



Webinar Transcript

Event: IndiaMART Q2 FY2024 Earnings Webinar

Event Date/Time: October 27, 2023 at 17:00 hrs

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 Q2 FY '24 Earnings Webinar. As a reminder, all participants lines will be in the 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 Agarwal, Whole Time Director; and 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 to Slide 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. Welcome everybody. Welcome to IndiaMART's Q2FY24 earnings webinar. We have circulated our earnings presentation about an hour ago, which is available on our own website as well as the stock exchange websites. I'm sure you would have gone through the presentation, and I would be very happy to take any questions afterwards.

I'm pleased to report that IndiaMART has delivered 28% year-on-year growth in collections to Rs. 337 Cr and 26% growth in deferred revenue to Rs.1,244 Cr on consolidated basis. Revenue from operations has also grown by 22% to 295 Cr. Total traffic grew to 288 million and unique business inquiry grew to 24 million, representing a growth of about 10% and 6%, respectively.

Our total paying subscription suppliers grew to 210K. As communicated in the previous quarter, we did a price change in our silver subscription on May 15th, which generally has a temporary impact for two quarters on our new customer acquisition. In addition to the price increase impact on the gross customer addition, we also have seen more than anticipated churn on the increased customer base in the silver bucket. As a result, our net customer addition was limited to only 2K in this particular quarter.

As the impact of this price change stabilises and the improvement in churn happens, we will come back with the guidance on the net customer addition. While the customer addition has been slower than anticipated, we are confident of similar collection and revenue growth for the next 2-3 quarters.

On the people front, we have added 234 employees primarily in the client servicing team to take care of the renewals and upgrades of

the existing customer. We will continue to make these investments and strengthening of our organisation to leverage the growth opportunity.

Now I will hand over the call to Brijesh to update about Busy Infotech. Thank you. And over to you, Brijesh.

Brijesh Kumar Agrawal: Hi, good evening, everyone. Busy has done a net billing of 14.6 Cr in this quarter. This represents a year-on-year growth of 38%. The revenue from operations have grown by 24% year-on-year to Rs. 12.9 Cr, and the deferred revenue has grown by 49% to Rs. 38.1 Cr. The EBITDA for the quarter is at Rs. 1.7 Cr that represents a margin of 13%. The net profit for the quarter was Rs. 2.5 Cr.

We also generated positive cash flows of Rs. 2.5 crores during the quarter. There were a total of about 8K new licenses that were sold to customers, taking the total licenses sold count to 348K at the end of September. The overall performance has been in line with our expectation and also our goals of increasing the growth rate in this financial year and I think we are on the path of realising the goals of increasing the growth rate that we've set at the beginning of the year.

With this, I'll hand over the call to Prateek to discuss about the financial performance.

Prateek Chandra: Thank you, Brijesh. Good evening, everyone. I will take you through the financial performance for the quarter ending September 2023. Consolidated collection from customers and revenue from operations grew by 28% and 22% respectively to Rs. 337 crores and Rs. 295 crores. The deferred revenue for the quarter stood at Rs. 1,244 crores, an increase of 26% on a year-on-year basis. IndiaMART's standalone collection from customers for the quarter were at Rs. 321 crores, and revenue from operations stood at Rs. 281 crores, registering a year-on-year growth of 27% and 23%, respectively.

Our growth in revenue was primarily driven by a 12% increase in paying subscription suppliers and 10% improvement in ARPU due to higher monetisation. Deferred revenue were at Rs. 1,205 crores, representing a year-on-year growth of 26%. EBITDA of IndiaMART's stand-alone business stood at Rs. 81 crores, representing a margin of 29%, marginal increase from 28% margin in Q1 this year.

Consolidated EBITDA was at Rs. 80 crores, and consolidated net profit was at Rs. 69 crores. Consolidated cash generated from operations was Rs. 102 crores. As we had completed the buyback in this quarter, leading to a total pay-out of Rs. 620 crores, which includes buyback amount and the related taxes and expenses,

consolidated cash and treasury balance stood at Rs. 1,910 crores at the end of this quarter.

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

Question-and-Answer Session

Kshitij Agrawal: We will now begin the Q&A session. If you wish to ask a question to the panellists, kindly raise your hand 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 the questions from all the participants. We will wait for a couple of seconds, while the question queue assembles.

Moderator: First question is from the line of Vivekanand from Ambit Capital. Hi, Vivekanand, please go ahead with your question.

Vivekanand: Hi, am I audible Aditi?

Moderator: Yes, Vivek. You're audible.

Vivekanand: Yeah, so my two questions. The first one is on the collections in the standalone entity. The growth was 27% faster than what IndiaMART has witnessed in the last several quarters. So, I wanted management commentary on the thought process and outlook as far as collections are concerned. Also, if you could call out any one-offs or any other element related to long duration customers renewing during the quarter at higher price levels. That would help.

Second question is if you could give us an update on the churn levels across silver annual, silver monthly, platinum and gold, that will be helpful. Thank you.

Dinesh Chandra Agarwal: Thank you, Vivekanand. See on the collection front, I think we have been guiding that we always target about 25% or so and in the past, because we have now accumulated customer base over the last 7-8 quarters and those customers, some of them have graduated to a higher package and some of them have graduated to now second year also that may be leading to this. There is no one-off here, because as I said, we are very well diversified across industries and across the customer, no single customer, no single industry, no single city contribute any large amount. So, this 26%, 27% could be a one or two quarter thing, but I think the collection, as I said, we are confident that over the next 2-3 quarters, we should be able to maintain our collection growth in excess of 22-23%. That is what I've been guiding.

Now coming to the churn side. On the platinum and gold customer, which is about 50% of the customer base now and contributes about 3/4th of the total revenue, that continues to remain healthy at 1% per month. So, the churn in the top tier of the customers, platinum and gold continue to be very healthy and which contributes about 50% of the customer base and 75% of the revenue. While the silver monthly and silver annual churns have deteriorated, probably because of the customer base or other things, so, silver annual customer has moved from earlier about 2% - 3% to now close to 4% per month and silver monthly which used to trend at around 5-6% now has gone to 7% or so on the monthly basis. So there, we are seeing churns to be higher than usual pre-COVID churns. Thank you very much.

Vivekanand:

Yes, Thank you. That was helpful. So, if I look at the collections on a pre-COVID versus current quarter CAGR, it appears to be a 17% CAGR. I'm comparing it with Q2 FY20. So, is this the number that you feel in the long run should trend upward further? Or am I reading the numbers wrongly or the commentary wrongly?

Dinesh Chandra Agarwal: In FY '21 and FY '22, we had so many ups and downs in terms of customer not being there, lockdowns and everything. So, I don't know what kind of CAGR from that period would be helpful. I think longer term CAGR has been 21% and a shorter term CAGR quarter on quarter, sometimes around 25%, sometimes around 22%, and sometimes around 27%. So if the customer base has grown significantly in the last 6-7 quarters, which is now resulting into the better collections and that's been the trajectory ever. So, I think upwards of 20%, it should be possible whether it will be 17% or whether it will be 27%, that's difficult to comment on a longer-term basis.

Prateek Chandra:

Also, Vivekanand, if you can see consistently in the last four quarters, our standalone collections growth has been northwards of 23-24%. So, it's not like, let's say, one-off scenario in this particular quarter, it has been consistently higher on more than 23-24% for last four quarters.

Vivekanand:

All right. The last follow-up, is there any specific reason, apart from the price hike that is causing this high churn, or have you tried to identify what is causing this? And what are the steps that you are taking to mitigate or perhaps bring churn back under control given that it is now weighing on your net adds and adding to so much uncertainty that you are unable to give a guidance even on the net adds?

Dinesh Chandra Agarwal: Yeah. So, net adds has two components. One is the gross adds and the price impact is mainly on the gross adds. The price impact will not typically have a huge impact on the churn side, because

currently, it's only been 3-4 months of the new customers being added at the new price point, rest old customers are still at the old price point.

So, while typically, it takes anywhere between 3-6 months to stabilise on the sales team and digest the price hike. I think there has been some holidays also, and it has been taking longer for us. So, let's say, over the next quarter or so, if we are able to fix our gross adds correctly back to the similar level as we had before 15th of May.

Now coming to the churn side. The churn side is not easy to answer in one line, because there have been many differences, if you see over the last two years or so, our Tier 3 and Tier 4 customers have also increased as against metro customers. We have also expanded getting customers into many more categories than the customer concentration. However, it will still look 1% only but that 1% is also into some of these industries which may not be very conducive for current IndiaMART platform.

So we will go back on the churn side and as I said, those customers who have used platform nicely, those who have migrated to Gold and Platinum, they continue to engage with the platform better. You can also see that customer engagement on the platform, which is available on say, CRM page (Lead Manager page), probably is one of the highest with 123 million replies and callbacks. So, the customer engagement is also high, and everything is also high. We need to probably go back to our drawing board to see which all places we are acquiring customers.

Another thing is the vintage of the customer. Another thing is we have built client servicing team in the last 18 months. As you can see, the number of employees addition in the last 18-24 months has been too much. They also are newer into the system. So, there could be competition also within our own customer base that might be causing. So, I think it's a difficult problem to solve and we have faced this problem earlier also. I'm sure we will go back to the drawing board and see, try many different things and come back to you sooner than later.

Vivekanand:

Thank you for the elaborate explanation and all the best.

Moderator:

Thanks, Vivekanand. Next question is from the line of Nikhil Choudhary from Nuvama. Hi, Nikhil, please go ahead with your question.

Nikhil Choudhary:

Yeah, thanks for the opportunity. So, my question is I would like to probe further what Vivek has asked regarding the churn and lower subscriber addition. Sir, this is not just the one quarter we have seen

lower subscriber or lower paying subscriber addition. It's been like in the last four, five quarters, except for one quarter, our subscriber addition has been lower than 8K, which was our initial guidance of 7-8K paying subscriber every quarter. Even in terms of engagement, what you mentioned, business call and query, that number remained more or less stable, even down from the COVID peak right? So just want to understand, to contain the churn and especially growing the paying subscriber, what are the change in strategy we are doing to make sure the growth comes back there?

And just one follow-up on this, are we looking to maybe roll out the increase in price for our existing subscriber, a bit slower than earlier planned, given the higher churn we have seen for new subscribers?

Dinesh Chandra Agarwal: So first of all, on the 8K target, I think, yes, you are right, we have missed this in three quarters now out of the last seven quarters. Now second part is whether we are going to roll back the new client acquisition prices. No, we are not because, the churn is a different issue and the new customer acquisition is a different issue. As I said, these prices were reduced, especially during the second wave of COVID when we saw that the people were really worried so we dropped the prices by 25% or 20%. Now we have gone back to our pre-COVID prices. We haven't changed anything on the entry-level prices in the last 3-4 years. So, we are not going to roll back. On what strategies are we going to work upon to reduce churn, whether we will be able to increase the buyer base, repeat buyer base, reduce some of the non-performing industries, non-performing cities, I think all of them instead of just saying that have we been able to prioritise one over the other. I think all the four or five things that we need to work upon and maybe start recalibrating our client acquisition strategy, with how much to acquire from Metro and how much to acquire from Tier 4, how much to acquire from one industry versus how much to acquire from another industry, how much to acquire from one industry in annual mode versus how much to acquire in the monthly mode.

So I think all of that, I mean, churn containment is the biggest issue for any subscription-based marketplace and there is no one single answer and there's no one, two, three prioritised answer. We will have to go and do things in all five directions and each one of them will probably work 0.25%, 0.25% in our favour in the times to come.

Nikhil Choudhary: Sure sir, very helpful. Just last one from my side. In terms of employee addition, we have again started adding employee aggressively after slowing down for a quarter or two. Clearly, it might be to address the churn, but that is putting pressure on margin. So just want to understand, vis-a-vis your earlier guidance of seeing incremental revenue or deferred revenue on a much higher margin.

How are you seeing maybe even directionally margin going forward? Thank you.

Dinesh Chandra Agarwal: But where are you seeing the margin? So, margins are already 29% this quarter for the standalone business and we will continue to maintain this 28%, 29%, 30%, whatever plus/minus 1% but I think in that range, I cannot give you exact percentage and Q4 is always a low-margin quarter because there is upfront cost of collection that we get, but other than that, I think margin has been consistently maintained and also rising. Maybe you are looking at the consolidated piece where we are also investing behind livekeeping, we are also getting Busy. We're also getting P&L losses from our associated companies. So those might be the cases but on the standalone basis, the margins are intact.

Nikhil Choudhary: Sure sir, very helpful. Thank you.

Moderator: Thanks, Nikhil. Next in queue is Swapnil from JM Financial. Hi Swapnil, please go ahead with your question. Also request if you can put your camera on. Thanks.

Swapnil: Hi, thanks for the opportunity. So, a couple of questions. First, on the traffic side. I think we have seen some decent improvement in traffic on a Y-o-Y basis, and that has come after a few quarters where we had a flattish kind of trends, right? Any specific reason you want to call out as to why this traffic improvement has been achieved? And how should we see these trends moving forward as well? That's one. And the other question is on the margin side. So, if I remember your commentary from the last quarter, you had mentioned that the margins for FY '24, would move towards 30% at a consolidated level.

Dinesh Chandra Agarwal: I don't think I have ever said it at a consol level. And I can never say it because at a consol level, if we are investing Rs. 750 odd crores in accounting business and another Rs. 250 crores in the other businesses. At a consol level, those are not possible to be predicted.

Swapnil: Okay. Let me refresh that. So how should one look at the margins then at a consol level and a standalone level separately. Obviously, your standalone margins are improving, no doubt about that, and they are inching towards 29% now. But since you will continue to invest in your accounting businesses, is there any guidance that you would want to give? Or is there any way that one can estimate that would help us. Thank you. Those are the two questions.

Dinesh Chandra Agarwal: Unfortunately, no. Because many of these are minority investments and their boards run independently on how to manage the growth at Vyapar and how to manage growth at Industry Buying or how to manage growth at M1xchange and we get a profit or loss

coming from them and many of them get revalued also time to time. So, it is very, very difficult to predict a diversified business consolidated margin at early level like this. On the traffic side, Prateek wants to add something on that.

Prateek Chandra: I was just saying that if you see slide 70 of our investor presentation, which talks about EBITDA of each of the business lines, which gives a very clear visibility about the EBITDA of IndiaMART and EBITDA of newer initiatives, specifically, if you say, Busy and Livekeeping are the other ones. So, these numbers are fairly small in the overall context. Though in terms of percentage margins, it may have some impact because the revenue from these businesses gets added. And the bottom line doesn't get added up there in the terms of the profit. So therefore, in the percentage while it looks, but if you see in the absolute terms, these numbers are fairly small as compared to the EBITDA that we generated at the IndiaMART level.

Swapnil: If I can just add to that, is there any target spends that you have in these new businesses, yearly spends that you would do a cap beyond which you will not invest?

Dinesh Chandra Agarwal: No, sir. As and when we get the right opportunity, we will invest and as we have said that we will probably stay away from a very high cash burn businesses being acquired at a consol level. We will try and see businesses which are either low cash burn businesses or which are closer to breakeven and busy is the one which is closer to breakeven business and currently profitable, but my view is that it is neither highly profitable nor losing money.

On the other hand, Livekeeping, we are investing. We know for sure that we will probably end up investing Rs. 1 crore a month there and that's the current target. On future, what will happen, I will come back and tell you. But as of now, these are the two things which are happening, whenever new things start, we will come back and tell you.

Swapnil: Got it. And if you can answer that on the traffic side question.

Dinesh Chandra Agarwal: The traffic side depends a lot upon many things. So many times, changes in the google search algorithms, focusing on desktop versus mobile and things also help because currently, we do not do any advertising. So, I cannot directly attribute it to either any advertising or any e-mail marketing that would have worked significantly higher than the last quarter. While we have seen the traffic in general improving and so we continue to work on UI/UX and various parameters. However, whether this is going to be a sustained trend that I think we will know only after another quarter passes by or so.

Another part is the content aggregation that we do consistently. So, as we have added about 60,000 customers in the last six quarters or so. Those 60,000 customers' content is also useful enough, which might be adding to this additional traffic but whether it will sustainably hold or whether it will start to increase further, that we can only comment after two quarters or so. I think a better number would be to also look at the unique business inquiries because sometimes what happens, the traffic also ends up increasing if somebody starts to scrape your site. So, I think the better metric would be the unique business inquiries, which has also grown, but it has grown by about 6-7% or so.

Swapnil: Got it. Thanks for taking my questions. All the best.

Moderator: Thanks Swapnil. Next question is from Mr. Mihir Damania. Hi, Mihir, please go ahead with your question. We'll take question from Mr. Manoj Doshi. Hi, Manoj.

Kshitij Agrawal: Manoj you need to unmute yourself, please.

Manoj Doshi: Can you hear me now?

Moderator: Yes, we can hear you.

Manoj Doshi: Hi, is it fair to assume that the employee addition will be sort of not as high as we are having on the last two quarters, given the subscriber addition is not so high?

Dinesh Chandra Agarwal: Yes, I think it is fair to assume that.

Moderator: We request participants to raise hand to ask question from the panellist. Next question is from Mr. Manish Gupta. Hi, Manish. Please unmute yourself to ask the question.

Manish Gupta: Yeah, thanks for the opportunity. You mentioned that gold and platinum are about 50% of your customers and about 75% of your revenue. So, I was just wondering whether the growth of customers in the gold and platinum is a better metric of how the overall business is progressing vis-à-vis churn in silver customers? Because I would imagine that if gold and platinum are 75% of revenue, they actually might be a significantly larger in terms of percentage of profit, because the gross margin on this business might be higher than on the silver customers. So just wanted to understand that would the high churn rate in silver, etcetera, really bother you because bulk of your revenue and profit is essentially coming from the gold and platinum customers.

Dinesh Chandra Agarwal: Yeah. Manish, that is true, that is also depicted historically in the top 1% and top 2% and overall ARPU. So, if you see the overall

ARPU being Rs. 54,000, while the top 10% ARPU being 250K accounting for 46% of revenue alone, the top 10% of the customer itself accounts for 46% of the revenue, that already gives you that feel that 50% of the revenue is coming from top 10-12% customers and that top 10-12% customer is also not a small in number. They are 21K customers. So, you can't say that, okay, your dependency is only on 10 customers accounting for you. It is not 10 customers. It is 20K customers at 250K average revenue.

However, for a freemium marketplace like this, it is important that you continue to have a longer term growth on the silver bucket, because that silver bucket ensures your leadership on the market in the space and builds the network effect. While on the financial metrics, I think the gold and platinum will typically drive anywhere between 50 to 75% of the revenue and maybe more than 100% of the cash flow although for every marketplace it is different or for different SaaS business is different, because the whole bottom of the pyramid is to maintain leadership and create that network effect, even the freemium model is also for that. They don't contribute anything on the revenue, but we do spend sizable amount of time, money, energy on maintaining and adding freemium customers.

Manish Gupta: Yeah, very clear. Second question was that how do you track your share of competition, because it's not easy to define competition in this space?

Dinesh Chandra Agarwal: I mean if you directly define competition, direct competition which offers a very similar business model has a very large overlap with our kind of customers. We have always said Trade India and Exporters India are the two which are the nearest one. And I think both of them are private limited companies, so they file their annual returns with the MCA and that data is available, and we track that closely how we are doing and their traffic data is also available so these are the ones purely doing the similar business model.

Now then there are indirect business models where we might be having 5% to 10% overlap with different businesses. This 5% to 10% overlap could be with Google, 5% to 10% overlap could be with Justdial, 5% to 10% overlap would be from Amazon also, and I'm talking this 5% to 10% overlap on the buyer side as well as on the supplier side.

So on that side, it is difficult to define a real market share. But on the like-to-like basis, I think it's very clear, we used to probably have 60% market share at the time of the IPO. Today, we might be having much higher a market share than the IPO time.

Manish Gupta: Okay. Very clear. And my last question is that a decade very long-term down the road, do you see any chance of being able to monetise

a little bit on the buyer side. I mean we have 182 million registered buyers. There is over 50% repeat buying purchase. Do you see any opportunity where you could maybe a decade down the line, ask a buyer to pay a little bit just to participate on your platform.

Dinesh Chandra Agarwal: So let's say two things. So total 182 million people have sent an enquiry or made a call from this platform over the last decade or so. However, every year, in last year or so we have 37-38 million people who have done that. Even that number is large enough to be monetised. That monetisation is possible in 2-3 ways, people have done that. So, if you get into an e-commerce mode, where you are able to charge a convenience fee for buyer for every transaction or charge a commission from sellers.

Generally, we don't intend to necessarily promote a high commission marketplace. We take pride in saying that we are a zero-commission marketplace. Maybe 1-2% commission for facilitation is possible. Nobody in the world has proven that big time. Our payment subsidiary, whatever revenue that we generate, that's all of it, 100% of it from this buyer monetisation, because we only charge buyers, for the sellers, yes, I mean, the buyers pay for the credit that they avail through credit card or other methods.

Tomorrow, whether we'll be able to find a product like Amazon Prime or Zomato Gold, we don't know. We haven't seen that happening much in the 1688 in China. But yeah, you never know. Thank you.

Manish Gupta: Thank you.

Moderator: Thanks Manish. Next question is from the line of Mr. Rahul Jain from Dolat Capital. Hi Rahul. Please go ahead with your question.

Rahul Jain: Can you guys hear me?

Dinesh Chandra Agarwal: Yes, we can hear you.

Rahul Jain: Yeah, thanks for the opportunity. Basically, wanted to understand slightly more in terms of what we are doing to increase the ARPU and at the top end of your subscriber base, where possibly the increased activity on the digital side, maybe helping them to value our platform and proposition slightly better. So we've been seeing that ARPU number going up, but if you could share some of the inputs in terms of what we are doing to ensure that we are able to get more and more from that top 25K customers and beyond?

Dinesh Chandra Agarwal: Thank you, Rahul. So historically, I think I've talked about this maybe two years ago in the concall, but not recently. So historically, we have had a very similar all category, all cities or all locations

based pricing for silver, gold, platinum, all customers. So our leading supplier, our star supplier packages used to be agnostic of the number of categories or number of locations as many as you deal into. Over the time, we have moved to limiting the number of categories as well as increasing this monetisation. Then I think we move to location and category combination. We are now in the process of moving to purely and purely category-based pricing, category-based pricing framework.

So instead of you buying x number of category, you buy one, one category separately. And that itself actually reduces the overall input entry price point, but at the same time gives us higher ARPU for customers who actually use that properly. So effectively, if you see the ARPU of top 10% customer, that has grown significantly over the last many years. And if you actually subscribe most of the ARPU gain has come in typically from top 10% customers only. I think that's already built in, and these are the two, three initiatives that we have taken.

Rahul Jain: So when you say categorisation, is there some focus on keyword monetisation's also?

Dinesh Chandra Agarwal: When I say category or when you say keyword, they are interchangeable. So, our categories are so micro that they are, so cotton shirt would be one category, full sleeved shirt would be another category, designer shirt would be another category. So these are very similar to keywords and categories. So, we don't sell category separately and keyword separately. So when you buy a particular category, you get that keyword also as a search keyword.

Rahul Jain: Right, so players with more number of SKUs and scale players are eventually the player where the ARPU monetisation could be far superior.

Dinesh Chandra Agarwal: Yes and no, because if you have less number of SKUs or categories or keyword, in fact, it might be more useful for a customer like that to use our online platform because here, the targeting is very accurately possible, while for a brand or for a customer who owns multiple keyword and multiple category or multiple SKU, there might be other avenues of promotion. So like the traditional dealer distribution or going to slightly mass media of advertising. But if you have a very unique product and unique pricing, a unique location targeting, then I think. So it helps in both the cases. I can't say one over the other.

Rahul Jain: Right. And last bit on these categories that we defined some 97,000 odd category that we have. Is there a way to understand that, of course, many of these categories are subcategories within a particular domain. So how many of these 97,000 category, you see

India has a significant TAM. Any threshold if you want to draw and say that a category is defined category of a significant size, let's assume if it has a Rs. 100 crore market in India or whatever way you want to define.

Dinesh Chandra Agarwal: So one way to look at this is instead of looking at 100K, just look at this 56 industry segment that is given here. And I think we've already given some 48 industries here. So out of these 48 industries, it is clearly visible that 8% is construction building, raw material, industrial plant machinery equipment and like that and if our total GMV is anywhere between 0.5% to 1% of GDP, that makes it about \$15 billion to \$30 billion. Now based upon that, even 1% of share on that market, makes it \$150 million market.

So given that the overall B2B market size itself is more than \$1 trillion market size defining our TAM per category is slightly difficult and slightly too big for us. We are still scratching the surface or I don't think IndiaMART's existence or non-existence is creating any major difference at present but can it make a lot more difference to the economy in 5-10 years? Yes.

Rahul Jain: Understood. And last bit if I can. Basically this churn issue that we are facing because of potentially the price hike factor. So is it any change in the existing churn behaviour of the existing customer that we have observed or it is simply that the gross addition number is not picking up with the increased pricing, which is resulting into net small addition per quarter or it's a combination of both?

Dinesh Chandra Agarwal: Let me again clarify. The price increase has nothing to do in the short-term on the churn because they are still less than 10% of the total customer base added in the last 4-5 months. Price increase typically have the early effect on the gross addition. The churn is obviously because we used to add about 20K odd customers per year and last year, we added about 34K customers. Now that sudden influx of this new customer is one reason that we have seen even in the past after FY16 and FY17 and now also.

So that's one reason. But I think it cannot be just one reason. It has to be a combination of our sales and service, tier mix, industry mix, product performance. So I think all of that, we will be able to probably fix the gross addition, which will probably take our net customer addition a little higher than what we have delivered in the last two quarters. But for us to be able to do consistently 5K to 8K, I think we need to fix the churn for sure. And that is not the easy one to fix. It generally takes time to fix back.

Rahul Jain: Understood, thank you. That's it from my side.

Moderator: Thanks, Rahul. Next question is from the line of Ms. Ruchi Mukhija from Elara Security. Hi, Ruchi, please go ahead with your question.

Ruchi Mukhija: Hi, am I audible?

Moderator: Yes, Ruchi.

Ruchi Mukhija: Many of my questions are already answered, so two bit. One, you have top 10 paying suppliers, which today makes 46% of the revenue. They have been growing at a faster rate than the company for consistently nine quarters (more than two years). Now this quarter there is a divergence to this trend. So could you update us regarding your client mining effort for this bucket? And is there any strategic change. That's question number one.

And secondly, for the silver category where we are highlighting that the churn rate was higher. Have you already put in place some mechanism to curtail that churn? I understood you have got that the results may come with a lag, but have you already started and which are those steps that we have already taken.

Dinesh Chandra Agarwal: On the churn side, I think I've already answered two-three times repeatedly the similar answer. So I don't have anything else to add. On the top 10% customers revenue share, I didn't understand what you are pointing at this quarter being different than the previous 7-8 quarters.

Ruchi Mukhija: So this 46% of the top 10% of your paying supplier for, I would say, previous nine consistent quarters, more than two years have grown at faster rate than the overall IndiaMART standalone business grew. This quarter, their growth was lower than the overall company growth, not material difference, but still lower. So trying to understand the client mining effort or I would say, upscaling in this bucket. Is there some strategic change? And do you expect that this pace of growth to cool down further? Or how to look at this?

Dinesh Chandra Agarwal: So it is top 10%. So if my total customer base has grown only by 2,000. It is the top 10% of the customer base that also has grown by 200 only. So that's about it. There's nothing else to read here.

Ruchi Mukhija: Nothing else, okay.

Dinesh Chandra Agarwal: It's just a statistical number.

Ruchi Mukhija: Got it. Thank you.

Moderator: Thanks, Ruchi. 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, ladies and gentlemen for joining our second quarter conference call. We have tried to address all the queries in the available time and whosoever have raised hands. But still, if I could not take anybody's question, please feel free to contact our Investor Relations team, and we'll be more than happy to answer that. Wishing you all the very best on this upcoming festival times, a very, very Happy Deepavali to all of you and wishing you a very prosperous New Year for all of you. Thank you very much.

Moderator: Thank you, everyone. On behalf of IndiaMART, we now conclude this webinar. Thank you.

Notes:

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