



Webinar Transcript

Event: IndiaMART Q1 FY2025 Earnings Webinar

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CORPORATE PARTICIPANTS:

Mr. Dinesh Chandra Agarwal – Chief Executive Officer

Mr. Brijesh Kumar Agrawal – Whole-Time Director

Mr. Jitin Diwan – Chief Financial Officer

Mr. Prateek Chandra – Chief Strategy 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 Q1 FY25 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 once 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. Jitin Diwan, Chief Financial Officer; and Mr. Prateek Chandra, Chief Strategy 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 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: Thank you, Avijit. Good evening everyone and welcome to IndiaMART's Q1 FY'25 earnings webinar. We have circulated our earnings presentation, which is available on our own website as well as the stock exchange website. We are sure that you would have gone through the presentation, and we would be happy to take any questions afterwards.

I'm pleased to report that IndiaMART has delivered a consolidated collection from customers of Rs. 366 crores in Q1 representing year-on-year growth of 14%. Deferred revenue has grown by 23% to Rs. 1,474 crores on consolidated basis. Consolidated revenue from operations has grown by 17% to Rs. 331 crores.

Unique business enquiries grew to Rs. 25 million representing year-on-year growth of 15%. Our total paying suppliers have grown to 216K. As we have been communicating since the last few quarters, we continue to see more than anticipated churn on the customer base in the silver bucket. In addition to this, our new supplier acquisitions were slightly lower this quarter compared to what we have been doing during the last few quarters.

As a result, we have been able to add only 1.5K new paying suppliers on the net basis in this quarter. On the other hand, our Platinum and Gold customers, which constitute approximately 50% of our customer base and 75% of the revenue continue to have low churn and grew very well in terms of both ARPU as well as count.

We will continue to make investments and undertake measures to enhance customer experience and improve retention as well as drive deeper penetration of the paying customers in the focused cities. On the inorganic investment front, in keeping with the vision of empowering businesses digitally, we are pleased to share that we have got into an agreement to acquire 10% stake in M/S Baldor Technologies Private Limited, which operates IDfy, an integrated identity platform offering products and solutions for KYC, background verification, merchant onboarding, buyer onboarding, risk mitigation and digital privacy.

Further, as communicated in the last earnings concall as well as on the stock exchanges, we have onboarded Mr. Jitin Diwan as the new Chief Financial Officer of the company.

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

Brijesh Kumar Agrawal: Hi. Good evening, everyone. Busy has done a net billing of Rs. 23.4 crores in this quarter, representing a Y-o-Y growth of 4%. The revenue from operations have grown by 15% to Rs. 15.5 crores. The deferred revenues have grown by 41% to Rs. 51.5 crores. EBITDA for the quarter is at Rs. 1 crore with margins of 7%. The net profit for the quarter was Rs. 3 crores. The cash from operations was at Rs. 11.8 crores. During this quarter, Busy has sold 9.7K licenses, closing at total count of 373K licenses at the end of June 2024.

We are focused on growing our new customer base and increasing the overall growth rate in the coming quarters. With this, I'll hand over the call to Jitin to update about the financial performance.

Jitin Diwan: Thank you. Good evening everyone. I will take you through the financial performance for the quarter ending June 2024. Consolidated collections from customers were Rs. 366 crores in the quarter, representing year-on-year growth of 14%. IndiaMART standalone collections from customers for the quarter were at Rs. 341 crore registering year-on-year growth of 15%. The standalone revenue from operations stood at Rs. 315 crores registering year-on-year growth of 18%. Our growth in revenue was primarily driven by over 13% improvement in realisation from paying suppliers and the remaining by increase in number of paying suppliers.

Deferred revenues stood at Rs. 1,421 crores, an increase of 22% on year-on-year basis. EBITDA of IndiaMART standalone business stood at Rs. 117 crores, representing a margin of healthy 37%. This margin expansion is due to organic operating leverage, certain cost optimisation initiatives, and saving due to lower customer acquisitions. As our customer growth picks up, the margin

expansion will normalise to gradual operating leverage inherent in the business.

Consolidated net profit for the quarter was Rs. 114 crores. Consolidated cash generated from operations was Rs. 136 crores. Consolidated cash and treasury balance stood at Rs. 2,319 crores as of June 30, 2024. Thank you very much, everyone. We are now ready to take any questions.

Avijit Vikram:

Thank you, Jitin. We will now begin the Q&A session. If you wish to ask a question to the panellists, 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. Now we'll wait for a few seconds while the question queue assembles.

Moderator:

First question is from the line of Sachin from BofA. Hi, Sachin. Please go ahead with your question.

Sachin Salgaonkar:

Hi, thank you for the opportunity, and congrats on a good set of numbers. My two questions. Our first question, wanted to understand a bit more on EBITDA margin. Just wanted to double check that there is no one-offs associated with that and should we consider this as a steady state EBITDA margin going ahead. Of course, as in how the operation leverage comes, you might see a bit of an improvement. So that's question number one. Question number two, wanted to again understand a bit more on net adds. For last few quarters, it's hovering in the 2,000 odd range. When should we see an inflection point coming, where these net adds accelerate going ahead?

Dinesh Chandra Agarwal: Mr. Jitin, you want to take up the EBITDA margin question?

Jitin Diwan:

Sure. Thank you, Sachin, for your question. So EBITDA margin is 37% for the current quarter. So, if you see about 2% to 3% was the operational leverage, which we were supposed to get, because in Q4, there are higher collections and therefore collection related costs will also be there, which has not been in Q1. So that is one. Second, then we, got doing few cost optimisation initiatives in the last few quarters, which have been now realised and therefore, there is a saving which is structured.

And then the last bit of it is since, as you know that the customer addition is on the lower side and therefore the cost related to that is also on the lower side. Once it picks up, then the cost will again be there on that side and therefore, you will see lower EBITDA margin to that extent.

Dinesh Chandra Agarwal: And just to add, April and May are generally the examination time. So most of the joinings that you have seen in the headcount are, June, later half joining as well as some of the joinings have happened in July. So some of these costs will come back, so we expect the margin to taper off a little bit from here, maybe at around 33-34%, and that should be the steady state margin from now on. On the net add side, as I said, the churn in the silver monthly and silver annual buckets continued to be stubborn while we have taken certain steps to avoid churn in the Tier 3, Tier 4 cities.

So we have stopped onboarding customers which were traditionally high churn location or high churn areas. But the results of that are yet not visible because the main cities are also affected by churn. So I think we continue to make adjustments into our product as well as our strategy to see, what is the change expectation from the market or what is it that we are not able to find correctly.

And the only thing that I can say is that we are continuing to work on that side. I don't want to press the paddle on the gross addition until we have got the handle of the churn. So, let's wait for another two quarters to see if the churn is able to come under control, and we are able to get back to a higher customer addition.

But on the margin side, as we said, if you really see in the last year, year and a half, we have consistently improved on the margin from 26%, 27% to now 34%, 35% range.

Sachin Salgaonkar: Thank you. Just one quick follow-up out here. Assuming what you said, let's say for next couple of quarters, at least for six months, the net adds remain at these levels. Could we assume EBITDA margins be high to current levels? And then, eventually, as the net adds pick up, the margin should normalise to 33%, 34%. So, ideally and logically, for next few quarters, margin should be in the range of 36% and when your net adds pickup, that should normalise to 33%, 34%. Is that a fair assessment?

Dinesh Chandra Agarwal: No. As I said, from 37%, I think the 3% will immediately come back so around 34%, I am pretty sure that we should be able to deliver over the next two quarters. I cannot comment, when the net adds increase, whether we'll go to 33% or whether we'll be able to maintain 34% by then.

Sachin Salgaonkar: Got it. Thank you.

Moderator: Thanks, Sachin. 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. So, my question is, do you try to ascertain if the pricing is acceptable to your clients in the sense that the cost that they're incurring on IndiaMART, is it driving value for them? So, as of now, the ARPU, the increase at 13%, it's pretty high, and it looks good on the presentation the margins have increased. But, does it make sense to actually reduce pricing and drive net adds? And let's say let the margin remain at 29%, 30% which was the case last year. So, I just want to hear your thoughts, because if the pricing is beyond the means of the customer, you might face even more customer churn in future, which is bad for the long-term health of the business?

Dinesh Chandra Agarwal: If you see the breakup of the ARPU, most of the gain is coming from top 10% of the customers. While most of the churn is coming from bottom 50% of the customers. So bottom 50% of the customers, neither there has been any price increase. I mean, we are at the same price point as we were before COVID. So there has not been any price increase on the silver monthly or silver annual except for the fact that we gave a discount of 20 odd percent during the COVID, which we withdrew after COVID.

Other than that, most of the ARPU growth has happened in the top 10% of the customers, not in the overall customer base. So, the assumption that the price would help us reduce the churn, seems incorrect there. Also, we have not increased the prices on the top tier of the customer. As you know, we told you that we've been experimenting with the category-based pricing, and we have been developing a framework for city and category-based charging. And that framework is now being adopted by larger number of newer sales. And that is resulting into the higher ARPU.

So, it is only when certain categories, which are a very high value product, there only the price has been increased, which is reflecting in the ARPU. But at the entry level of categories, there has not been an increase in the price. At the churn also, at the gold and platinum level continues to remain at around 1% per month.

Jasdeep Walia:

Got it. So, my second question is, what's the growth in gold and platinum subscribers both in terms of number of subscribers and in terms of sales to gold and platinum clients?

Dinesh Chandra Agarwal: So we don't directly sell in gold and platinum. We generally, upsell from silver monthly and silver annual. So, most of this growth is coming from upsell, from silver monthly and silver annual. As I said, we used to be at around 48 odd percent customers from gold and platinum. Now we are at around 50% of the customers from gold and platinum. In the last one year, while the overall customer base has grown by only 15,000, I think the gold and platinum itself has grown by 8 odd thousand.

Jasdeep Walia: Got it. And what's the growth in sales to gold and platinum customers on a YoY basis for this quarter?

Dinesh Chandra Agarwal: I did not understand that.

Jasdeep Walia: Your revenue, which is coming from gold and platinum customer only, how is it increased on YoY basis for this quarter?

Dinesh Chandra Agarwal: So, as I said, that about gold and platinum customers count about 50% of the customer count and about 75% of the revenue.

Jasdeep Walia: Got it. What was this revenue percentage last year?

Dinesh Chandra Agarwal: Last year it is about 48% and 72%, 73% maybe.

Jasdeep Walia: Okay. Thank you. That's all for my side.

Moderator: Thanks, Jasdeep. Next question is from the line of Kushagra from Old Bridge Capital. Hi, Kushagra. Please go ahead with your question.

Kushagra Bhattar: Thank you for the opportunity. Just two questions. So, on this, what I see is, the concentration at the top is increasing, right? So, the question really is on the category saturation. I mean, are your categories getting saturated, and hence the star suppliers or the gold and platinum guys are gaining the most in those respective categories. Of course, them being able to corner a lot of lead generation, which is happening on your platform. So, the question is, are there challenges on the expansion within the existing categories? So, are your existing categories sort of saturating?

And then sort of attached question is for you to grow from here on, if you have to look at the growth levers for you, what would be the growth levers, and how important would be the expanding of categories in your overall growth drivers? That's my first question.

Dinesh Chandra Agarwal: If you see on the category saturation side, if you see from say three years ago or say five years ago, our top categories used to be 5%, 6% of our total customer base, when we were like 150,000 paying customers. Now at 200,000 odd paying customers, the top categories are still 7%, 8%. So, it's not that the categories have grown only on the top side of the platform. In fact, if you see this particular slide maybe four years ago, I think you will see the percentages have not really changed. And so, there are multiple categories which are available for us.

Similarly, for the cities also, we have been stronger in New Delhi. We have been stronger in western part of the country, Maharashtra

and Gujarat. We have been okay in Tamil Nadu, but we have not been so great so far in places like Karnataka, Andhra and Telangana. So, I think there is still a lot more penetration, which is possible across many of those cities.

Third, on the growth lever, as I continue to say, every year, our monetizable categories increase by 10% from the previous year. So, if we had only 20,000 odd monetizable categories pre-COVID, today, we have about 40,000 odd monetizable categories. And similarly, if we had only five big monetizable cities, now we have maybe 10 monetizable cities today. So, I don't think there is an issue with respect to either the growth lever or a near term saturation.

Having said that, I have still not been able to prove why the silver, churn is not coming under control. While the gold and platinum customers are continuing to be a promoter of the platform and be a very, very strong user of the platform. I mean, last month, we had one of the highest engagement in terms of buyer and sellers both. If you see, all of those numbers are going highest ever. So there's something that has changed post-COVID and a lot of our manpower is also new. So, we are continuing to struggle on that silver churn side. Other than that, there is no other problem.

Kushagra Bhattar:

Okay. So to understand this better, what you were explaining for the category expansion and the cities available, let's say, for one of those industries, let's say construction materials, you would be very heavy within, you would be performing very well in Delhi, Maharashtra, Gujarat construction and building raw material, the first one and but Tamil Nadu and some of the southern states may not be as good. So to understand this right, the question really was within the states where you have already marked, where you have already significant presence, and the category is big for you, is there a case where whatever leads are getting generated within that particular category, the top guys, the star suppliers are actually cornering more and more of it, and hence, the pain point is being felt by the silver and the smaller customers. Is this what's happening in your platform or not really?

Dinesh Chandra Agarwal: So, our platform works like this. So, in terms of quantity, yes. But in terms of quality, everybody gets equal opportunity to participate. Our quality of the RFQs, whether you are a star supplier or whether you are a silver monthly customer, the quality of the leads or the timeliness of the leads that you will see, there is no restriction on that.

However, yes, since you are paying Rs. 30,000 versus somebody is paying Rs. 3 lakh, the quantity of the leads you can consume higher. So, there is an equal opportunity. Within that, yes, you may be competing with star supplier or leading supplier on every buyer.

However, the younger suppliers also have this agility that there the owner of the shop or owner of the factory directly deals with the buyer. While the larger suppliers typically depend on some IndiaMART staffers, maybe one or two expert lead managers who work there as a lead management person for IndiaMART. So, I think there are advantage disadvantage to both.

So we are able to retain lesser number of the total customer that we used to onboard and used to retain versus pre-COVID era. And that 10% lesser number that we are able to retain is making all the difference.

Kushagra Bhattar:

Understood. Sure. This is helpful. The second question really is on the traffic and the underlying metrics. So, if I look at your traffic now, even on a quarterly as well as on an annual basis has been hovering around the same range of Rs. 25 million, Rs. 26 million quarterly, Rs. 100 million to Rs. 110 million a year. And the conversions, basically, which is visible in those unique business enquiries are also holding on to that same 9, 10%. So, the question really is, are there sort of levers for you to attract more traffic or sort of increase that unique business enquiries from here on?

And also, if you can give a sense on the traffic, like, which categories are getting more traffic and how the category mix has changed, in your traffic, despite the overall headline traffic number remaining stagnant for the last many quarters, actually? Yeah. That's my second question.

Dinesh Chandra Agarwal: So, while you were right that traffic seems to be stagnant, but unique business enquiries, if you see this particular quarter have grown by 15% year-on-year. So, for the last three quarters, they've grown well. Yes, you are right, in the first half of FY'24, they did not grow but now, they are at a healthy run rate of about 100 million unique business enquiries for the year, which is even higher than FY'21-FY'22, when there was so much of shortage of material, and so much of shortage of medicine and other things. So, if you compare pre-COVID, I think we are going to be about 30% higher unique business enquiries.

In terms of traffic, yes, there is a flatness, and we believe that, if that flatness continues, we will try and address that through digital advertising and through digital video advertising. But we have not yet gone there. But if need be, we'll go there.

Kushagra Bhattar:

Right. Just one last data questions. If you can give us the gross adds number, in first quarter? That's it. Thank you, and all the best.

Dinesh Chandra Agarwal: We only disclose the net add numbers.

Kushagra Bhattar: Okay. All right. Thank you.

Avijit Vikram: So next, we will take a question from the chat box. This question is from Abhishek Bandari. So, are we on track to achieve 20,000 paying subscriber additions in FY'25? Do we expect a significant improvement in net addition in H2 FY'25?

Dinesh Chandra Agarwal: See, given the last two quarters, last three quarters of 2,000, 2,500, around 1,500, I'm in no position to commit any numbers on the net add as of now. I can only, say let's go quarter-by-quarter and as soon as we hit 5,000, 6,000 again, then only I can give you any year end number. On the revenue side and on other sides, I think most of our numbers are driven by collection so that you know already, what is going to come.

Moderator: Thank you. Next question is from the line of Vivekanand from Ambit Capital. Hi, Vivek. Please go ahead with your question.

Vivekanand Subbaraman: Thanks for allowing me the opportunity to ask questions. I want to start with the functional P&L that you present where you have a disclosure between the customer service cost and the sales and marketing cost. So, my question here is that, yes, churn is an issue, and you are struggling with your manpower as well as perhaps consumer behaviour or supplier behaviour.

But why are you cutting on the selling and marketing costs? That is something I want to understand because we saw something similar play out in FY'21 as well. You have curtailed your selling and marketing costs and then suddenly when things opened up, you then had to run to hire people and that is currently still hurting you, right? Because you are saying that many of your sales and marketing staff members are new.

So why curtail this in the first place? Understand that you are curtailing gross adds. I understand that. But why curtail manpower in this? That's question one. And do you want me to ask the second question, or do you want to respond to that.

Dinesh Chandra Agarwal: No, let me answer first. So, I think about last three quarters, we have been trying to do is to identify the areas whether cities or the category where we were onboarding customers and losing them at a faster speed. So, what we have tried to do is, cut down on those areas and that is what is being reflected here as a percentage. Also as a percentage of revenue, there is some bit of a natural leverage that is coming because the most of it is coming from customer service cost. So, customer service cost is the manpower of the existing customer servicing, and sales and marketing is the manpower of the new client acquisition side.

So, we have only curtailed on the gross addition side. And we will as soon as we get the handle on the churn, we will probably reinvest on that. But you are right. We should not go quite, up and down from 17% to 14% like that.

Prateek Chandra : Also, Vivekanand, this selling and marketing, essentially, this is a cost of acquiring a new customer. And roughly around 50% of our sales comes in from the channel partners wherein the cost is completely variable to the acquisitions made in that particular quarter. So, in case if there is a change in the acquisitions, this cost will accordingly move lower or higher for that matter.

Vivekanand Subbaraman: So, your channel partner strategy remains the same. Is that correct? That the approach of adding new suppliers, new paid suppliers, half of them are still coming via channel partners even though you have curtailed gross adds.

Dinesh Chandra Agarwal: Yeah. By and large, yes.

Vivekanand Subbaraman: Okay. And if I may press a little bit on this, the insourcing strategy that you were discussing about, that hasn't had any bearing on this channel partner model at all, is it? Or am I confusing some two different things?

Dinesh Chandra Agarwal: No, no, there are two things. About 50% sales were coming from our own staff, but they were not on IndiaMART role, they were on a third-party temp, staffing role. While there are channel partners, the channel partners have their own. So, what we have done is, stop using a third-party payroll, temp staffing service, to contain the employee attrition a bit.

And in the last two quarters, I think employees' attrition has come down, which should help us increase the efficiency and some of this has also resulted into reduced cost of customer acquisition on a gross basis. However, on a net basis, since the churn is so high, the net customer addition cost still looks very, very high. But those efficiencies have also resulted into improved operating margin.

Vivekanand Subbaraman: Right. Okay. I know Kushagra asked this question. How much can you stretch the ARPU lever? And, if you can help us understand, like we know that the top 1% ARPU is almost 4x of that of the top 10%. Within the top 1% also, is there a very big differential in the ARPU, or are these 2,000 paid suppliers, roughly paying something similar? I'm just trying to understand what would be the highest that a supplier is spending on IndiaMART, is it like Rs. 5 crores, Rs. 2 crores, is it that big, or is it very close?

Dinesh Chandra Agarwal: No, no Rs. 50 lakhs.

Vivekanand Subbaraman: Okay. Thank you so much, and all the very best.

Moderator: Thanks, Vivekanand. Next question is from the line of Nikhil from Nuwama. Hi, Nikhil. Please go ahead with your question.

Nikhil Choudhary: Thanks for the opportunity. My first question is, again on margin. Just want some clarity here. So, Prateek, what you mentioned that, we generally pay lower to channel partner when they are less supplier addition, but that should not impact your margin on Q-and-Q basis, right given supplier addition remained low since last two, three quarter.

And second thing again here is, what, Dinesh mentioned that the sales and marketing expense is lower because of less gross addition, and that's why we are not investing. So, are we saying that, given we don't have clarity in terms of what is causing the higher churn, that's why we are controlling the spend on sales and marketing?

As soon as we let's say figure out the challenges in algorithm or some other issue, we'll start pressing the gears again, which will help us in supplier addition and will lead to, again increase in sales and marketing.

Dinesh Chandra Agarwal: To some extent, yes. Because, if I want to go aggressive on the gross acquisition, until I have sufficient visibility on the churn I don't want to. Because we acquire customer who will pay me Rs. 3,000 a month. So, until unless he pays me for a six, nine months period, it will be a loss-making customer to us. So, if we are not sure of retaining the customer, then, why unnecessary acquire it. I mean, not that we are reducing the gross addition, but we are not growing the gross addition.

Nikhil Choudhary: Sure. Just trying to understand it better. Let's say, what you mentioned earlier, that Tier 3, Tier 4 customer, which you acquired earlier and leading to higher churn, then the cut in cost on those area Why we're not investing in the area like you mentioned that we are not very well penetrated in Karnataka, right?

Dinesh Chandra Agarwal: We are doing that. That's why I said on the overall gross addition, we have not reduced. I think we are still at 95% of the highest-ever gross addition. Okay? 5% plus minus keeps happening. So, we have cut down from those areas and doubled down into the Metros.

Nikhil Choudhary: Okay. So, last one on margin. Let's say in steady state, where you are adding supplier at 5,000, 6,000 per quarter. Where should be your margin when you will be again spending on sales and marketing? You'll be again spending on servicing, assuming whatever operating leverage you will still have. So, what would be steady state margin in that scenario?

Dinesh Chandra Agarwal: That's too imaginary to tell because by that time, if the salaries suddenly changes like what happened in 2022 and then in 2023, all my prophecies go bad. During the COVID, I guided you for 35%, but suddenly the salary market changed big time. So, the guidance went bad. So, I think let's just see next 2-3 quarters and then come back there.

Nikhil Choudhary: So, Dinesh, basically, what I want to understand is, would we be investing more compared to what we are investing now? And our margin can go down lower than 33%?

Dinesh Chandra Agarwal: If we invest more, our normal operating leverage will also show up, right. Because most of the margin is coming from top, gross margin bucket, not from the bottom sales and marketing and G&A and all that.

Nikhil Choudhary: Sure. The second thing is, last quarter, you have guided that, you will achieve 5.5K supplier in Q2 or Q3. This quarter, you said that, we are not guiding any supplier addition. So, what has changed, between the two quarter?

Dinesh Chandra Agarwal: Yes, I mean, the entire first quarter, churn has been very, very stubborn. So, for the entire quarter, we have been able to do only 1.5K net add. So, I'm still not able to see that by just doing Tier 3, Tier 4, cut here and there. Those were anyway 10% of the overall customer acquisition. So, I think the bigger issue is, how do we handle Delhi, Bombay kind of a bigger geography churn. And we still don't have much answer on that. So, I think we are going to make big changes on the product side now.
If you see the number of times a buyer is being introduced to a supplier. The ratio of total business enquiries delivered to unique business enquiries. That ratio we are slowly and slowly again converting. So that ratio we are looking at probably going towards more like four, from six.

Nikhil Choudhary: Understood.

Prateek Chandra: We have 25 million enquiries and 128 enquiries delivered. Currently, we are at 5.

Dinesh Chandra Agarwal: Yeah, which used to be at six. Now I'm planning to bring that down to four.

Nikhil Choudhary: Sure. Understood. Just the last one in terms of data. How much is your churn in Silver, Gold, and Platinum category?

Dinesh Chandra Agarwal: So, Gold and Platinum, less than 1% per month, and Silver monthly is about 6% per month, and Silver annual is about 36% p.a. or 3% to 4% per month.

Nikhil Choudhary: Sure. Churn actually, slightly increased in Platinum as well because last quarter you mentioned 0.5%.

Dinesh Chandra Agarwal: 0.5% in Platinum, 1% in, Gold.

Nikhil Choudhary: Okay. Understood. Thanks a lot. Good luck for coming period. Thank you.

Avijit Vikram: So, we have another question from the chat box. The question is from Mr. Girish Shetty. Is there any common feedback you are getting from the silver customers who are not renewing?

Dinesh Chandra Agarwal: I think people are saying so, and that is why we are acting on the competition side. People are saying that it is difficult to do the maturity. So, there are buyers but they are not yet converting. The buyers have become very price sensitive, and we are not able to mature. So that is something has led us to introduce one buyer to lesser suppliers. I know earlier we used to do six suppliers now at five, and we are planning to go towards four, maybe.

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

Amit Chandra: Thanks for the opportunity. So, my first question is, obviously, we have seen the growth coming from the ARPU. But if I see the ARPUs in the Top 1 % and Top 10 % customers, there the growth has been much higher than the average levels. And, if I see the increase in the customers that has been almost flat or 4% to 5% Y-o-Y. So, most of the growth in ARPU is coming from the existing customers. So, is it fair to assume that, the existing customers are buying more and so if you can explain what kind of value added services they are getting versus others?

And also, in terms of the churn that you mentioned, that is very difficult to judge what is causing the churn. So, if you can throw some light in terms of the selling process, is there some misselling happening from the channel partners? And, in terms of how the acquisition engine and the renewal engine functions. Is it the same, person who is acquiring, he is doing the renewals or there is some separate team for both?

Dinesh Chandra Agarwal: We have separate divisions for new client acquisition, and silver customer servicing and key clients division with serves mostly gold and platinum customers at various places. For Tier 3, Tier 4 we have a centralised team here in Noida as well as in Chennai for Tamil and

Malyalam-speaking areas. For the silver monthly, we have a dedicated customer team again here in Noida and one in Chennai. So, this is how our divisions are structured.

In terms of ARPU growth, so, yes, you are right because most of the changes have happened at the platinum level. It is not the price increase, but it is the price rationalisation for categories which are of higher value, and the price rationalisation for categories which are of the lower value. Earlier, there was a flat price for everything. So, it has actually become more rationalised pricing for the customer as well as better realisation for us.

And as I said, we haven't changed any pricing for silver monthly and silver annual customers in the last 5-6 years. The only change that we did was during the COVID, where we passed down 20% discount, and we removed that discount in end of FY'22 and that's the strategy also. So that at the bottom of the pyramid, you play the leadership role, whereas the marketplace becomes more richer and richer in terms of data and in terms of verified supplier availability. And, once you have enough number of suppliers and it is able to attract enough number of buyers, then you monetise the suppliers who are competing with each other to go towards gold and platinum for more and more buyers and RFQ and Buyleads.

In terms of number of customers, if we have only moved from 200K to 215K in the last five, six quarters, the top 10% has also increased only from 20,000 to 21,000. However, from 20,000, if you really see there was 10%, 12% of the churn. That also got filled. So most of the upgrade is happening from silver monthly and silver annual towards gold and platinum. In fact, this year, we have seen a lot more number of gold customers that came because of the 50,000 odd customer that we increased in the FY'23 and mid of FY'24. So that is what is resulting into the continued growth. And if this customer growth stagnates for a longer period of time, as I said earlier also, it can become a problem for any marketplace.

Brijesh Kumar Agrawal: And, Amit, just to add. When you look at the overall ARPU increase in the gold and platinum subscribers. It's also indicative of the fact that the ROI that they derive that justifies, the extra ARPU that they are willing to pay for subscription to IndiaMART. And we have not seen the churn increase despite this increase in the ARPU in the gold and platinum category. So that's a sticky customer base, which continues to pay us more for the ROI that they're already deriving out of the platforms.

Amit Chandra: So, obviously, what we're trying to understand is what value the top 1% and top 10% are deriving. Obviously, it's the power of the platform wherein they are getting the bulk of the traffic. But in terms of the silver monthly, is it very different in terms of how the platform

functions for a silver monthly versus in terms of RFQ generated or in terms of quality of lead being generated?

Dinesh Chandra Agarwal: The only difference is the quantity, no difference in the quality of the lead. Only difference is you get more enquiry, more visibility, but it does not differentiate between the RFQ quality being distributed either to a silver or to a platinum.

Brijesh Kumar Agrawal: And in fact, most of these customers, which are in gold and platinum were from the silver category itself. These are customers who have been able to build a team, call upon leads, convert customers well, and that is when they have transitioned to a gold or a platinum subscription base. So, therefore the gold, platinum subscribers are coming in from that same base of silver itself. It's just that they've been able to use the platform a lot better than some of the other silver subscribers.

Amit Chandra: Lastly, are we seeing any risk from the ONDC or is ONDC an opportunity for us wherein it can create an additional channel in terms of the MSMEs?

Dinesh Chandra Agarwal: Whenever they become popular enough, to be able to attract a B2B, I think it will be good for us. As of now they are only trying to do very few categories like taxi and food and maybe some grocery a little bit.

Amit Chandra: Are we having any plans to go live on ONDC

Dinesh Chandra Agarwal: Until unless they become popular enough in the B2C category, there is no point being a very early adopter there.

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

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

Rahul Jain: Yeah. Hi. Sorry to go into this question, which has been asked so many times, but in a different way this time. While you're trying to solve this attrition issue or subscriber issue, whatever you want to call it. Have we done any analytics around the age demographics or, let's say a digital behaviour profile of the retained subscriber versus a high attrition, to understand a much more deeper cause of it rather than the numerical part of it?

Dinesh Chandra Agarwal: We are doing a lot more case studies and statistical analysis, within the same category, within the same city some of the customers end up doing better, and some of the customers end up having a lot more to tell about why this platform is not working for them. So, there are contradictory things available. One of the most

common thing that we could see is that it is becoming very, very difficult for us to mature the buyer and that is why we are trying to reduce the competition, manage the competition within the marketplace. So that's one thing that has come out clearly.

Other than that, nothing very common that is emerging. Some of the time is many suppliers are very hyperlocal suppliers. So, I don't want to deal outside of the Noida, greater Noida. While IndiaMART as a platform, historically was a global platform, then became a national platform, then became a regional platform. Even today, it's not a hyperlocal platform. I mean, you can't have like I only deal in the sector 18 and around in Noida. So, sometimes some of those customers who come in, they come with a wrong expectation.

But other than that, mostly it is with respect to either maturity not being there, or we are getting very retail buyers, because IndiaMART had become popular during the COVID even for medicine, even for consumer items, because lot more retail buyers end up coming to IndiaMART. Despite the fact that there is a minimum order quantity written on the platform, the price is so lucrative, because IndiaMART is majorly known for two things. One is variety of products, variety of suppliers, and the number two is the cheapest price, because IndiaMART does offer the cheapest price for anything.

And there is no way to avoid retail buyers coming on to any web platform. The only thing that we can do is not reform their enquiries or not reform their RFQs. Because if we can identify that this buyer is a retail buyer, then do not matchmake him with three, four, five sellers. So, these are the two common feedbacks that we are getting, difficult maturity and retail buyers.

Rahul Jain:

Okay. I think that's very helpful. Just one more thing on the ARPU side. We're seeing significant improvement. So, I mean, obvious things are known, but is there anything we are doing specifically to raise the value for the high paying subscriber, that is driving this kind of a growth? And what is the most sustainable growth in ARPU for the FY'25 and '26 if you have that in your mind?

Dinesh Chandra Agarwal: So, on the value front, the effectiveness of relevant matchmaking is increasing. The higher engaged the supplier is, the better we have his behavioural data. So, we are able to push the more right kind of enquiries and RFQs, and that happens even better for a platinum or gold subscriber, because we have a very large number of datapoints, which kind of lead his purchasing and which kind of lead his not purchasing. So that's the value system, because if we have no data about you, we will try to send you buyers only from your locality and for all categories that you have indicated.

But if we have data about you, then we are able to show you more RFQs, which are of your area of interest and of your categories of interest rather than the categories that you've indicated initially because your behaviour is lot more repetitive. And since gold and platinum use the platform like on a daily basis, they end up leaving a lot of footprint on the platform for us to be able to do a better matchmaking for them, and that helps them get a more relevant lead. So that's a general algorithmic thing that is built into the platform.

Rahul Jain: Yeah. Appreciated the colour. I mean, you touched one important element where you said, you can't help out much in terms of retail buyer coming onto the platform. But, definitely, just like you have taken better control on the telesales part of it, maybe the next step over the period of time would be to take care of the customer acquisition, the channel partner thing eventually into the system wherein the understanding of the onboarding process and where is the mismatch happening in terms of expectation versus outcome would be more closely monitored within the guardrails of the organisation. I think that may probably help, at least on incremental basis, if not for the existing set.

Dinesh Chandra Agarwal: Yes. Thank you. Good suggestion.

Rahul Jain: That's it from my side. Thank you.

Moderator: Thank you, Rahul. Thank you, ladies and gentlemen. That was the last question for today. I now hand the conference over to Mr. Dinesh Agrawal for closing comments. Over to you, sir.

Dinesh Chandra Agarwal: Thank you very much, ladies and gentlemen, for joining our Q1 FY'25 conference call. We have tried to address your queries in the time available. But if you still have any question, please feel free to connect with our Investor Relations team. Their contact details are available on our website. Thank you very much. Have a great evening, and see you next time.

Moderator: Thank you, everyone. On behalf of IndiaMART, we now conclude this webinar. Thank you for joining us. You may now disconnect your lines.

Notes:

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