



Webinar Transcript

Event: IndiaMART Q2 FY2021 Earnings Webinar

Event Date/Time: Nov 10, 2020 at 12:00 hrs

CORPORATE PARTICIPANTS:

Mr. Dinesh Chandra Agarwal – Managing Director and Chief Executive Officer

Mr. Brijesh Kumar Agrawal – Whole-Time Director

Mr. Prateek Chandra – Chief Financial Officer

Ravi Gothwal:

Good evening ladies and gentlemen. On behalf of IndiaMART InterMESH Limited, I would like to welcome you all to the company's Q2 FY21 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 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 risk and uncertainties. **Kindly refer to slide number 3 of the earnings presentation for the detailed disclaimer.**

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

Dinesh Agarwal:

Good afternoon everybody and welcome to IndiaMART's Q2 FY21 Earning's webinar. We are hosting this webinar through Floor, a platform by our associate company 10times.com. This earnings webinar is also being shown live on the IndiaMART Facebook page and YouTube channel. We have already circulated our earnings presentation, which is available on our investor relation website at indiamart.com as well as stock exchange's websites. I am sure you would have gone through the presentation and I would be happy to take any questions afterward.

Last quarter had been much better than the June quarter, mainly on two counts, first, online adoption has taken a step-function jump as expected, and second overall economic activity has also picked up, post lockdown relaxations. As a result, we have also witnessed good growth on the buyer side traction on the platform, ranging between 30%-40% growth across various parameters measured for the buyers' KPI. For example, the buyer traffic has grown by 32% year on year reflecting over 85 million monthly visits and business enquiries delivered have further increased by 42% year on year to 175 million. One of our important parameters is the repeat rate. Our 90 days repeat buyers have been increasing stably over the last 2-3 years from around 50% - 51% to about 55% and now about 60%. This is reflecting the trust in the increasing value proposition of our platform and further strengthening the network effect of the platform.

As we are aware that most of the businesses were impacted severely during the last quarter because of the lockdown, resulting in significant customer churn of IndiaMART. We had extended the moratorium to many of our paying customers during April, May and June. With staggered economic recovery, many of our customers have started operations again and this has resulted in a one time increase of our net paying customers by approximately 8,000 during the quarter to 1,41,000

customers at the end of the quarter. We believe our continuous support to the customers has helped us in winning back many of them.

Coming to the collections, collection from the customer stood at Rs 164 crore for the quarter. Though we have significantly improved quarter on quarter, it is still a decline of 7% on the year on year basis as compared to Q2 of FY20. Many industries are still under impact and will probably take much longer to recover. As businesses recover and online adoption grows further, we are confident to play an important role in the ease of doing business and economic growth of the country. Now, I would like to hand over the call to Prateek to discuss the financial performance in detail.

Prateek Chandra: Thank you Dinesh and good afternoon everyone.

I will take you through the financial performance for this quarter. Consolidated revenue from operations was Rs 163 crore in the quarter, a growth of 4% year on year, which was largely driven by a similar increase in paying subscribers year over year.

Consolidated EBITDA was Rs 82 crore representing a margin of 50%. As we communicated in the last quarter call, that these margins may not be sustainable as they are primarily driven by savings due to sustainable cost optimization as well as a lower volume of business during the quarter. We expect half of these savings to sustain and half of these will come back as the business volume recover to pre-covid levels.

Net profit for the quarter was Rs 70 crore with a margin of 39% and cash flow from operations during the quarter was Rs 78 crore. As of 30th September, cash and investments stood at Rs 1,045 crore.

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

Ravi Gothwal: Thank you Prateek. We will now begin our Q&A session. Please allow camera and microphone access if you wish to ask a question and use the raise hand option. You may also type your question in the discussion panel, and we will revert to you if any question remain unanswered. Please introduce yourselves and restrict to two questions so that we may be able to address questions from all the participants. We will wait for couple of seconds while the question queue assembles. First question is from Pranav Kshatriya. Please go ahead Pranav.

Pranav Kshatriya: Hi. Thanks for the opportunity. My first question is regarding your employee count. If I look at the outsourced employee count, it has come down sharply to almost 1,000 from 1,400 and even your total employee count is also almost down by 300. Do you think this can be a hindrance in achieving a strong collections growth, considering you are seeing a very strong traction and related to that question is that if I look at the employee cost on a per employee basis, that is down anywhere between 25% to 33% depending upon which part of the employee I am looking at I mean outsourced employee cost is on 35% on a per employee per month basis whereas for the Indiamart employee itself it is down by 25%. So in what way we should expect to comeback and the reason I am asking this question is that the collection are 7% down and we were anticipating a reasonable increase in that which is not happening. So would want to hear your thoughts on how we should see this going?

Dinesh Agarwal: Thank you Pranav. Since last 6 to 8 months we haven't been able to hire any employee and we have not been hiring obviously since 80% of our workforce used to work from field and used to meet the customers. As a makeshift arrangement, most of those pre-sales operation people were made to work as tele sales agent in case of work from home, and it didn't make sense to increase the Field Sales operations until the operations are opened across the board where we can go to the customer. You would also see that there is 10times which cease to be a subsidiary, so there is a reduction of that employee count which is no longer part of our system. But you are right that there are about 300 people from the main employees and outsourced employees that have come down. I would say that we should wait for opening of the offices. We were expecting it to open on the 15th of August, but then it is every month being delayed because it's still dangerous out there.

So, given that, we have started hiring on the tele side of the operation, very recently. We are ramping up work from home executive who are specially trained in the tele sales operation. We are also going to be experimenting now at least in the Customer Services Division, Client Services Division, where we will not be opening offices, but I think in case the customer wants them to come for service or upgrade call, some of our people will start to reach out to them post Diwali. So, as of now, we don't see this as an impediment, I think as the economy recovers and as vaccine comes, I think it will become business as usual in the next couple of months.

Pranav Kshatriya: Sir, I also wanted to understand how the dynamics on the employee cost or per employee cost, we should be looking at because that is down for outsource employee it is down almost by 33 to 35% versus pre covid level and for IndiaMART employee it is down 25%. Understanding was that as the collections will come back, you know, this cost will possibly go back. So, what is the reason?

Dinesh Agarwal: Yeah, there are multiple items under the staff employee expenses, one is obviously the salary part, which from August onwards has been fully restored. So, the salaries have been restored during the middle of the quarter, the full effect of that will start to come back and you will see that in this quarter. The second part is the sales incentive, as we are still running at about 80% of pre-COVID levels, so, the sales incentives generally are applicable when a certain target is achieved in terms of renewal and a certain target achieved over and above the average growth. So, I think the sales incentive part is slowly and slowly going to come back as we inch closer to the pre-covid levels.

Number three part is, the overall headcount has gone down, which was the first part of your question, and which has not been refilled. So, over the time when it will be refilled, that will also come back. The second is the overhead costs related to employees, so, when there are employee costs, there are canteen and kitchen costs, travel and tourism expenses, there are the office related items, some of them are classified as the employee expenses, and some of them are classified as the other expenses. So, as we have said, as soon as we open office, some of it will come back, and as soon as we fill the positions, some of it will come back. And as soon as we hit the pre COVID levels, the incentives part will also come back. I hope that would answer your question.

Pranav Kshatriya: Yeah, I think that is a very detailed answer. Thank you so much. My last question will be can you give some color on collections for the last two months? That is September or even October months? Just to understand what is the current run rate versus were we were pre-Covid?

- Dinesh Agarwal:** Collection on an average basis, I think, they are running at around 80% of the pre COVID levels. If you see from the last year performance, we are only down by 7%. But because I consider pre-COVID levels as of January, February and March which are generally an exceptional month and in March middle, we had this lockdown. February is generally also an exceptional month. So, at January levels, I think they are still about 80% of the January levels. So that will give you the idea of the monthly collection.
- Pranav Kshatriya:** Okay, thank you so much for that from my side.
- Ravi Gothwal:** Thank you Pranav. Next question is from the side of Vivekanand Subramaniam from Ambit Capital
- Vivekanand:** I have a couple of questions. One is the point that you made on buyer attraction, we saw increased unique buyers, increased repeat rate. So just wanted to understand because of the increased buyer traffic, it appears that your monetization has actually come down. In the sense, you are now delivering a lot more value for money than before to the suppliers listed on your portal. So any thoughts on how and the roadmap for increasing monetization? That's question one.
- Second question is on how do you scale up paid suppliers, what is the roadmap over the next three four years because we saw that in the lockdown, we were able to get several paid suppliers in new categories like face masks, PPE equipment and so on. So, if you could just throw some light on how to increase paid suppliers and of course, also discuss about the competitive landscape, as JustDial is also launching a product. Thank you.
- Dinesh Agarwal:** So, let us understand the two kinds of platforms. One kind of platform is where a buyer is monetized in a transactional platform where buyer pays the money and in these typically as soon as the buyer increases, the monetization increases. However, we are more like a classified advertising platform. Classified advertising platforms typically monetize the suppliers or the supply side. And they typically follow a lagging with a key indicators, if you remember, when in 2016-17 also, the buyer traffic has increased significantly, we have been able to increase the 2017-18 numbers for the supplier monetization, in terms of number of suppliers who signed up and in terms of ARPU also slowly and slowly growing up. So I believe once we start to operate fully with the salesforce. And I think the supplier monetization will only follow the buyer monetization because buyers are the key to our business and suppliers are the supply side. So, that would happen over a period of time, I would say in the past, our overall paid supplier growth has been anywhere between 15% plus/minus on a CAGR basis, we have been adding about 5,000 net customers every quarter believe our target should be first get to 5,000 addition in the next quarter or two and then look at the growth based upon this increased buyer that has come.
- Obviously, a lot of online adoption has gone up, but at the same time, the entire industries and entire business models of many industries are going through a lot of transformation. So many people will be trying the platform over the next year or so, and many people will also be churning out. So I would say that next year or so, it should be faster supplier entry and faster supplier churn, in order to find the right set of suppliers, who will stay with us for a longer duration of time. As you can see, most of our suppliers come into the monthly mode subscription and then they slowly and slowly upgrade to an annual mode and gold and platinum subscription.

So, what happens is every time some event like this has happened, just like demonetization and Jio and GST, the initial supplier traction goes up and then it settles down at the consistent growth level of 15% - 20% in the years to come. So, that is what I can tell you from my past experience, because a lot of industries are still going through a lot of churn, I can see that travel and tourism industry, hospitality industry, most of the offices are not open. Offices do consume a lot of services in terms of transportation in terms of food, in terms of cleaning supplies and everything. Similarly, handicraft industries still have not recovered like decorative industries, marriage related industries, I think those industries will recover. So, whatever we can do today, we are doing with 80% of the industries, we are not able to actually focus on all the hundred percent of the industries. So there is one constraint that we are operating from home, we are not able to meet the customer, we are not able to educate them properly as we were able to do earlier, and second, lot of industries are still not back to normal, as I said in my opening remarks that some industries will take much longer to recover. So as both of them will come back, I would say paid suppliers' growth should also come back.

Vivekanand: All right. Thank you. Just one small follow up question on the behavior that you mentioned of the supply side, that some will try your platform, some will churn and then you will discover how your paid supplier growth will return to say 5,000 per quarter as you've been seeing pre-COVID. What about the buyer behavior? Because we saw that surge in the last three months. Do you think that this buyer behavior is very very sticky right now or will buyers also revert to the old way of certain online, certain offline working? Just trying to understand because this is a lead indicator, as you rightly pointed out.

Dinesh Agarwal: So if you see, our repeat buyers used to be approx. 50%, around two years ago, and then it settled at around 55% until the last quarters or so and it has gone up to 60% at a much larger registered buyer base. So, the repeat rate tells you whether the buyers are going to stick around or not. Yes, you are right, maybe because of the lockdown, there was a spurt in the month of May or June, but if you see this particular quarter, it has not been this spurt driven traffic. So, you can see that in the quarter one traffic, there could have been some spurt, specifically because of the lockdown. But from the July most of the industries had started to open up. I don't think of any significant drop in the buyer behavior, because the behavior has changed permanently for good, most of the people have learnt for the first time how to use internet and they found the goodies of the internet. Also you can see, people who are acting like a supplier and buyer both on our platform that also used to be 30% and then slowly and slowly it was up to 33% and now it is gone 36% but both of these metrics will tell you that these suppliers and these buyers are here to stay and they are here to stay for a longer duration of time.

Vivekanand: Understood. Thank you. All the best.

Ravi Gothwal: Thank you. Next question is from the line of Anmol Garg from Motilal Oswal. Go ahead.

Anmol Garg: So, just a couple of questions from my end. First of all, are we considering to add any additional features to our platform, particularly in the logistics and lending side, and secondly, if you can talk a little bit on the capital allocation, do we have any pipeline of potential investment or M&A activities, so that we can scale up more on the suppliers side of operation?

Dinesh Agarwal: So, as you see, historically, we have been trying to move closer to the transaction as much as possible. So, earlier, it was only a catalog or a product catalog driven and then we started to provide price on that and then we started to add a lead management system or a CRM system, which is being utilized by buyers and sellers to communicate with each other. And then we have added the payment options, because as you know, B2B order sizes are much higher upwards of Rs. 50,000 rupees or so. So our payment is only being used for small payments item.

Now, coming to your questions about the logistics and credit, only when payments and lead management platform mature enough, then we will look at providing of any kind of a credit facility and we don't see that we will be doing logistics by ourselves ever because B2B caters to a variety of products and most of the people have custom requirement and they talk to each other to arrive at what kind of product and what kind of design and what kind of quantities they deal with. It is not a five kg package which can be delivered for all separate industries. There are cranes and there are truckloads of cement and agro. So, I think this logistics is far more a distant item than the payment and then the CRM.

Currently our lot of focus is on CRM, and maybe going forward on trade payment, we will see as the business matures, and as people get more comfortable with the buying and selling through the platform, we will continue to evolve more features, which are used by buyers and suppliers. Now coming to your capital structure, Prateek you want to take?

Prateek Chandra: Yeah, sure. So, Anmol, as we have been stating in the past, there is no change in the capital allocation policy. And we have roughly around a thousand crores of cash sitting with us, as opposed to the deferred revenue of close to Rs. 630 crores on the balance sheet. The way we see it is that one part of the capital costs we would be distributing it as a dividend which will get decided at the year-end by the Board. The remaining part, some portion we would like to keep it as cash reserves for ourselves. And the other part, we would like to look at the inorganic initiatives, whether it is the investments in newer subsidiaries, or in the mergers or the acquisitions aspect. So far, we have done two investments, one is VYAPAR, which we did two, three quarters ago and the other one is BIZOM or MOBISY which we did announce in the last quarter. So we have made some investments in that ,overall framework has always been that we'll have to add the areas that make sense for us, which could be either B2B or it could be SaaS or it could be a fintech area, but it has to leverage the IndiaMART ecosystem that is the objective with which we'll continue to monitor and evaluate the upcoming opportunities.

Anmol Garg: One thing I would like to clarify is there anything in the pipeline right now?

Dinesh Agarwal: We cannot comment on it. We continue to evaluate multiple businesses, but there is nothing that I can tell you right now.

Anmol Garg: Sure Sir. Thank you.

Ravi Gothwal: Thank you. Next question is from the line of Ankit Gupta, please go ahead

Ankit Gupta: Hello. Question number one, our collections were around Rs. 60 crore and they have recovered quite nicely. Can you tell us that whether most of these new suppliers are monthly suppliers? Because generally what you're seeing is cash collection is almost equal to the revenues, there is no increase in the revenues.

Dinesh Agarwal: So, let us look at the cash collection. Approx. 75% of the cash collection comes from our existing customers. We have 1,40,000 existing customers and they keep renewing and they keep upgrading. So, if you divide those 1,40,000 customers into 12 months, and some of them are monthly and some of them are annual and some of them are more than two years, we get almost like 5,000 renewals coming up every month. So, a large portion of the collection comes from the renewals and upgrades that happened at the time of renewal. The second part that you rightly said is the acquisition of the new customer. In month of April, May, June, July, the mix of new customer acquisition for monthly mode versus annual mode - actually annual mode was around 40% as against the normal trend of about 20%,-25% only because at that point of time, based upon the payment option, the only payment option for many of the people possible was the annual option.

However, as we scaled up in the month of August, September, October, it will go back to the similar principle of about 80% coming in the monthly mode, and 20% coming in the annual mode, and as an event they will upgrade, their collections will come. So this collection is the sum of parts of the new customer acquisition plus renewal plus upgrade into the existing customer. Why the total collection has declined and is still at Rs 60 crore which is 30% lower than the pre-COVID levels is one - neither of our new customer acquisition has reached to the pre-COVID levels and nor the people upgrading have reached to pre-COVID levels where people are renewing, but people are still not upgrading for a longer period or upgrading to a platinum subscription. They are just in the wait and watch mode for the industries to open up. So I guess that as the markets open up, as I said, we see the economy opening up and as the industries will recover, the collections would also start to recover.

Ankit Gupta: Okay. Earlier, in the Q1 call we say that we are giving some discounts to the existing customers or at least deferring the payments. So, is this the case now also or things have really been improving now?

Dinesh Agarwal: For the purpose of new acquisition, as well as for the purpose of upgrades, we continue to offer creative payment plans so as to reduce the friction for people to sign up with our platform or for people to be able to test our platform or test our upgraded packages at a lower upfront cost. The second question is, are we still giving free extension to the people? So no, I think most of the extensions were given in the April, May, June and July and from August onwards, we have started to ask either for renewal or for churning out, we are taking our normal time, because in these four months, many of them were accumulated to be talked. So they are being done on a case by case basis. So we are only offering a relaxed payment terms but no longer a discount on retention.

Ankit Gupta: Got it. Last question, if I may, any guidance you can give for deferred revenues? Just to understand, earlier we were modelling a decline in deferred revenues, But I think now after Q2 results, things are looking good, to be honest.

Dinesh Agarwal: You can talk to our IR team and they will help you with the modeling better. Because, you know, collections flow into deferred revenue and deferred revenue flows into revenue.

Ankit Gupta: Okay, okay.

- Ravi Gothwal:** Thank you. Next question is from the line of Manan Shah from Moneybee investment advisor. Please go ahead.
- Manan Shah:** Thanks for the opportunity. Sir. You mentioned in your opening remarks that the current increase in the paying subscribers is a onetime increase. So is it that we have added our lost subscribers back or are there any new additional paying subscribers that we've added? If you could clarify on that or provide a mix that, how many new subscribers that we added?
- Dinesh Agarwal:** So, about 80% of them. Out of the 8,000 paying subscribers that we have increased, about 80% of them are recovered from the previous one. Maybe about 2,000 of them are added as a net new customer.
- Manan Shah:** Currently we are offering monthly plans in our silver package. So any plans of offering monthly or a quarterly in our other gold and platinum packages as well.
- Dinesh Agarwal:** The Gold and Platinum packages, I think I told you last time also, that earlier, we were only offering an annual plan and a multiyear plan. Last quarter, we had released a six-monthly plan on the Platinum packages, and that is doing well. So unlike paying entry cost of full year in advance, now they can pay six months. And they can also pay that six months into maybe 50% advance and 50% next month. So we have offered this but I don't think we are planning any monthly or a quarterly package as of now. In case we do anything, we will let you know.
- Manan Shah:** Okay, Thank you.
- Ravi Gothwal:** Thank you. Next question is from the line of Prolin from Goldfish Capital. Please go ahead with your question.
- Prolin:** Hi, a couple of questions from my end. One is that again, going back to your q1 call, where you said our objective is to probably retain whatever the existing customer that we had at the end of March in some sense, that is 1,47,000 as I can see on this slide, which is there. So, any change in that kind of guidance? Do you think that again, the way things are improving the way recoveries happening across the board, do you see that we can surpass that 147 thousand number by the end of this year?
- Dinesh Agarwal:** Hopefully yes. Our first and foremost target is to get to 5,000 net quarter addition, because whatever we had lost out of 1, 47,000 customers most of it either we have recovered in this quarter or maybe a little bit left here and there and rest has churned because people have churned on three counts. One, their survival due to credit crunch and due to general demand, the second is their particular industries have gone out of favor, at least temporarily, whether it is hospitality industry or whether handicraft apparel kind of industries, and third is that they have too much of buyer traffic and they don't need right now, IndiaMART kind of support. So, I guess from 147- to 133- to 141- thousand we are more or less done with previous customer base, next quarter onwards whatever we will be able to do in this volatile environment is via the new customer, whatever churn you have seen in the previous quarter is the monthly customer churn now, but there are more than two third of our customer bases of annual customer who will come up for renewal as and when they will come. So will we know there state of affair, how is their industry doing, how are they doing it every month, so, you know one part of the churn has been done away with in the June quarter and September quarter, but I think the rest next six months or next nine months are going to be volatile to be able to predict

anything, but given the indications that we have in the month of September-October, I am saying that let us first target to get to 5,000 net additions and then see where we go.

Prolin: I got your point. So, second question is, I remember again in the Q1 call, you had mentioned that some of the customers had moved to a digital mode of payment, if I'm not wrong, in terms of the collection and related to that is also that I mean in general in across industry, we are seeing a lot of digital adoption may be the use of credit card may be the way doctors or services in some of the pharma companies. So I was just wondering that can we not move to digital mode of marketing or in terms of making the customer aware about the advantages of our platform and also in terms of collection, so, are we running some sort of a pilot project wherein rather than people going for collection, people going out to the customers on sort of site and educating him about the benefits of IndiaMART, can that not happen digitally?

Dinesh Agarwal: So, whatever in this quarter, Rs 163 crores have come in, 95% of that has come in through digital mode only.

Prolin: Would it stick sir? I mean, is it one time or can we assume a similar sort of a trend going ahead as well when things are normal?

Dinesh Agarwal: If you see the pre-Covid levels, we used to do about 55-60% digital collection and rest 40% used to come when people go and meet customers and currently it is running like 85-95% I would say that it will neither become 100% because a lot of our customers especially in the platinum and gold segment, they fail as it is not about the method of payment, their deal sizes are 2 lakh rupees, 3 lakh rupees, 5 lakh rupees, and you have to go and meet the management of the companies, you have to go and meet the CMO's of the companies and explain them the benefit of internet and how the IndiaMART solution can work for you. And in those cases, you know getting a phone-based sale done would be difficult. So, I think for all the high value transactions, it is not only advisable it is, I think, completely mandatory to do a field meetings and it is not about collection only, but on the lower hand side, for example, in the our monthly mode almost hundred percent of the collection happens through digital mode and tele mode only. And as I said in the last quarter, there is a greater adoption of the people and greater preference of the people now, if they are to pay only Rs. 25,000, or they are to pay only Rs. 5,000 a month that they can pay based upon the brand value and based upon the telephone consultation. So 80% will definitely shift to the telephone and digital mode. But I would say the large contracts and 20% of the customer would still need a face to face support and face to face sales and consulting.

Prolin: Got your point sir. Last question from my end would be that I mean, we have talked about this feature of logistics or credit, for example, right? But are some of our customers asking some of the features that needs to be added? And do you think some of these features might not be logistic it might not be credit, but some of these feature are very important for us to retain customer and there is a need from the customers that these features need to be added anything that sort of a thing that you are hearing for your customer base, especially after COVID times.

Dinesh Agarwal: I think in these COVID times, people have realized the importance of their customer data and their prospective customer data. And we have seen a significant adoption in our users of CRM tools and usage of our buyer RFP. So we are continuously working to make those features more useful and more easy-to-use by

the buyers as well as suppliers, we are also deploying multiple technologies. So for example, now you can do almost like a real time chat, you can share your catalog with others, you can share your photos, there are some new innovations I have seen by these new age tech companies. They have also come up with some new innovations, we are also learning from them. So based upon whatever features requests we get to know from the survey of our customers we are developing and that is how our platform has been becoming stickier and stickier and becoming easier to use.

Having said that payment is one such platform where we continue to believe that this is an important part of the ecosystem. And maybe tomorrow, some kind of a logistics platform where people can find their logistics partner, people can find their software partners, because a lot of people are now trying to find different kinds of softwares to automate their businesses. If you go on our seller.indiamart.com, you will find a specific section listing specific logistics provider, specific software providers, that has also been launched. So we can continue to work on those features, CRM related features and SaaS related features to make sure what our customers want and what we can provide, at the minimum common denominator across various industries. Because we don't want to become an enterprise software company. And we have to serve the SMEs and micro, small and medium and large corporates, we have to operate at a minimum common denominator of a feature set, which is useful for them.

Prolin:

Great Sir. Thanks a lot. That's it from my side.

Ravi Gothwal:

Thank you. Next question is from the line of Sanjay Ladha. Please go ahead.

Sanjay Ladha:

Congratulation to the IndiaMART team for a good set of numbers in the tough environment, sir. So my question to you is how we see the competition from the players like Google and Amazon, they are making various efforts to, you know, to eventually be into the market which we operate for. So what is our strategy and how we are looking at them as a competition side or strategically related to that? The second question will be that in the past two to three months, we are focusing on different cities in a different way all together. So are we seeing some of the inching up the advertisement cost as a percentage of revenue for 2% to 3%, or what's your color on that side sir?

Dinesh Agarwal:

So I think the first part I've been explaining time and again. First of all, B2B and SME are a summation of many different business models for different industries and for different companies. We lie somewhere in the middle of a very unique platform, which has certain goodies of Google, certain goodies of Amazon and certain goodies of a classified platform. And our strength is that 100% of our traffic is an organic traffic. Almost 60% of the buyers who have come for this particular month, has also come in the last 90 days, and many of our suppliers are also buyers. So there is a constant watch on what exactly we are doing and how they're doing. They're typically focusing mostly on the B2B wholesale, which is FMCG wholesale. So, whether it is UDAAN whether it is Amazon business. And then there are companies like Power2SME, Industrybuying or Moglix, they are specifically focusing on a particular vertical. The good part is that we are able to focus on horizontally on a particular industry and a particular city. And if you see most of the products that Amazon or likes of Amazon or UDAAN, they deal into standard product of a shelf product which can be dispatched and bought and sold. Whereas most of the products that are bought and sold and discovered at

IndiaMART are not a standard product, they are custom products, they are custom designed because you want bottle cover to be designed, a label to be designed, printing machine and specifications to be done. I think we are very different from that perspective. However, yes, everybody will innovate, and we will also learn from each other what areas to focus upon. The second part of your question, you said that we are doing differently in certain cities. I didn't really understand what exactly do you wanting to ask?

Sanjay Ladha: Sir, so on that side, we see on your Twitter handle that you're focusing on different cities and targeting different cities. So just wanted to understand, what is your focus area or what is the strategy for the management on that side?

Dinesh Agarwal: We have started to experiment in the larger 35-40 cities, we have our own physical presence, through branches and all that. And then we have a tele-sales department which focuses on the rest of India. There are tier-2 and -3 cities, which are not as big a market, where a full-fledged branch can not survive as effective on a lease or a physical branch. So we are experimenting with the dealer distribution network or DSA network. And I think we'll be able to give you some better outcomes of those numbers maybe in next quarter as we experiment, because these are only done in the last couple of weeks, so we will update you in the next quarter maybe.

Sanjay Ladha: Sir, if I can ask one more question, you mentioned we are focusing on export side, so how things are shaping on that side?

Dinesh Agarwal: Export has not been going great for the country for the last decade or so. You know, if you know the history of IndiaMART for the first 14 years, we were 100% export-import marketplace, it is only in 2009-10 we saw that now domestic marketplace is going to be more important and export is not going to grow and that turned out to be true. Now in the wake of supply chain diversification, that many people are looking at India as a supply chain diversification option. And our Prime Minister has also put a lot of focus on Atmanirbhar, digital adoption and Make in India, so we have relaunched our export services. It has been launched only in the month of September. And we got some few hundred customers. But I think it will take about six months for me to be able to give you anything concrete in terms of number, if they are sustainable or is there good enough contribution to our overall revenue and overall customer base.

Sanjay Ladha: Thank you so much. All the best.

Ravi Gothwal: Thank you. Next question is from the line of Aditya Badami. Please go ahead.

Aditya Badami: Afternoon. Congrats on the great numbers. I just wanted to know recently one of your competitors has come out in a big way of launching their B2B business line. What are your views on it? And how do you look at costs going ahead ? Because they are looking at heavy marketing costs from the month of December onwards?

Dinesh Agarwal: We have also heard and seen their presentation that they've uploaded on their website. One, I would say that this will definitely help in expanding the market. Education and training of the SMEs is very important aspect. JD historically has been a great company on the telephone-based directory system. The second part is that B2B marketplaces experienced a strong network effect. As you can see on the slide, there are more buyers and then more sellers and more sellers display there are more products and more specification. And we also start to gather a lot of seller data insights, which help us do a better matchmaking and save time for buyers and

seller. So I would say that this is not like a one quarter or two quarter game. It takes a decade to build a strong successful B2B organization. And at the end of the day, buyers and sellers will use the platform where their ROI or the value proposition is the best. Coming into your advertising cost side, I think, as our traffic has grown up by 30% this quarter, and it has been growing better in the last three, four or five years. We don't see any need of immediate advertising. In any case, we do not see advertising as a means to acquire traffic or to acquire customers. Advertising helped us build a brand recall and the overall trust to be in the platform, and which we did many years back. And if we need to do that again, we will do that our advertising budget continues to remain at Rs. 25-30 crore rupees per year. So I don't think that would be a bigger challenge. But let them come out and we will know what kind of services they offer, and how can we best address or learn from their experiences also, and one thing is sure that it will definitely expand the market.

Ravi Gothwal: Thank you. We will now take couple of questions from the written questions submitted by the participants. I'll read out the question.

This question is from Manik Taneja - we have seen our EBITDA margins improved to 50% levels, versus 27-28% margins in FY20. Some of the cost savings you have suggested are not sustainable and will come back as business recovers. But given that we expect growth to accelerate due to overall recovery and increase digital adoption. So what are the sustainable margins for us over the medium term?

Prateek Chandra: As I mentioned in my opening comment, certainly 50% EBITDA margins are not sustainable. If you look at our pre-COVID quarter costs, the cost had been at around Rs. 120 odd crores in this quarter, there isn't a significant reduction in this quarter cost as compared to what used to be a normalized cost. In the last six months, we have worked on certain cost optimization measures, you know, as well as there has been certain savings, which have been explained by Dinesh also in one of the questions because of which are we seeing an Rs. 80-82 crores, kind of, in cost pace, going forward, we believe that these costs will certainly increase. Half of these will sustain, and half of these will not sustain. So would be more like the Rs. 100-105 cr per quarter is a more normalized cost pace that we should think about it till the time we start ramping up hiring. Again, in the terms of the revenues, revenues have been coming out of deferred revenue, so they are much more stable as compared to the collections while the customer collections can see a bit of volatility, we expect our revenues to stay stable for the next quarter. So basis this, I am sure you can work out as to what would be the appropriate margins for next quarter.

Ravi Gothwal: Thank You. Next Question is – Can you please explain the difference between daily unique business inquiries and total business inquiries delivered?

Dinesh Agarwal: Daily business inquiries is the sum of daily buyers who have actually sent an inquiry. Most of these buyers will end up sending an inquiry to multiple suppliers. And some of them will also end up submitting an RFQ, which will be consumed by the suppliers. So the inquiries delivered are the total number of calls and inquiries received by the suppliers and unique business buyers are the inquiries sent by the buyers.

Ravi Gothwal: Thank you. I think with this we come to an end of the Q&A session and I now hand over the call to the management for their closing remarks.

Dinesh Agrawal: Thank you very much, ladies and gentlemen, for joining our Q2 FY2021 earnings webinar. In case you have any further questions, please do reach out to our investor relations team and we'll be more than happy to answer your question. Thank you everyone and stay safe during this environment and have a Happy Diwali to all of you.

Ravi Gothwal: Thank you everyone on behalf of IndiaMART, that concludes this webinar. Thank you and you may now disconnect your lines.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
2. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of IndiaMART Intermesh Limited.