



## Webinar Transcript

**Event:** IndiaMART Q2 FY2022 Earnings Webinar

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### **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, this is Ravi Gothwal from Churchgate Partners and on behalf of IndiaMART InterMESH Ltd, I would like to welcome you all to the company Q2 FY22 earnings webinar. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity to ask question once the presentation concludes. Joining us today from the management side we have Mr. Dinesh Agarwal, Managing Director and Chief Executive Officer, Mr. Brijesh Agrawal the whole-time director, Mr. Prateek Chandra, Chief Financial Officer, Mr. Puneet Gupta, Vice President - Strategic Planning and Investor Relations. Before we begin, I would like to remind you that that some of the statements made in today's webinar may be forward looking in nature and may involve certain risks and uncertainties. Kindly refer to the 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 evening, everyone. And welcome to IndiaMART's Q2 FY22 results conference call. As you may have noted, that we have circulated our Earnings Presentation which is available on our website, as well as the stock exchange's website. I'm sure you would have gone through the presentation. And I would be happy to take any questions afterwards.

As the nation is emerging out of the second wave of COVID-19, and the business activities are picking up we are also seeing a broad-based recovery. For the quarter, our Revenue grew by 12% to Rs. 182 crores and deferred revenue by 20% to Rs. 756 crores. Also the collections from customer for this quarter is Rs. 223 crores, representing a 36% growth year on year. On the paying customers front, we have added about 4,500 paying subscribers in the quarter, leading to our total paying customers of about 150,000 paying customers as on 30th September 2021.

We believe that as the economic recovery continues, we should see improvement in the customers churn as well as the new customer acquisition, leading to a higher net customer addition going forward. On the buyer metrics, our traffic grew to 284 million in the Quarter 2, leading to 26 million unique business inquiries during the quarter. We are further improvising our matchmaking using the AI-ML based capabilities that we have developed over the period of time, to increase the buyer fulfilment with lesser number of matchmaking. Therefore, while the unique business inquiries will remain unaffected and will continue to grow at their regular pace, the total business inquiries delivered are the total matchmakings that would reduce over the next couple of quarters.

On the strategic investment front, we have taken a 26% stake in Aerchain which is offering a SaaS based solution to automate procurement operations for businesses on the basis AI-ML and mobile medium. We have also made a follow on investment of Rs. 10 crores in the Mobisy Technologies that offers resume salesforce automation and distributor

management system, post this round our investment ownership in Mobisy stands at about 16%. All these investments are aligned and augments our strategic focus to make doing business easier for businesses through various SAS and commerce-based solutions.

Overall, we remain optimistic about the improving macroeconomic environment and we will continue to focus and make right investments to strengthen the value proposition for our customers.

Thank you and now, I would like to hand over the call to Prateek to discuss for financial performance in detail. Thank you and over to you Prateek.

**Prateek Chandra:**

Thank you Dinesh and good evening everyone. I will take you through the financial performance for the quarter ending September 2021. Consolidated revenue from operations was Rs. 182 crores in the quarter a growth of 12% year-on-year driven by both increase in ARPU and paying subscribers year-over-year. Consolidated EBITDA was Rs. 83 crores representing a margin of 46%.

Net profit for the quarter was Rs. 82 crores with a margin of 38% and cash generated from operations during the quarter was Rs. 99 crores. As of September 30, 2021 Cash and investments balance stood at Rs. 2,466 crores.

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

**Ravi Gothwal:**

Thank you Prateek. We will now begin the Q&A session. Please allow camera and microphone access if you wish to ask question and use the raise hand option. You may type your question in the discussion panel and we will revert to you if any question remains unanswered. Please introduce yourself and restrict to two questions per participants so that we may be able to address questions from all the participants. We will wait for a couple of seconds while the question queue assembles.

First question is from the line of Mihir Dhamania from Ambit Investment Advisor. Please go ahead.

**Mihir Damania:**

Hi, thanks for taking my question. When we're looking at all the acquisitions we've made, where do we see the most progress and as in integrating them with IndiaMART and then potentially providing software as a service? And where do we think what would be an estimated timeline of when to expect to start providing software-as-a-service in addition to what we are already providing?

**Dinesh Agarwal:**

Thank you, out of the investments that we have, I think the first investment that we made was in Vyapar app. It is a mobile based user accounting software. And when we invested in that company simply Vyapar they had less than 10,000 paying customers then. Now I think they are closer to 100,000 paying customers. Their revenue has also grown significantly, as you can see in our annual report for the year

FY2021. I think, to your question that which one is the most promising startup which we have invested so far, Vyapar remains that one. The other investments have been done very recently, and mostly are at the smaller level as of now. The second question you asked is what kind of SasS based services IndiaMART already provides? And what is the addition that we would want to do on that? So as you can see, Vyapar provides the content management system, the website making solution, buy-leads, customer relationship management, lead management solution, those kinds of solutions are already part of the bundled program of IndiaMART's advertising subscription. We continue to add more and more offerings on that, for example, payment-based solutions, invoicing and inventory-based solutions. So I think we will continue to add more and more solutions on this SaaS platform.

**Mihir Damania:**

Okay, thank you. Also, a follow up on that we have almost Rs. 1,700 crores of free Cash on our books and we already hinted in acquiring one or two major asset companies. Where do we stand right now? Because it's almost been like seven-eight months, since we raised funds and you have not acquired any large companies, with minor investments in some of the investments already made. So any progress on that?

**Dinesh Agarwal:**

Yes, you are right about six-eight months, but we have also gone through the COVID second wave. And we have done I think five investments since then. And we keep meeting companies depending upon their size and our liking and their availability. We continue to look for larger opportunities as well as and when something will come up will definitely let you know.

**Ravi Gothwal:**

Next question is from the line of Anuj Sehgal from Manas Asian Equities. Please go ahead.

**Anuj Sehgal:**

HI, I just wanted to understand, the business model. So you have a subscription based business model. And I think in the past you did try transaction-based business model, but that did not do well. Maybe you were ahead of the time then. But what are your thoughts on a transaction-based business model for IndiaMART. And the reason I ask is, you know, as we see globally and also in India, a lot of other players and your competition is moving in that direction, where you know, they are trying to take a commission of the transactions that happen on their platforms. So just want to understand, you know, how you view this, both as an opportunity and as a threat? Thank you.

**Dinesh Agarwal:**

Thank you, I think we learned a lot from our experience. We did learn many things regarding the cataloguing, regarding the pricing, and regarding the use of customer reviews and ratings through that platform, we found that doing 100% pure buy-now, order-now pay-now may not be the right thing for a pure B2B platform, which has a variety of categories, ranging from components to material to the finished goods, and we implemented some of those learnings into IndiaMART. Currently, as you can see on the screen, from discovery, we have moved to the conversation

phase and slowly and slowly we are adding pieces, which will take us closer to the transaction, we already have a pay-with-IndiaMART platform, and we are also trying to add a few logistics and tracking platforms like shipway is there. We have also made an investment into super procure and their chain. Also, we have started to activate certain transaction financing, but we haven't had much success on that. Going forward, I think it will be a combination of subscription plus maybe closer to the transaction, the way probably Shopify does. They're in all the way probably 1688.com does there in China. So, I think we will continue to move in that direction. But our goal will not be to take a large cut of the transactions like 10-30%, I don't think that is what we are destined to. But we'll definitely try to make it easier and cheaper to do business here in India, rather than becoming a commission agent of a larger portion of the transaction going forward.

**Anuj Sehgal:**

Okay, thank you very much. And if I may just follow up. So are there in your experience, because you know, as you rightly mentioned, you've gone through this experience and you've learnt a lot, are there certain categories which are more amenable to transaction based model and certain others, which you think are totally a no-go, and therefore, you will continue to focus on a subscription based model, just if you could maybe highlight some examples, that would be helpful.

**Dinesh Agarwal:**

Here we started with the industrial MRO supplies and MRO supplies, we thought are those which were more amenable to because they were ready made items, could be screws, could be bearings, could be safety shoes, kind of products. So those are the products which probably can be bought off the shelf. They are easier to be done as a platform. But if you start to add a lot of logistics into the B2B, every category has a very different logistics challenges. And we were finding that we were not adding much value in disrupting B2B logistics. I think we need to find a new way of doing that. As I have mentioned a few times we are trying to see if we can get into the conversational commerce kind of a platform through our lead manager and through our CRM, where after certain conversations, people can Place Order directly to the supplier. That would be our endeavour. Many categories like high value categories or many categories where customization is required, those categories may not be ready or may not be ever ready for Buy-Now transaction.

**Ravi Gothwal:**

Thank you. So next question is from the line of Amit Chandra, HDFC Securities. Please go ahead.

**Amit Chandra:**

My first question is on the Cash collections. So we have seen now quite a significant improvement in the cash collections. So that is despite the paying subscriber addition, which is actually lower than what we're expecting. So has there been a rise in the customers, which are longer duration customers and how that has changed in the mix. So that is first question and if you can highlight the churn that is there in the various categories in monthly or yearly packages, and how their churn has

increased or decreased over the last few quarters? So that would be the second question. And third would be the total business inquiries? The total business inquiries delivered has come down, despite there is increase in the profit. So has there been any change in the conversions or the ROI for a seller? Thank you.

**Dinesh Agarwal:**

Let me answer one by one. Yes, there has been a good recovery in terms of the collection from customers. And despite the fact that the number of net customer addition has been only around 4500 or so, the collections improved, typically, that the customers who were earlier satisfied with IndiaMART, they were waiting for markets to open up. And now they have started to upgrade into higher services or their higher tiers. So some customers have moved from silver to gold, and some customers would have moved from gold to platinum. Also, longer duration packages have become better, as you can see, in terms of the mix. Now, not much of a change has happened. But if you compare that change from one year ago, or so, we were at about 66% current deferred revenue versus currently running at about 63% current deferred revenue. So not much of a change in terms of duration. But I think in terms of the actual service upgrade, there has been a good change. Also, as I said, during both the COVID waves, the churn really went very, very high. And we have seen a consistent recovery in over the last 2-4 months, especially in the month of September, I can say that we are just a couple of notches below the levels which we achieved at the pre-COVID levels. In terms of numbers, I think let's wait for one more quarter before I can start to give you monthly churn, annual churn and multiyear churn. So churn was deteriorated heavily during the April and May and June quarter. And it has improved by certain notches, it is still below by certain notches from the pre COVID levels.

**Amit Chandra:**

So in terms of the recovery that we have seen, was the recovery there for the full quarter or it was mostly back ended and are we happy with this 4,000 numbers or we can see this accelerating to 6,000-7,000 which was a normal number pre-COVID?

**Dinesh Agarwal:**

Normal number pre-COVID was 5,000 to 6,000. And as I have guided earlier also that by December quarter, we should be reaching there. What happens after that is anybody's guess, how economy fares and how SMEs fare. But as of now, the 5,000 to 6,000 numbers looks doable in the immediate quarter. To your question whether the recovery was mostly back ended, no recovery was pretty broad based during the quarter. Yes, there was a definite betterment in the month of September.

**Amit Chandra:**

In terms of the cash collection, we have seen the healthy improvement. So is that fair to assume that the next year would be pretty strong in terms of numbers, at least 25% growth? Now if you assume the existing cash collection rate to continue. So is that the thing and also know if we maintain our that levels in terms of the costing, if you are at Rs.100-110

crores of quarterly expenses, then there is a fair bit of chance that we can expand on our EBITDA margin from hereon. So what is your take?

**Dinesh Agarwal:**

On the EBITDA margin, as I said, we were at 28% pre COVID, we were increasing that EBITDA margin every quarter by 1% or 2%. And we are slowly and slowly increasing that. During the COVID first wave, there was a lot of uncertainty and we did a lot of automation, which actually made our EBITDA jump, despite the fact that the collections were negative, because the revenues comes from the previous collection. So that's why the revenues were actually flowing in, while the expenses were immediately started. So that is why you will see a jump to that 48% kind of EBITDA margin. As I have been guiding that, you know, half of that would come back, so I think it would be fair to assume that we will probably be trending at around 38% kind of EBITDA margin going forward. Now, again, we have seen that the collections which were negative for almost the first three quarters of the pandemic, have started to now grow. But during the first three quarters of the pandemic, we have enjoyed the benefit of that deferred revenue, which resulted into better revenue. Now that the collections have started to improve the revenue will follow through, whether it will immediately start to mimic the 30%, No. It will have a mixed 0% collection growth that we had three quarters ago and 30% collection growth that we have today. So it will be probably mixed to anywhere between 15 to 20%.

**Amit Chandra:**

Okay. Sir, the last question from my side. The total business inquiries has actually come down in terms of delivery. What is driving that? And is there any change in their ROI or the traffic, conversion to business?

**Dinesh Agarwal:**

In my opening remarks, I have mentioned that we now have the capabilities to do a better matchmaking. And if you see the unique business inquiries, they have remained same unique businesses queries last quarter was also about 26 million. And this quarter is about 26 million a unique number of buyers who are coming and posting an inquiry on an our platform that has remained consistent. Given that now we have slightly better capabilities in doing the matchmaking so that the conversion ratio can improve for buyer as well as seller both without doing too many matchmaking. That is why we are making certain changes into the algorithm. And I've already guided that this will not affect the unique business inquiries, but it will continue to have a negative impact on the total business inquiries or total matchmaking stuff.

**Amit Chandra:**

Okay, and sir lastly, what is our strategy to increase the conversions in the sense of moving the total number of free listing to paid listing? So are we investing in that area in terms of technology to accelerate that, and will it result in higher conversions and additions?

**Dinesh Agarwal:**

I think, let this economy stabilize. It's been that we started to do far better in January, February and March, this year only, and then the second wave happened. Again, we only got one more quarter, for the economy to stabilize and once the economy is stabilized, you see the medium and

large enterprises, they recover faster. But the smaller enterprises, three months dip in their business takes a very long toll on them. So until there are three quarters of continuous improvement in the economy, I cannot comment on that side on the technology side. In fact, imagine a year and a half ago, all of our sales used to come from people going to the businesses and doing face to face sales. Now today, almost 80% of that sales is coming by telephone and by online measures. So I'm pretty sure that we have rebuilt the entire technology and an entire tracking system where who could be interested because we cannot do the door to door marketing that we used to do earlier. Now, how would this pan out going forward that will depend upon the economy and the pandemic.

**Ravi Gothwal:** Thank you Amit. Next question is from the line of Prateek Kumar, Antique stock broking, please good ahead Prateek.

**Prateek Kumar:** Good Evening Sir. My first question is on the change in average revenue per paying supplier. There's a small dip. I know that last quarter, it was slightly higher than normal. But what should we generally infer from this?

**Prateek Chandra:** So Prateek the way we see ARPU here, it is essentially the revenue for the quarter divided by the total number of paying customers at the end of the quarter. Since so all of a sudden, in the last quarter, the total number of paying subscribers that we have, on March, it was roughly around 152,000 then it came down to 146,000 and there was a spurt in the ARPU that you would see in the June quarter. This month, that spurt had been kind of normalized, because as a customer have increased and our overall revenues have stayed pretty much similar what it was in the last quarter. So that hopefully explains the variation in the ARPU.

**Prateek Kumar:** And the second question is on fundraises by some of your competition, startups like Moglix or Ofbusiness. So while we have also raised a significant amount of money recently, so how the usage of funds may be different for us versus for them? I'm just asking a hypothetical question. But I mean, in case you can throw some light, as they are raising from private market and we raise from public market. Yeah, any views on that?

**Dinesh Agarwal:** Every business is very, very different, you know, Ofbusiness, for example, is a very different business it is not a marketplace or they are they are solving a very different problem to provide credit to the small and medium enterprise by way of taking dealership of some of the largest brands, so they are more of a transaction financing business. B2B is a very, very large opportunity, as I've been telling almost a trillion dollar of GMV happens in B2B every year, there is a kirana B2B, there is a garment B2B, then there is a raw material B2B, there is a construction B2B and there is a B2B transaction financing credit. So on and everybody is doing very different work. Moglix is trying to solve the MRO and procurement solution, and we are trying to work towards providing them now, apart from marketing the buyer and seller communication solution, trying to look at the more payment solution, everybody's trying to solve this whole large problem in a very, very different manners and multiple hits and tries

would be done. Fortunately for us, we have found one large problem that has been solved of finding a buyer and seller and finding a product at a cheaper price at a trustable source. And which has resulted into a network effect business where there are more buyers attracting more suppliers and more suppliers attracting more buyers they are on which has also started to become a profitable business. Three years ago, we were also not profitable. I think it is a cycle that will evolve. Fortunately for us, we have access to capital from the stock market as well as we generate about Rs. 300 plus crores of cash flow from operation that gives us a lot of ability to do better experimentation. I hope that answers your question.

**Prateek Kumar:**

Thanks for that answer sir. And last question is on how do you see ad-spend going on or panning out over the next 6 to 12 months?

**Dinesh Agarwal:**

We've been asking this question ourselves and as I said that currently the buyer side traffic is enough for us and there are too many uncertainties. We do want to do some branding exercise, but I don't think anything of that is being planned as of now in the in this quarter. At max you know there are a lifetime whenever we did branding exercise, it was generally to the tune of Rs. 20-30 crores rupees a year. So, if at all it will come most probably, you know, maybe next financial year.

**Ravi Gothwal:**

Thank you Prateek. Next question is from the line of Manish Gupta, Solidarity Advisors Private Limited, please go ahead.

**Manish Gupta:**

Thank you for the opportunity. I had two questions. The first question is that, you know, how much of your increase in paying suppliers is coming from suppliers who are migrating from the free model? That's the first question. And the second question is that you mentioned you have 100,000 paying customers in VYAPAR. How many of your 150,000 paying customers are currently using VYAPAR?

**Dinesh Agarwal:**

Well, let me answer the second question first. On VYAPAR, when we did the investment, at that point of time, we did a survey and we found that there was about 10 to 15% overlap between their paying customers and our paying customers. We recently in last quarter restarted experiment to see if any new customer who signs up at IndiaMART would he be interested in taking VYAPAR and results seems to be encouraging. We do not have any access to the 100% customers of the year to see if how many of them are IndiaMART customers, because in their mind, customers are slightly bigger size than we are. But I think anywhere between 10 to 20% or less should be possible given what we have seen in the last two, three months of our experiment.

In terms of how many new customers come from our free model, almost 90% of the customers in general would have registered at IndiaMART or we would have registered them at IndiaMART. And they would already be free listed company on IndiaMART. And then we would go and that's the part of the sales process itself. Maybe 10-15% customers who directly sometimes call on our helpline to say that we will directly be interested

into a paying customer, there could be those new businesses or some businesses which we would have not discovered till then. But by and large, most of the customers upgrade from their free listings.

**Manish Gupta:**

So one more question, if I may. So Dinesh, how do you think about what could be the number of paying suppliers you could have? Because you know, at some point in time, the marginal suppliers might not get business because the well run suppliers are taking all the business away, you know, from the inquiries that are coming in. So how do you think about any of the number of product categories that you've got on your platform also will saturate at some point in time? So the 150,000 not paying suppliers? Where do you think you are in terms of the total? What could this number be in 5-10 years you think?

**Dinesh Agarwal:**

Yeah, instead of putting a number let me put some of the other numbers around us. So people say that there are 60 million SMEs in India and 99% of our customers we take it is mandatory to make them only the GST registered customers. The GST registered customer base is about 12 million out of that the manufacturing and trading and business services kind of people they will be around half of them or 60% of them. So from there we think that our total addressable market, just the GST will be anywhere around 2 million or so. Another way of looking at it would be VYAPAR or Tally. This whole space claims that they have about 2 million paying users in India. The third measure what I see is the number of customers 1688.com has in China, they have about a million customers in a slightly bigger, maybe 2x bigger economy on the MSME side today, and their average revenue per customer is about 1500 \$. In China, they are continuing to grow at about 30% per annum. And if you look at the number of SMEs advertising on Google or Facebook are the number of SMEs who are advertising on JUSTDIAL kind of platform. They are all in the range of half a million here and there. So given that we are a B2B platform, our number could be slightly lower. But then if you extrapolate 10 years, from here, I think a half a million numbers should be no big deal.

**Manish Gupta:**

Let me ask one more question Dinesh. You know, you're generating so much of cash, you have, you know, Rs. 2,000 odd crores of cash on your balance sheet. How do you think about the size of the bets that you're taking?

**Dinesh Agarwal:**

We had very little cash three years ago, two years ago when we started to learn this, we started to take smaller bets. First, we do not have any experience of investing or M&A from the past. So I think from that perspective, let's learn those smaller investments, see how that pans out, build the capability inside to do the pilot projects and go to market studies and continue to look for bigger ones, as in when they come up. I think the cash on the books has accumulated much faster than you know, we would have been ideal. And I think there is a lot of expectation that we should do bigger, but at the same time we should be cautious that what kind of

deals we should do and that should add to growth as well as profitability both.

**Ravi Gothwal:** Thank you Manish. Next question is from the line of Kailash from Zain Investments, Kuwait. Please go ahead.

**Kailash:** Good afternoon Dinesh and the panel and season's greetings to all of you from Kuwait. I have a very operational question on why your annual report says that IndiaMART is certified to ISO 27001 for information security. Maybe know what are the technical controls that IndiaMART deploys because we are an online portal. So I'm sure we must be subject to a lot of cyber-attacks. That's number one. And number two, where are our systems hosted? Are you hosting on premise? Or are you considering cloud because we could use a lot of cloud native services for your AI and another use cases?

**Dinesh Agarwal:** So let me answer the second question first. All of our hostings, and all of our infrastructure is in their data centers. Some of the, you know, old data centers are more like co-location Data Centers, and most of the new migration has happened towards the cloud. Today, maybe we are 66% purely on these virtual cloud platforms like Amazon or Google cloud platforms, and still 33% legacy on the co-location Data Centers across US, Singapore and India. Coming to the second question on the cyber security side, multiple things are being done. Whether it is firewalls, whether it is API gateway, whether it is prevention or denial of service attack or distributed denial of service attack through sophisticated load balancers, whether it is data scraping, denial and fixing any personally identifiable mode, whether it is AI & ML block list-based algorithms to block certain restricted items, which could be restricted here in India, which could be generally restricted everywhere. There are technologies to detect the re-entry of fraudulent buyers or fraudulent supplier. So multiple solutions are implemented. I think we are also in the process of certain more certifications and as in when they will come, we will let you know.

**Ravi Gothwal:** Thank you. I'll just take couple of questions from the discussion panel. I'll read out for the management. Can IndiaMART register sellers from outside India? Are there many sellers also in India who like to register and sell in India? Can they register on our platform?

**Dinesh Agarwal:** So, earlier we used to have such facility. As of now, over the last 5-10 years, we have not focused on that area. And we have internally debated on selling India kind of a solution. Very recently we have started to focus a little bit on the exports again, but not yet on the selling in India. On the export side, I think two three quarters ago, we have started to experiment with the export only buy-leads as IndiaMART verified exporter program. And we are seeing some good uptick on that side. Probably that has coincided with our Make in India and reduction in the corporate taxes and incentives that our government is giving. So I think we are trying to revive on the exports, but not yet on the sell in India.

**Ravi Gothwal:** Okay, moving on to next question. So what kind of GMV IndiaMart would be generating across the whole ecosystem? And do we have the strategies to monetize this strength better than the subscription model currently? Also, do we have internal numbers? How much percentage of revenue from our subscribers would be coming from Indiamart?

**Brijesh Agrawal:** So, when we look at our overall number of business inquiries which have been delivered, the average order values that we get from sample of these RFQs that we have, and the feedback we have from our customers, on how many of those RFQs have been fulfilled, they says that our estimation is that we facilitate trade worth about 20 billion US dollars every year through the platform. Now, when we look at that 20 billion worth of trade that you facilitate versus the revenues that we are able to generate, you would see that the current monetization would be little lesser than 1% of the overall transaction value. Given the fact that in B2B, you know, these are not very high margin businesses. We think that the current model of subscription that we have adopted allows us to monetize this well enough to a certain extent, obviously, there are opportunities, which have been explored in the past by players like 1688.com in China, and where they are able to increase this monetization as the overall ecosystem actually matures, a little bit and therefore there is a potential upside in terms of the ARPU. So for example, the pose that we have here, which is closer to about \$ 650. Compare that with China, which is at about \$ 1500 currently. So there is certainly a scope. But currently, given that we are in a market where we see a lot of growth potential. And this is a time where we would want to focus more on that and keep building up tools, solutions, which will help us improve this monetization in the years to come.

**Ravi Gothwal:** Thank you, Brijesh. We will now take follow up question from the line of Mihir Damania. Mihir, please go ahead with the question.

**Mihir Damania:** I just wanted to understand if there has been any impact on Justdial entry to the B2B business model space?

**Brijesh Agrawal:** Nothing, nothing so far. And, you know, we haven't seen any customers or we have not got to hear from any customers, you know, that they are adding B2B to JDMart or something like that. I think they are also going through certain changes in their own management. So as of now we don't see anything. We are confident that our network effects and our experience in building the b2B business has a lot more deeper understanding and that should help us remain in the leadership position with us. I do not see any challenges as of now. Whatever comes later we will see to it.

**Ravi Gothwal:** We'll move on to the next question. So Sir what is limiting our growth at 25% and above? Is it the inherent situation of the economy? Or do we need to provide any further innovative services to our users? Because the company like Shopify are growing at a 40% plus, despite operating in the developed economies.

**Brijesh Agrawal:**

Yeah, I think it's really great. I cannot comment whether 40% is the right number or not, 20% is the right number. But if you have seen our historical growth rates, they have been around at around 25 to 28% CAGR. I think we would love to maintain that, specifically, the CAGR has been impacted in the last two years due to the pandemic. But otherwise, I think we will have to remain in that 25 to 30% growth rate system, hopefully will emerge a stronger and much better economy and should be able to do a better job in coming years.

**Ravi Gothwal:**

A similar question on the strategy, what is the IndiaMART strategy to accelerate from, say, 1,50,000 subscribers to half a million subscriber in the coming years? And because we have been at 1,40,000 to 1,50,000 subscribers for last couple of years. So how do we want to accelerate growth from here on?

**Dinesh Agarwal:**

Yeah, see the number of paying customer they were also increasing in the two years with the rate of 15 to 20% per annum. Despite the fact that the last two years have remained more or less same, I would say that if, barring the pandemic, we would continue to stretch this number anywhere between 15 to 20% per annum. Now that we have, we have a much stronger network effect. Given that earlier we were having 50 to 60 million visits on our portals every month. Now we get about 80 to 90 million visits on our portal every month. That definitely means more buyers have come into the ecosystem of IndiaMART. Since the suppliers have had certain rough time over the last two years, I'm sure all of them will come back and on the strategy side on the ground, you see most of our sales used to come from field sales operation and now we have three pronged strategy to acquire customers in the larger market, we have our own field sales force, as well as we have got channel partners who operate with the field sales force. We have also got good success because of this pandemic lead online adoption and people's acceptance of the telephone based and online based sales. Today, almost 20% of our sales have started to come from telephone and online based mechanism. So I think with all the three channels, I'm sure that as the economy opens up and we would be doing a better job in terms of customer acquisition.

**Ravi Gothwal:**

Thank you Dinesh Ji. We will take next question from the line of Swapnil JM financial, please go ahead.

**Swapnil:**

So just one question like historically we have been saying that the quarterly subscriber addition would be in a steady state of 5,000 to 6,000. Now, my question is like, what would be required know what we need to do to increase that beyond that to 6,000, you know, quarterly additions, because if I were to compare it with, let's say 1688, the way they grew between 2000 to 2012 and the numbers they were adding, even though the base of subscriber addition was significantly higher than what is ours?. And after that the focus was on ARPU increase and so. So I would just like to understand like, what is your strategy to increase that 5000 to 6,000

subscriber number, and second question on ARPU increase as well once that number has reached a certain level?

**Dinesh Agarwal:**

So last three years, we have been trying to maintain that 5,000 to 6,000. And that has been difficult. You know, ever since the crisis happened, I think, our first goal is to overcome this and become consistently at 5,000-6,000 customers. And then as I said, we have a very good plan. Now in terms of telesales online sales, channel based sales and our own field sales. If we have to go faster on the customer acquisition, given that now we have a lot more ammunition in terms of buyer also. And in terms of buyer inquiries, also, I think, probably the stage would be set as soon as the economy opens up.

**Brijesh Agrawal:**

In fact, on the channel side, if you see our dependence on field based sales operations to acquire customers, pre COVID was significantly higher. And the other channel, you know, contributed very little to customer acquisition. Today, we are operating with, you know, four different channels all together. So that, of course, has increased the firepower that we have to go back and acquire customers in larger numbers. We've actually used the COVID period of these 18 months to carry out experiments, some of them have really worked very well for us, and they are scaling up. So one, that readiness does exist ahead of us. Second, when you look at the pre COVID, you know, causes on what were the reasons which limited the kind of net customer additions we were seeing, we did mention that the transition from doing business in an offline model where you either have a shop in a wholesale market, or where you would typically have dealers or distributors or retailers helping you sell a product, the transition requires a shift in the mind-set altogether. And that shift in mind-set is something which if it happens naturally, it only can happen at a gradual pace. What COVID has come and done is that it has, you know, shaken this entire belief that in order to be better prepared SMEs need to have a hybrid kind of presence. And I think given this fact that there is a better realization on having a hybrid presence both offline as well as online, there is a definite shift that we are seeing in that mind-set. As the business starts to get back to normal and so does the overall GDP, you know that we were doing pre COVID, we start to cross that those levels, I am sure this is going to be an additional reason for us to be able to acquire higher number of customers. So that's the second big change that we are seeing here. Third, of course, as mentioned, because of the overall stress that the SMEs have faced over the last 18 months, it's the customer churn, which has been one of the reasons why the number of net Ads has not grown. It's not the acquisition piece, which is, which is where the real challenge is it's been churn. So as we are now seeing easing up of the economy, normalization of the businesses, we've seen an improvement in Japan in the last quarter. Hopefully, if nothing further goes wrong, we should see that improvement to a level where we were pre COVID. And that should help us add the overall number of net ads every quarter that we are able to see. So there are three things that have

happened, which we believe will help us get higher net additions from the 5,000 to 6,000 numbers that we used to do pre COVID.

**Dinesh Agarwal:**

And on the ARPU question, any time when you have higher than 20% addition, the ARPU will decline, and when you have lesser than 10% or 10% net additions there is an overall increase, the average growth rate of the ARPU has been at 5% and which we I think we will be able to maintain at 5%. Because that is the price rise that SMEs are comfortable with. So I think ARPU growth at a 15% - 20% customer addition typically remains at 5%. If the customer addition grows higher than 20%, the ARPU growth will reduce. And if the customer growth grows below 10%, ARPU growth increases.

**Swapnil:**

And just a follow up question to that, see, when we talk about 1688.com, the recent level of 900,000 or 1 million paying customers and that's where their volume growth stagnated in a way in fact, it came down after that. So, what is that level, what will be that number where our volume growth, you know, will not grow after certain period is there a number?

**Dinesh Agarwal:**

No, we will not be able to put a number there that that will depend on the India shining story. Let's see how India, how far is this guy from India is.

**Swapnil:**

And another question on the tech employee edition. So, last quarter, you mentioned that you would be increasing your product guys to around 600 employees. Right, right now, it's around 475. So, we are in one quarter, I don't see much increase in that number. So, by when would be adding those employees and what kind of, you know, output do we expect from them?

**Dinesh Agarwal:**

On the employer side, we are all in line, I think we are we continue to add people at some pace, you know, some months are good, some months are not so good, but we will continue to add more number of people. We are committed to make about 600 product and technology employees. It is growing a bit slowly but I think we are committed there. In terms of sales and servicing. As I said the sales and servicing employee headcount is now because it is spread across the channels and tele channels and outsource channels, it will be wiser to look at the outdoor sales cost along with that, to see the implied number of employees. We will continue to grow that number as well. Because in the JFM we had good time in hiring the people. So that was reflected in the last quarter. Again the last quarter when they appeal May June quarter, we could not hire anybody. So again, this quarter we have worked on hiring hopefully the results should be visible in the next quarter.

**Ravi Gothwal:**

Thank you. So we will take the last question from the line of Pranav Kshatriya. Pranav, please go ahead.

**Pranav Kshatriya:**

I have two questions. Firstly, if we look at this quarter, the cost has come to almost Rs. 100 crore per quarter, which is what you know, you have sort of guided that that will be the steady state cost. So, now from here on how should we see the cost going forward? And will it stay steady and

possibly grow, which is what has been the growth rate pre COVID when you are growing at around 20%. That is my first question. And secondly, if I look at the funnel, I think you know there is too much concentration which has happened in the platinum customer and that could possibly be because of how the top guys are doing relatively better than the bottom guys. But do you think that you can do a pricing intervention or a sales intervention where you put in more resources to get this parameter corrected? So that you onboard more paying customer although, you know by giving some freebies discount or things like that, so that you know you have a proper funnel which actually eventually goes out. So these are my two questions. Thank you.

**Dinesh Agarwal:**

For, the first question, Pranav you're right that we've been guiding Rs. 100 -105 Crore steady state number on the expense side. The only thing is that over the last six, nine months, talent pricing has changed quite a bit. And so I think instead of 6-10% growth rate in the cost, I think you should budget more like 20% growth rate in the cost, given that the talent pricing has been related. And we should not be losing our talent to do that. For the second question, given that we have not added many customers, and most of the revenue has been coming from the top of the pyramid, currently it looks like that. If we start to add lot many more customers, I think it would stabilize there at 44%. Obviously, it is slowly growing at 1%. Because most of the pricing increase comes at the platinum customer, those are the most engaged customer. And if you remember, we were talking about differential pricing. And the differential pricing will again be implemented mostly into the platinum tier. So I guess your question on how do we acquire more silver monthly customer? That remains The bigger question, because of the churn has also happened mostly in that silver monthly packet. And that is why the parameters seems a little disproportionate. We believe that once we start to acquire customers and silver monthly at the large numbers, the parameter should be back to the normal position.

**Ravi Gothwal:**

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

**Dinesh Agarwal:**

Thank you very much, ladies and gentlemen, for joining our conference call. We have tried to address your queries in the time available but if you still feel that there are some questions unanswered, please feel free to connect with our Investor Relations team and they will help you as much as they can. Thank you very much and have a very Happy Diwali.

**Ravi Gothwal:**

Thank you, everyone. On behalf of IndiaMart. We now conclude this webinar. Thank you

Notes:

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