator: Thank you, Rahul. Next question is from the line of Mr. Abhisek Banerjee from ICICI Securities. Hi, Abhisek, please go ahead with your question.

Abhisek Banerjee: Hi, sir. Thanks for your time. Just quickly, on the price increases that you have taken, what is now the differential between the Silver and the Gold plan vis-a-vis what it used to be earlier?

Dinesh Chandra Agarwal: The gold plan there are TrustSEAL Gold and there is Website Gold. So, Maximizer is about Rs. 60,000 per year and TrustSEAL is about Rs. 40,000 per year. And for you know multi-year, there are various discounts available. The price list is available on our website. If you go to the corporate.indiamart.com, the prices for various services are written there.

Abhisek Banerjee: No, sir. Got it. So, my question was with regards to do you think this will lead to your customers kind of upgrading to a gold plan because you're bringing the pricing differential lower? Is that something that you are hoping for?

Dinesh Chandra Agarwal: No, I think as I explained earlier to Rahul Jain's answer it has a cascading effect on your customers over a period of time and older customers coming up for renewal, so for them the pricing is passed on even more slowly because for somebody who came last year, at say, 27,000, we cannot suddenly charge 30,000, so we will probably take the price increase up in next renewals. So, typically, this price increase takes effect on the entire current customer base will come probably in three years' time.

Prateek Chandra: Also, Abhisek, actually this price increase is more of a restoration of the old price, rather than increasing the price from the levels where it was, so earlier also we were operating with the similar differential.

Abhisek Banerjee: Got it. Got it. So also, with regards to the guidance in terms of adding new subscribers, the 7,000 to 8,000 number is it with regards to basically the full year as in you want to say that you would add between 28,000 to 30,000 new subscribers for FY24? Is that what you're trying to say? Because my understanding was that quarterly number was in the range of 8,000 to 9,000.

Dinesh Chandra Agarwal: Quarterly number was in the range of?

Abhisek Banerjee: 8,000 to 9,000.

Dinesh Chandra Agarwal: It was at 8,000-9,000, that way. Last time, we had revised the guidelines to around 8,000 and now I'm saying that we will try and do 7,000 to 8,000, so it is from now 9,000 earlier. Earlier we used to guide 8,000 to 9,000 which was correct for FY23 because in FY23 it was the first full year of our expansion. Now, we have added about 60,000 new customers in the last 18 months and those 60,000 new customers many of them are coming for the first-time renewal and first-time renewal rates are much lower than second-time renewal and then the third time. So, what happens is the churn rate base effect comes in. So, we have to go on a growth path and then consolidate go on a growth path and then consolidate because if we press the pedal heavily on the growth, the first-year churn will not let you grow beyond a certain point. So, you have to let the first-year customer migrate to second and third year and once that balancing happens and then you press the growth pedal.

Abhisek Banerjee: Understood, sir. That is clear. But now if I look at the margin guidance that you're giving, 28% for the full year, so I'm actually struggling to understand given the kind of revenue growth that we're seeing, also you've earlier said that you will not need to hire too many new people. So, my model tells me that the margin uplift should be higher, right. So, I'm trying to understand is it that are you building in for more tech investment? Are you building in for more investment into CAC, are you going to to do SEO? If you could give us some clarity on that then we'll also understand why the margin uplift will not be as much as it should be, I mean, when the other expenses are kind of topped out.

Dinesh Chandra Agarwal: So effectively if you look at the margin lever, our past history is trending at 72%-73% quarter-on-quarter. We continue to invest behind newer technologies, also. The newer technology is far more expensive. We continue to move towards the cloud. Cloud is again far more expensive. So, honestly, on an overall basis, the first-year customer needs a lot more service effort, the upfront CAC also needs a lot more consideration of our site that is why I am a little afraid of giving you guidance above 30% because the cost pressure is continuing in the last 18 months, whether it is the salary cost pressure or whether it is technology cost pressure. It was completely different the first 18 months of the covid and then last 18 months.

Abhisek Banerjee: Understood, sir. That is helpful. And one last question from my side if Brijesh sir can answer this. Sir, Busy, we are seeing a very, very strong ramp up right. So last year, your objective was to kind of consolidate what you had acquired. Is this year going to be an all out growth year? How are you looking at it?

Brijesh Kumar Agrawal: The guidance that we had actually given earlier is that every single year that we spend at Busy, our aim would be to increase the growth rate and that has been achievable. So even in this particular year, we want to increase the growth rate in such. What you see in, let's say, Q1 is also a result of certain exceptional growth that we've seen in a couple of areas but what we can go ahead and confidently say that as we start to push for our own geographical expansion, we should be able to achieve better growth rates than what we've seen in FY23.

Abhisek Banerjee: Got it. Thank you so much. Congrats on a great set of results. Will catch up with you later.

Operator: Thanks, Abhisek. Next question is from the line of Mr. Amit Chandra from HDFC Securities. Hi, Amit. Please go ahead with your question.

Amit Chandra: Yeah, hi. Am I audible?

Dinesh Chandra Agarwal: Yeah, please.

Amit Chandra: Thanks for the opportunity, sir. So, my simple question is, in terms of the growth that we're seeing in terms of the paid subscribers at an overall level, it's around 16% to 18%. But if I see the growth in terms of the various buckets, so in terms of Platinum Gold, so how has been the growth there in terms of the absolute number of customers? So, is it higher than the overall Company level or how is it trending?

Because if I see the ARPUs, they are going up, so there is a migration from monthly to Gold to Platinum. So, what is the parameters that will show us that there is a migration going on and also, in terms of what percentage of the customers upgrade every year?

Dinesh Chandra Agarwal: So, that is why we gave this top 1%-top 10% number, right, because we don't provide the exact Silver Monthly, Silver Annual, Gold and Platinum numbers but we do provide top 1%-top 10%.

Amit Chandra: But that is in line with the overall Company because every time if you do top 10, then the growth rates for all three buckets is this for us, it's the same or, internally, how has been that tracking, so that's what I want to understand, in terms of absolute numbers.

Dinesh Chandra Agarwal: We will discuss internally and maybe we will try to find one KPI that can help you decipher that. In general, if I want to give you the overall sense as of now, what is the mix, currently out of the two lakh customers, about one-fourth are on the Silver Monthly, about three-fourth on the rest of it. And similarly, if I looked at the Platinum and Gold customers, they currently account for about 50% of customer base, so I've given you all the three numbers.

Amit Chandra: Okay. And in terms of the upgrades how many of the monthly paid suppliers who are there on the platform for, say, like six months they upgrade to a higher package. So, what is that number if you can give any number that you can share there?

Dinesh Chandra Agarwal: So, typically, about 2% of the customer of the total base, typically, and that can range from manager to manager, from industry to industry, from city to city, anywhere between 1% as low as 1% to as low as 3%. But on the overall basis, approximately 2% customer base that we are able to get to upgrade from a monthly to annual or TrustSEAL, I think I would generally be happy.

Amit Chandra: Okay. And, sir, in terms of the monthly additions or in terms of the paid subscriber addition that we're doing, is it all in the monthly bucket or we add some customers directly to Gold, Platinum as well?

Dinesh Chandra Agarwal: We don't add much customers to the Gold bucket, but between the Silver we aad about 60% on the monthly and about 40% on the annual.

Amit Chandra: Okay. And, sir, lastly on the price hikes that we have announced for the monthly subscribers, what is the price hike that we have taken ever in terms of Gold, Platinum in the past and is there any plans to increase price there in Gold, Platinum?

Dinesh Chandra Agarwal: That was clearly visible. If you see the top 10% customer revenue, I remember when we started giving that number it was in the range of Rs. 7 Lacs or so annually about so it has grown up almost by 30%-40%. Yeah, and the Gold top 10% customers used to contribute 40% of the revenue, now today there are contributing 46% of revenue on a grown revenue base. So, the overall customer base as well as the ARPU in fact most of the ARPU gain would have come typically from the Gold and platinum, because if you see from FY 2018 has not increased any prices in the Silver. I've only given the discount during the covid and now we are withdrawing that discount. So, since September-October 2018, the silver monthly and silver annual prices are same.

Amit Chandra: Okay. And sir, now, the last question is on the margins. So obviously, now we have seen some margin expansion, but if you can throw some light in terms of what proportion of the cost will increase in line with the growth in terms of the paid subscribers and what proportion of the costs will be inflation linked, in terms of overall cost I'm asking?

Dinesh Chandra Agarwal: Let's go to the slide where we have those assumptions, functional P&L. See this particular slide can give you some idea how costs are associated, but things until FY20 were very different and post FY22 things are very different, so let's not take FY21 and FY22 as a benchmark and if you compare the FY20 versus FY24 now, or FY23 now, it can give you the different cost structure that has been going into different segments, this particular slide.

Amit Chandra: No, sir. But in terms of total cost what is actually growing in line with the paying subscribers and from here on how do you see that cost structure in terms of fixed and variable?

Dinesh Chandra Agarwal: We are looking at maintaining the margin and probably increasing the margin up to 30%. So, I don't expect the margin to expand very rapidly or contract very rapidly. I just expect the margins to stabilize at this level, particularly 28%-30% or 30%-32% and then we'll see what are the levers further.

Amit Chandra: Okay. Okay, sir. Thank you and all the best.

Operator: Thank you, Amit. Next question is from the line of Mr. Sarang Sanil from RW Investment Advisors. Hi, Sarang. Please go ahead with your question.

Sarang Sanil: Hello. Good evening, sir. Thank you for the opportunity. My first question is to Brijesh sir, then I'll come back to IndiaMART business. So, you said that Busy is planning to launch desktop cloud version, but I believe you already have a mobile app version which updates real time and I believe it's through clouds, so why is it so hard to have a desktop cloud then?

Brijesh Kumar Agrawal: See, when we have a mobile app which connects directly with the desktop application and the data is synced, the kind of activities that you're able to do in the mobile app today largely are related to viewing that data. In terms of entering transactions on vouchers, you have a limited number of vouchers that can be entered through the mobile app. However, there are organizations who have multiple offices, there are multiple people who are working remotely on the accounting system, and they need to have access to the same desktop software over a cloud machine and therefore, Busy Online actually makes sense for those kinds of customers. And therefore, the Busy Online which is desktop available on cloud is a product that services that particular segment where there is a need to access remotely at any point in time from anywhere.

Sarang Sanil: Sure, sir. That was helpful. On the IndiaMART business side, is it possible to give a split between metros and rurals? Is it possible to give a volume split and values, can be on an overall 208000 also? And is it fair to assume that the Metro side has better margins?

Dinesh Chandra Agarwal: I think Metro side would have better margins because metros, as of 31st March this number is given, so paid suppliers from metro cities was 54%, while tier two cities had about 28% and the rest of India 18%. And rest of India used to be 10%, 12% if I remember pre-covid. We now have a better Tele presence and better channel presence. Now in terms of value, we don't have a split here, but you can assume that 60% of the collections or revenue would come from metro cities because metro cities would have a better and a deeper penetration of Gold and Platinum and a better ability to serve the customer. However, the rest of India, which is 18%, in terms of the customer base would only account for maybe 12% of the revenue.

Sarang Sanil: Understood, sir. So just want to understand a little better here. So, what is that factor that the paid suppliers are seeing to stick with IndiaMART or the new suppliers coming at a higher ARPU now right because I can see in the past couple of quarters the traffic has been flat. So, this is regarding on the buyers engagement, traffic has been flat, registered buyers, which is not material, so active buyers, which is material that has been flat, unique business inquiries that has been flat. So, what is that one factor you think you would pitch to a new paying supplier?

Dinesh Chandra Agarwal: If we look at the active buyer base, there has been a jump from 30 million active buyers yearly to 37 million active buyers in the last two years. Last two years means FY20 to FY22. However, we did not increase any customer base in those two years. We ended FY20 at 147,000 and we ended December 2022 at 155,000 or so. So, this whole 7-8 million additional active buyers have not been monetized and also this 7-8 million active buyers, which has been increased, their nature has changed. Their nature in FY20 and FY21 was mask, gas and sanitizer. Now those are gone, so there is no not much of a mask selling, not much of a gas selling or not oxygen selling. Now, these are back to the usual business, previous usual business. So, why you see this is flat, actually there is a lot of transition has happened from the shortage led demand to the broader industry demand. So, that also needs to be fulfilled and 37 million is huge, actually if you see in a B2B kind of scenario. If we can match them properly, i.e., a right buyer to a right seller, I think you can even double the number of sellers with the same buyer set. So, the problem is not that the people need more enquiries, the people need more relevant enquiries where the maturity can happen better. So, if you see we continuously work on enriching the buyer profile and making sure that the right buyer goes to the right supplier and by doing that, you actually do not need for any buyers to come back again and again on your platform, you actually get better maturity done. So, there are two ways to do it, either you start vertically with one small sector or one small industry, that's what we used to do in Tolexo or you start horizontal and then keep tweaking the buyer seller match making better and better and today, even more possibilities are emerging because earlier we could do that only on certain parameters. Parameters means defined parameters such as location, such as quantity or such as product category. Now we'll see advent of large language models in the artificial intelligence, we can actually do best analysis and do the matchmaking even better. So, in times to come you will see even further better deployment of machine learning algorithms using these large language models that have emerged to be able to do it in a specification level match matching or even the buyer profile level matchmaking. So, I'm not worried right now, but yes, if it just continues to remain the situation for two years or so then obviously the problem is a worry to us.

Sarang Sanil: Understood, sir. So, you're not worried on the buyer side. So, my last lesson is, do you think generative AI or any of that application on that side would help in improving the margins on a medium to long-term perspective?

Dinesh Chandra Agarwal: I don't think generative would help but a lot of predictive AI will help and while the whole of the attention of the market is on generative AI such that it has a lot more impact on prediction, which was earlier very different and now it is very different because now unstructured data can do a much better prediction.

Sarang Sanil: Got it, sir. Got it, sir. That was helpful. Thank you and all the best.

Operator: Thank you very much. It has been a very engaging session. I would now like Dinesh to give his concluding remarks.

Dinesh Chandra Agarwal: Thank you Aditi. Thank you, ladies and gentlemen for joining our Q1 FY 2024 conference call. We have tried to address your queries in the time available but if you still have any questions, please feel free to contact our Investor Relations team on the email ID given at the press release and the investor presentation. Thank you. Have a great Saavan, extended Saavan and extended holidays. Look forward to seeing you around Diwali.

Operator: Thank you, everyone. On behalf of IndiaMART, we now conclude this webinar. Thank you very much.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
2.