Webinar Transcript

Event: IndiaMART Q4 FY2024 Earnings Webinar

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CORPORATE PARTICIPANTS:

Mr. Dinesh Chandra Agarwal – Chief Executive Officer

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Mr. Prateek Chandra – Chief Financial Officer

Mr. Avijit Vikram – Head Investor Relations

Avijit Vikram: Good evening, Ladies and Gentlemen. I'm Avijit Vikram, Head of Investor Relations. On behalf of IndiaMART InterMESH Limited, I welcome you all to the company's Q4 and FY 2024 Earnings Webinar. As a reminder, all participant 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 team, we have Mr. Dinesh Agarwal, Chief Executive Officer; Mr. Brijesh Agrawal, 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 call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to Slide No. 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 sir.

Dinesh Chandra Agarwal: Good evening, everyone and welcome to IndiaMART's FY '24 earnings webinar. We have circulated our earnings presentation, which is available on our website as well as on the stock exchange websites. I'm sure you would have gone through the presentation, and I would be more than happy to take any questions afterwards.

I'm pleased to report that IndiaMART has delivered a Consolidated Collections from Customers of Rs. 484 Crores in Q4 and Rs. 1,474 Crores in the full-year representing a year-on-year growth of 16% and 21%, respectively. Deferred Revenue grew by 24% to Rs. 1,440 Crores on Consolidated basis. Consolidated Revenue from Operations has grown by 17% to Rs. 315 Crores for the Q4 and 21% to Rs. 1,197 crores for the full year.

Unique Business Enquiries have also shown some good growth this year to 24 million representing a YoY growth of about 14%. Total Paying Suppliers have grown to 214K. The Net paying supplier addition was slightly improved from about 1.8K suppliers last quarter to 2.7K suppliers in this quarter. As we have been communicating since the last two quarters, we continue to see more than anticipated churn on first year silver customers. Our Platinum and Gold customers, which constitute approximately 50% of our customer base and 75% of revenue, continue to have very low churn and continue to grow healthily in terms of ARPU as well as numbers both. As soon as we see improvement in the churn on the silver customers, we would come back with a better guidance on net addition per quarter.

As we continue to strengthen our organization and leadership, we are set to welcome Mr. Jitin Diwan, who would be joining us as CFO designate from May 15th and would take over the role of CFO from June 15th. Mr. Prateek Chandra, who has been with us as Chief Financial Officer for almost nine years now, would move on to become the Chief Strategy Officer and focus more on inorganic growth, including exploration of mutual synergies between IndiaMART and its investee companies.

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 Rs. 18.1 crores in Q4 and Rs. 69.7 crores in the full year. This represents a year-on-year growth of 29% and 45% respectively. The Revenue from Operations, grew by 24% year-on-year to Rs. 14.4 crores in Q4 and it grew by 23%, to Rs. 53.3 crores for the entire year. The Deferred Revenue has grown by 59% to Rs. 43.5 Crores. Busy has also generated positive cash flows from operations of Rs. 6.1 Crores during the quarter and Rs. 24 Crores for the full-year. During the quarter, we also sold 9.5K new licenses, taking the total count of licenses sold to 364K. The new licenses sold during the entire year are approximately 33K.

The overall performance has been in line with our expectations and we are focused on maintaining our growth rate in the coming year as well. With this, I will hand over the call to Prateek so that he can discuss about the financial performance.

Prateek Chandra: Good evening, everyone. I will take you through the financial performance for the quarter and the fiscal year ending March 2024. Consolidated Collections from customers was Rs. 484 Crores in the fourth quarter and Rs. 1,474 Crores on a full year basis, representing a year-on-year growth of 16% and 21%, respectively. IndiaMART Standalone Collection from Customers for the quarter were at Rs. 465 crores and for the full year were at Rs. 1,399 crores, registering year-on-year growth of 16% and 20%, respectively.

The Standalone Revenue from Operations stood at Rs. 299 crores for the quarter and Rs. 1,139 Crores for the full year, registering year-on-year growth of 17% and 21% respectively. Our growth in revenue was primarily driven by a 6% increase in paying suppliers and 10% improvement in ARPU due to higher monetization. Deferred revenue stood at Rs. 1,440 crores, an increase of 24% on YoY basis.

EBITDA of IndiaMART standalone business stood at Rs. 90 crores for quarter four and Rs. 334 crores for the full year, representing a margin of 30% and 29% respectively. Consolidated EBITDA was at Rs. 88 crores for quarter four and Rs. 331 crores for the full year representing a margin of 28% for both the periods. Consolidated net profit for the quarter was Rs. 100 crores, which included one-time net fair value gain of Rs. 29 Crores on account of revaluations of few of our investments, primarily Procmart due to their recently concluded fund raise activity.

Consolidated cash generated from operations was Rs. 260 Crores for quarter four and Rs. 559 Crores for the full year. Consolidated cash and treasury balance stood at Rs. 2,340 Crores as of March 31, 2024. Board of Directors have also recommended a final dividend of Rs. 20 per equity share for fiscal year 2024 subject to approval of the shareholders at AGM. Thank you very much. We are now ready to take any questions.

Question-and-Answer Session

Avijit Vikram: 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 moments 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 Subbaraman: Yeah. Hi, thank you for the opportunity. This is Vivekanand from Ambit. So, my two questions. The first one is on collections. The last two quarters, we have been seeing that the standalone collections have been growing at 16% year-on-year, materially below the trajectory, the 20% plus trajectory, that Dinesh, you keep highlighting. I understand some of this could be due to churn, which may be temporary. But your aspiration was to grow collections at 20% to 30% CAGR and now collections is growing at a materially slower pace. So just wanted to get your thoughts on the extent to which the market is penetrated, and are there any other challenges that you see that are perhaps symptomatic of this issue, which is obviously a very big one for investors.

The second question is on the margin trajectory. We are seeing that the margins are improving. Costs seem to be under control, not growing at the same pace as before. Could you help us think through the margins for the standalone business over the next two, three years and the key levers? Thank you.

Dinesh Chandra Agarwal: Thank you, Vivekanand. Yes, you rightly highlighted that last quarter our collections grew by 17% and this particular quarter, our collections from customers grew at 16%. So, as you rightly highlighted, that the number of customers, net customer addition has not been growing for the last four quarters or so and that is putting a pressure on the collection which is only coming from the ARPU.

So if you really see out of the 16% or 17% collection growth that we're getting, only 6% is coming from the new customers, while most of the other 10% is coming from ARPU growth per customer. We were hoping that, we will get another 2-3% increase in the customer base per quarter, which is happening. Last quarter, we added the lowest of our customers at 1.8K customers and this quarter, we have added 2.7K customers.

I'm hopeful that slowly and slowly, we will improve on net customer addition and my aspiration, as you rightly said continues to be 20-25% in the collection growth. 30% at this juncture on a standalone basis sounds little difficult, but yes on a consolidated basis, I continue to have an long term aspiration for 33% of the collection growth or revenue growth. Is there anything else? Nothing materially that I can, say.

One thing that I can probably point out is that we have continuously found ways on the Platinum customer to improve the ARPUs and as we are slowly and slowly implementing the category based pricing, some of those customers are taking little more time than anticipated to convert to higher value packages. So that could be just one, but I am not yet able to definitely say that other than the customer churn, anything else is doing that.

On the margin side, as you can see two, three things have happened. One, we got our last quarter annual increment effected from the 1st December instead of 1st January. So some of it is helped by that. Secondly, if you see, on the sales and marketing side, we have continued to improve quarter-and-quarter in terms of sales and marketing cost so while it used to be 20% in the FY '23. It has come down to 18%, and in this quarter, it is 17%. How it has been happening?
Because as I promised you, we are going to probably cut down a little bit from Tier 4 and nonprofitable places, so that optimization and focusing on more core markets has been able to do this. Some of it could be productivity gain. Also, the overall cost base which had grown very rapidly from mid of FY '22 to mid of FY '23 because we were hiring heavily on the product and technology front also. So, if you see, there is a consistent drop from 19% to 17% as the revenue from operation. So that is also helping and maybe a very little coming from the general and administration. General administration is not coming much because most of the juice has already been taken out.

But as the revenue will continue to grow, maybe a few bps every year, we will get from there. So, from that perspective, I can assure you that, we are now feeling lot more confident of 30% plus margin. And maybe we will improve by 1% every year, going forward from here. Thank you.

Vivekanand Subbaraman: Thank you, Dinesh, for the very elaborate answers. Just pressing a bit further on the collections point. How confident are you to resolve this issue, with respect to churn? Because this is the third quarter that churn seems to be cited as a key issue, and you don't yet seem to have the answers to resolve the elevated levels of churn and, if I may also add, could you help us understand the churn levels in percentage terms across the key customer buckets? Thank you.

Dinesh Chandra Agarwal: So as I said, in the platinum customer, our churn are like a 0.5% per month or 6% to 7%, 8% per annum. On a gold, we continue to have 1% per month or 12% to 14% per annum. On the silver side, on a silver monthly, we are like 7% to 8% per month and on the silver annual, we are running at about 40% per annum. So these are the churn metrics that I repeated last time also. Very little improvement even if we get 1% per month improvement, in the tele monthly or the silver monthly, what we call internally, and silver annual. I think we would be suddenly looking at double the net customer addition from here on. So I hope that over the next quarter or so, I should be able to give you some positive results, but that's the only thing I can say for now.

Vivekanand Subbaraman: Sure. Thank you, 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: Hi, thanks for the opportunity. Dinesh, my first question is on the collection side again. Just want to understand last time when we discussed the commentary by you was that collection be, will go back to 20% plus in coming quarters and given the collection slowdown further. So, while supplier addition part was part of the expectation, I believe. So was there some disappointment, even on ARPU side, and that's what led to collection where they are? Also, while ambition is to may get back collection to 25% or 30% growth. Any guidance for FY'25 for coming quarters, given supplier addition, continue to remain lower?

Dinesh Chandra Agarwal: I'd continue to hope for a 20% plus collection but Prateek is telling me to say Holi was in the last week in March. I don't want to take that face behind the shield. But all said and done, I think 20% collection is doable. We should have done that, purely and purely it could be one day here and there, miss. But 20% collection is doable, and I'm confident and I continue to be confident that we will deliver a 20% collection growth in coming quarter and coming many quarters.

Nikhil Choudhary: Sure. There is further improvement in other few KPIs, that especially registered buyers increased further. Last time you mentioned that, it could have increased due to some scraping or something, or web crawling or something. But, is this improvement now a sustainable trend or organic trend? And do you think this will lead to improvement even in purchasing our unique business enquiry increasing? Because, while the unique business enquiry increased 14% YoY from a lower base, it's at a similar level what we were seeing in Q2. So from that level, we haven't seen a material improvement in business enquiry. So, is the registered buyer can be seen as early indicator there?

Dinesh Chandra Agarwal: I think you should always focus on unique business enquiries and unique business enquiry number has grown handsomely by 14% this quarter also, and 14% last quarter also. So, effectively, if you see FY'22 and FY'21 were both COVID years and during the COVID, we have gone through a lot of shortage for a lot of medical devices and medical related items, food and food related items. Now that world has gone back to physical world, we show a very little drop in unique business enquiry in FY'23 and FY'24.

We are almost back at FY'21 and FY'22 numbers. Effectively, now we are consistently doing 23 million, 24 million per quarter. So I'm confident that next year we will comfortably be looking at 100 million plus unique business enquiries. So I don't get, where are you saying that 14% was last quarter also and this quarter also.

In terms of the registered buyers, as I said, a lot of scraping nowadays is very common for very popular website and, people also come and try and see if this particular number or this particular email has an account on IndiaMART or account on Facebook or account on Amazon or account on Zomato. So, there are a lot of these advertising companies that are also trying to collect this kind of data from different mechanism. So that is why I don't rely too much on the registered buyer numbers or the traffic numbers, more so on the Unique business enquiries numbers.

Nikhil Choudhary: Sure. Understood. Last one on margin. Margins were very strong, similar to last quarter. Even though you highlighted that wage hikes started from December this time. Still, on QoQ basis, the margins were more or less flattish, despite of two month of wage hike in Q4 and clearly, sales and marketing is the one part where there was hardly an improvement on QoQ basis, despite, general trend what we've seen in previous years that you pay large bonuses. Is it fair to assume that that benefit is largely due to lower bonus payment?

Dinesh Chandra Agarwal: No. So if you will see the customer service cost, the most of the bonuses will go into the customer service, because they come for renewal and upsell. On the sales and marketing, if you see on quarter-on-quarter, this is the new customer acquisition engine. Most of the bonus will be and bonus this particular year also, if I remember correctly, it was higher by 40% from the previous year same quarter. So I don't know which number you are referring to.

Nikhil Choudhary: Sure. Understood. The only point, last one I have is regarding the employee edition, which was about 200. Just wanted to confirm is, this edition was for the full quarter or this 200 addition was during the end of quarter? That's from cost perspective?

Dinesh Chandra Agarwal: I don't have that detail.

Nikhil Choudhary: Sure. Thank you. Good luck for the coming period.

Moderator: Thanks, Nikhil. Next question is from the line of Swapnil from JM Financials. Hi, Swapnil. Please go ahead with your question.

Swapnil Potdukhe: Hey. Thanks for the opportunity. First, I wanted to understand on the breakup of the collection's growth, which is around 16%. So what I understand, obviously, it includes the paying supplier base and then the ARPUs but there is also a third element, which is basically the average tenure, or customers are taking a longer period tenure instead of a one year or a monthly plan. So that also supports collections growth if I'm not wrong. So just wanted to understand. So, if I were to break it down, what would be the collections growth attributable to, because some of the customers would have taken longer tenure plans within that 16%.

Dinesh Chandra Agarwal: Thank you, Swapnil. I don't have that particular number, handy. Not much of a material change, because on the multi-year customer mix, so annual and monthly mix, annual has definitely increased by 4-5% because monthly customers, we have tried to discontinue from Tier 4 towns. But you want to add something?

Prateek Chandra: Yes. Swapnil, just to clarify, I think when you're looking at ARPU, that is essentially the revenue numbers, which is a result of the collections done in the previous quarters, because 80% of the revenues is coming in from the opening balance of deferred revenues of that particular quarter. So when we look at collection for the quarter, the 6% is, let's say the customer growth and you can say roughly around 10% is an ACPU growth or collection per customer growth. So most of this growth is largely from the gold and platinum customers.

Dinesh Chandra Agarwal: No. But he's asking annual versus multi-year.

Brijesh Kumar Agrawal: Had there been a change in the mix?

Prateek Chandra: No. The mix had been pretty similar.

Dinesh Chandra Agarwal: It's just that total customers or count of the annual and multi year has grown. Gold and platinum customers count has grown. Not a material change there? And that's also visible in your deferred revenue schedule. So if you really see deferred revenue schedule, the current and non-current portion haven't changed materially.

Swapnil Potdukhe: Okay. I take your point. But if I were to just understand it a bit more. Typically collections mainly comes from the renewals or people in the gold and platinum tiers because silver, inherently contributes very less to the collections and my sense is like, the 80% of the collections comes from the premium categories versus around 15% to 20% from silver. So why would a churn, so my question is, why would a churn in silver category impact your collections growth? I mean, if it contributes just 15% to 20% to your collections, why is your collections growth slowing down then?

Dinesh Chandra Agarwal: Yeah. Very right question, and that should have slowed down only by 1% or 2%, not by the 4 or 5%. You're right. So that 4% or 5%, because what happens if there is a continuous low growth in the customer base, our ability to upsell from the silver to gold to platinum also gets limited. So the collection growth, while you are right, it comes from gold and platinum, majorly but it's been four quarters or three full quarters where we have not been able to grow customer base significantly.

Every time we add 5,000, 6,000, 7,000 customers, we also add a pipeline to gold and platinum, which will give you a nine months later or a six months later. The same customer will go to the gold or platinum and give you Rs. 1 lakh there. I explained this earlier also when this has started happening that, if the net customer addition is one quarter here or there, I'm not bothered about long-term growth opportunities. But if the customer addition for 4-5 quarters going to be affected, then it will start to show up in collection first.

Collection last quarter was 17% growth, and the revenue was still growing at 21%. This quarter, if you see collection growth has also come down to 16%, and revenue growth has also come down to 17%. So if you take our business, customer growth, followed by collection growth, followed by deferred revenue growth, and followed by revenue growth. So they all will show up one or two quarter after the thing. So if something goes wrong for a continued long period of time, it's more like a 100 day moving average.

So, if number of customers for 365 days have not been adding up to the expectation, the collection will start to slow down. If the collection will start to slowdown, a deferred revenue would start to slowdown and if deferred revenue would start to slowdown, the revenue would start to slowdown. So that's what we are seeing, and I am hoping that customer growth would take a U-turn from here on and over the next two, three quarters, it should come back to our 5,000, 6,000 normal customer growth.

Swapnil Potdukhe: Okay. And one more question, with respect to the churn itself. Now you in the opening remarks, you mentioned that, the churn is happening mainly in the first year silver monthly customers? And I'm presuming, they would be onboarded at an average realisation of around 2,500, which was the norm prior to the May hike that we took. So if we are not able to retain these customers who were there at 2.5K per month. And now we have taken a 20% hike in May. What is the confidence level of you have to keep on adding customers at 5,000, 6,000 that you just mentioned?

Because, I would presume the customers who are on a lower realisation, they would be, you can retain them far easier than someone who is on 20% higher realisation. And we are seeing the challenge in the low tier.

Dinesh Chandra Agarwal: One, I think our price was Rs. 3,000 plus tax, just pre-COVID. We brought it down to Rs. 2,500 during the COVID because we wanted to support the thing. The churn did not go out of hand in the May, until March 2023. And you may be completely right that is this Rs. 500 that is causing this churn to happen? While all our understanding is that it is purely and purely affordability item. It has nothing to do with the conversion item or stickiness item. People who want to try at that point of time, it does matter. So our gross additions should suffer, and they did suffer.
But on a trial basis, if somebody tried it for a month or two or three, either he will get enough value that it will be more than enough for a Rs. 2,500 or Rs. 3,000 even for a Rs. 5,000 customer. It is the entry level which is more problematic. Post Rs. 3,000 to Rs. 6,000 there are very few customers who want to continue on a monthly basis. They would either move to a trustseal or move to a maximiser or move to a star supplier, within a year or 18 months of time frame. There are very few customers who stay for second year or a third year on a silver monthly customer.

In the silver annual, yes, you can say that almost 50% of the customers will continue even in the second year as a silver annual, but not in silver monthly.

Swapnil Potdukhe: But then what is the confidence that we would be able to do 5,000 to 6000 additions that you just mentioned, next year, given that this issue may persist next year as well?

Dinesh Chandra Agarwal: As I said, I've been trying. I can only say I'm trying. Reducing the price won't help. That much, I can say.

Swapnil Potdukhe: Okay. Got it. Thanks for the opportunity and all the best.

Moderator: Thanks, Swapnil. Next question is from the line of Samarth Patel from Equirus Securities. Hi Samarth, please go ahead with your question. Okay. We could not connect with Samarth Patel. We'll take question from Mr. Anirudh Shetty from Solidarity Advisors. Hi, Anirudh, please go ahead with your question. Anirudh, please unmute yourself.

Anirudh Shetty: Yes. Hi, am I audible?

Dinesh Chandra Agarwal: Yes, you're audible.

Anirudh Shetty: Thank you for the opportunity. Just a couple of questions from my side. So just one question is, as we aspire to grow collections at 20% plus, is it fair to assume that the unique buyer enquiries also must grow at a similar pace? Because finally, it's the buyer enquiries that feeds our customer addition growth or ARPU increase over time and if that's true then, do you think that the business enquiry growth that we're looking to achieve, which is say 93 million going to a 100 million, would that be sufficient to kind of drive that growth? So just wanted to understand, how are we thinking about long-term business enquiry growth to kind of achieve our aspirational collection growth?

Dinesh Chandra Agarwal: Yeah. So if you see our traffic and active buyers and unique business enquiries over a long period of time, have grown at 20% CAGR growth rate, while our paying suppliers have grown at 15% CAGR. So we still have sufficient enough margin and this is on a CAGR level. To monetize customers better by doing a better matchmaking so I don't think it's the number of buyers. Yes, number of buyers would help. But is that a limiting factor for us, over the next few quarters or few years?

No, so over a longer period of time, even if my unique business enquiries grow by 15%, I think we should continue to grow by 20% in terms of the collection growth. For now, even if we are growing at 10% because we had excellent jump from FY'22 to FY'23 at 30 odd percent, I think we are fine there. It is not because of the less number of buyers that we have. Yeah. It is because of the kind of buyers that a supplier is looking for or the location in which a supplier is looking for, that is not happening. And most of the time, we are still finding the supplier's own ability to understand and put enough time and energy on the platform to be able to convert those leads.

So they say that, you have enough leads, but we could not convert them because the buyer was asking for too much of a discount. We did not do enough follow-up. So those are one of the important pieces of churn. But yes, more buyers would definitely help and we continue to find ways to serve the buyer better so that we can have more repeat buyer because in terms of the total registered buyers or in terms of the last 12 month active buyers, we are already reaching almost 40 million active buyers.

Looking at the B2B market size, I mean we might be already 40% penetrated in terms of the buyer side base. I just keep assuming that there would be a 100 million B2B buyers in India whom we can attract on a yearly basis. How many of them we can attract on quarterly basis, on monthly basis? That is the more important piece for us. Hope that answers.

Anirudh Shetty: Very helpful. And say if the market is 100 million, we are at 40 million, do you think at some point advertisement could help to attract more buyers and from frequency of transaction perspective, just getting them to do more, transact more in your platform. What are the levers that we have available there?

Dinesh Chandra Agarwal: Yeah. So when we get a little bit handle on churn, I think we will try and address the buyer churn also. First, let us get some comfort on the supplier churn and then will come to the buyer churn.

Anirudh Shetty: So my next question is on the gross profit margin. The last couple of years, gross profit margin seems to have come down. Just want to understand the reasons and going forward, where do you think the gross profit margin could settle?

Dinesh Chandra Agarwal: So pre-COVID, it was 72%. Now we are 73%. I mean FY'21, FY'22, were anyway different years, and then we got back all the investment in place. So I think we are doing fine and we'll continue to probably improve by 1% from here on.

Anirudh Shetty: So we should see an improvement in when you say EBITDA margin can improve by 1%, is that primarily going to come from gross profit margin improvement, or we could see?

Dinesh Chandra Agarwal: I think it'll come more from the bottom, less from the gross profit margin. Gross profit margin might improve by 0.5% or so but sales and marketing and technology and content, I believe we should be able to. I mean, it's a combination of all of them, but not on a quarterly basis, but on a yearly basis when we will draw the trend, we will know but I'm more confident that we should be able to do more than 1% for sure.

Anirudh Shetty: Got it. Thank you for taking my questions. That's it.

Moderator: Thanks, Anirudh. Next question is from the line of Abhisek Banerjee from ICICI Securities. Hi, Abhisek. Please go ahead with your question. Abhishek, we can't hear you.

Abhisek Banerjee: Hello, can you hear me now?

Dinesh Chandra Agarwal: Yes, Abhishek.

Abhisek Banerjee: Just trying to understand on the manpower cost, right, the net additions have been low for almost the last four quarters. So by now, we would think that manpower should have come off a little bit in terms of additions. So what is your outlook going ahead? And also this quarter, I saw that the outsourced sales cost has actually declined on a sequential basis. So is that indicative of a strategic call to not outsource as much anymore? Because some of the churn was also due to this.

Prateek Chandra: So, Abhishek, Prateek here. So if you recollect in the last quarterly call, we communicated that from a sales outsourcing standpoint, there were two kinds of outsourcing. One, we had a channel partners arrangement and up to around 40% of these sales were coming in out of that arrangement. So that continues to be as it is. We continue to build on that piece.

The second kind of an outsourcing was, where we have outsourced sales and it was more the temp staffing companies like GI, Spectrum, these types of companies. That part is what we were looking at building the sales team in house and reducing dependence on those kind of temporary sales staff.

So that was a movement that we planned for the teams and that is supposed to be done in two to three quarters time frame. So half of that movement has happened. So that's why you see a reduction in the outsource sales cost to that extent. And that cost would have got added to the manpower cost. Other than that, it has been the normal increments and the headcount increases in the other functions if there is.

Dinesh Chandra Agarwal: And that is why you are not seeing the manpower cost declining because some of the outsource sale cost has shifted to the manpower.

Abhisek Banerjee: Understood. So also, with regards to the additions, right net additions, given that from Q1 FY'24 is when you had the problem of churn so by this time probably, most of the people who were on the verge would have churned out. So that kind of implies that Q1 FY'25, the churn numbers should come down pretty sharply. Is there something that I'm missing in this analysis?

Prateek Chandra: Sorry, Abhisek. We could not understand, the relation of 1 year that you are drawing.

Abhisek Banerjee: No. So I'm saying, see the people who were churning out were mostly silver monthly and silver yearly customers. So I would imagine that the people who were churning out, I mean the less valuable customers would have churned out within a year's time frame. Because, all their subscriptions would have expired. So from Q1 FY'25, we should not see the same problem.

Prateek Chandra: So, Abhishek, this is, like, let's say the customer acquisition and the churn is like it's a monthly progress. It didn't happens every day. So it will continue to be a cyclical issue. The only thing what we saw in the last year was that, since we started acquiring customers a year before, the proportion of the first year customer to the overall customer base was slightly higher and because of which, since in the first year customers there was a higher churn. You were seeing that kind of your churn.

So only as a proportion, if that mix improve, that benefit would certainly be visible. However, the churn rate, if I compare it on, like-to-basis on the silver customers, specifically the first-year customers, whether in a monthly or on an annual basis that continues to stay at the elevated levels as we said.

Abhisek Banerjee: No. That I understand. But just now, you also spoke about the first year customers? So, obviously, if the net additions have been on the lower side in the last one year.

Dinesh Chandra Agarwal: You are right. So if the net additions are lower, the first year, churn should come down, on a yearly basis because the net addition itself is lower. So that should help us by some margin.

Abhisek Banerjee: Great. Also, if I were to try and understand the strategy for monetising the other part of the supplier base, who are not paying anything right now. And I know I mean, this is obviously much easier said than done. But is there something that you're working on? Because, see on one hand, I completely understand the value added offerings that you are giving for your platinum customers. I mean, for people to be moving to the higher end of the spectrum. But at the same time, there is obviously need for a platform to be a place for just converted businesses, I mean, largely offline businesses to just come online and exist or to create a foothold on the online part. So what is the strategy? Is there any way that some kind of monetisation can be worked out here?

Dinesh Chandra Agarwal: I mean, we tried in the past by way of Ratoon or things like that. I mean, you're saying that is there a value in charging a life time free, or at a very low cost with no ROI, free listing in a directory?

Abhisek Banerjee: Yeah.

Dinesh Chandra Agarwal: I mean, monetising something, Rs. 1,000 a year, the cost of sales is too high. The cost of sales is too high, but it's a good idea. We will try once again to see if there is something that we could sell for Rs. 1,000 a year.

Abhisek Banerjee: Perfect. And in terms of the overall consolidated performance, I was a little surprised to see that Busy on a yearly basis has not really outperformed on the profitability part. Anything that you would like to call out there, and if there are any corrective actions that are being put in place?

Dinesh Chandra Agarwal: I don't think we should look at the profitability of Busy. My continuous recommendation to Busy is to have zero EBITDA and invest all the money that they can generate into growth. So I'm not, even looking at Rs. 1 crore quarterly EBITDA, as being something substantial. My only advice is that, don't go into negative, but don't try and chase Rs. 2 crore, Rs. 3 crore EBITDA every quarter. Or Rs. 2 crore, Rs. 3 crore of EBITDA every year.

Brijesh Kumar Agrawal: And the other thing Abhishek there is, if you see, our deferred revenues have grown by 59%. The net billing has grown by 44%. So what you see is that, there is money that has been collected from the customer, which is yet to be recognised. So when you see the accounting EBITDA, accounting EBITDA will be on a lower recognised revenue whereas all the cost of manpower marketing that we've invested in that is already budgeted in, and that is why you see lower EBITDA there. But when you look at it on a let's say, cash-to-cash basis, the margins still are healthy.

Abhisek Banerjee: Understood. So, also, you very kindly shared a sheet on your Capex expenditures and all. There I saw some strategic investments, which were done in this year to the tune of around I think Rs. 25 crores, yes. So, what was this, if you could give us some clarity?

Prateek Chandra: These have been the follow-on investments that we've been making in our investee companies. This is the yearly number of Rs. 25 crores. So, I can give you, in fact, the entity wise breakups maybe later on.

Abhisek Banerjee: Got it. No. That's fine. I was just trying to understand if something fresh you have done or not. Okay. This is very helpful. Thank you so much for your time.

Moderator: Thanks, Abhishek. Next question is from the line of Sarang Sanil from RW Investment Advisors. Hi, Sarang. Please go ahead with your question.

Sarang Sanil: Hello. Hi. Good evening. Thank you for the opportunity. Firstly, was there any depreciation, amortisation item that has materially impacted this quarter? And should we expect this run rate to continue, because we saw quite a jump this quarter?

Prateek Chandra: Yeah, Sarang. So, in this particular quarter, other than the regular depreciation, there is a one-time impairment charge on our right of use of land that we had. During the quarter, the land, it is there, in Sector 75, Noida and during the quarter, we've received the cancellation notice from the authorities. And while, there is a provision to file an appeal against that particular order, and we have already filed that appeal. That appeal is pending a review in front of the appropriate authorities.

But out of a conservative basis, we have taken that impairment provision. Once the outcome of the appeal is more clear, that point of time, we will revisit this provision. So this is to the extent of Rs. 3.5 crores.

Sarang Sanil: Okay. So we can expect about Rs. 6 crore to Rs. 7 crore run rate?

Prateek Chandra: Yeah.

Sarang Sanil: All right. Secondly, though in the previous call you had mentioned that moving outsourced salespeople to permanent payroll of the company does not help us on the cost side. Just wanted to double check that this strategy have not really aided our margin expansion this quarter?

Dinesh Chandra Agarwal: Yeah. The only thing is that, as you bring them in from a temp staffing payroll to a company payroll. While, most of the benefits are same, people do value a large company payroll thing. And hope that results into some percentage point reduction in the attrition or retention, which further helps us improve the productivity that helps us improve the sales and marketing cost.

Sarang Sanil: Sure. So there's no training cost per se when they use to migrate to permanent payroll?

Dinesh Chandra Agarwal: I mean, that would be immaterial to make any difference but I'm saying, the attrition has a two edged sword. One, it gives you a cost of hiring, cost of training, and the other it gets you a productivity, dent both. So in case we are able to save, a few percentage points on attrition, by moving people from outsourced to inhouse. That should generally help us save some cost and give some better productivity.

Sarang Sanil: Yeah. So in the medium to long term, it's a lever for margin. Got it. Okay. Thank you so much, and best of luck.

Moderator: Thanks, Sarang. Next question is from the line of Jasdeep Walia from Clockvine Capital. Hi, Jasdeep. Please go ahead with your question.

Jasdeep Walia: Thanks for taking my question. What is the growth in the number of gold and platinum customers for FY'24 and 4Q'24?

Dinesh Chandra Agarwal: Gold and Platinum customers, are now at about 49% of the total customer base, which was about 47% at the beginning of the year. At the beginning of the year, we were 203K customers and 47.5% of that was gold and platinum. Now we are 49% to be precise.

Jasdeep Walia: So what was the number at the beginning of the year, 46.9%?

Dinesh Chandra Agarwal: No. 47.5%. Now it is 49%.

Jasdeep Walia: Got it. And what is the growth in revenue of your gold and platinum customers for the year?

Dinesh Chandra Agarwal: I always say that approximate number I have given you, that now it is close to 75%, but it is still not exactly 75%. 73% is the current exact number of the revenue. I won't be able to give you last year's number. But last year, top 10% ARPU if you see, top 10% ARPU in the FY '23 was Rs. 214K. For the FY'24, it is Rs. 247K, which is very similar to platinum ARPU.

Jasdeep Walia: Got it. And is there any change in the churn metrics for gold and platinum customers or they remain.

Dinesh Chandra Agarwal: Nothing on the platinum side. Platinum is about 12% of our customer base or so. Keep varying because of the denominator. On the gold side, about 35% of our customer base that's where, because the numbers have gone quickly high. So there we have seen a big number. So there might be 1% churn movement from 10%, 11% to 12%, 13%, but that's about it.

Prateek Chandra: And just to clarify, the churn actually is dependent also on the vintage of the customers and the evolution of the customers. So they may like, it's vary because of these factors. However, on a like-to-like basis, there is no change as such in the gold and the platinum customer churns.

Dinesh Chandra Agarwal: They are by and large stable and by and large growing and by and large paying more money.

Jasdeep Walia: Got it. Thank you. That's all I had.

Moderator: Thanks, Jasdeep. Thank you very much, everyone. It has been a very engaging session. I would now like Dinesh, to give us concluding remarks.

Dinesh Chandra Agarwal: Ladies and gentlemen, thank you very much for joining our year end conference call. We have tried to address your queries, in the time available. But in case, any of your questions were not taken up, please do reach out to our Investor Relations team on investors@indiamart.com, and we will be able to help you from there. Thank you, and have a great day and good wishes for your next financial year. Thank you very much.

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

Notes:

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