Webinar Transcript

Event: IndiaMART Q3 FY2025 Earnings Webinar

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CORPORATE PARTICIPANTS:

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Avijit Vikram: Good evening, ladies and gentlemen. I am Avijit Vikram, Head of Investor Relations. On behalf of IndiaMART InterMESH Limited, I welcome you all to the Company's Q3FY25 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 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 conference call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to Slide no. 3 of the earnings presentation for the detailed disclaimer.

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

Dinesh Chandra Agarwal: Good evening, everybody and welcome to IndiaMART's Q3FY25 earnings webinar. We have circulated our earnings presentation, which is available on our website as well as on the website of the stock exchanges. We are sure you would have gone through the same and we would be happy to take any questions afterwards.

IndiaMART has delivered consolidated revenue from operations of Rs. 354 crores in Q3, representing a year-on-year growth of 16%. Collections from customers grew about 10% to Rs. 363 crores on a consolidated basis. Deferred revenue grew by 17% to Rs. 1,492 crores on consolidated basis.

Unique business enquiries have grown to Rs. 27 million, representing a year-on-year growth of about 17%. Total number of paying suppliers has declined slightly by Rs. 3.5K to 214K. This decrease is primarily attributed to the reduction in gross supplier addition during the quarter as we have been increasingly focusing on onboarding higher quality businesses as paying supplier. Additionally, lesser number of working days due to festive season has also contributed to the decline.

The churn rates within the customer base in the silver bucket remain largely consistent with the trends observed in the recent quarters.

Our platinum and gold customers, which constitute approximately 50% of our customer base and 75% of revenue continue to have low churn.

We are focusing on enhancing quality and simplifying the platform to improve the overall user experience and engagement.

We have further strengthened our leadership by onboarding Mr. Saurabh Deep Singla as the new CHRO

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

Brijesh Kumar Agrawal: Hi. Good evening, everyone. Busy has done a net billing of Rs. 20.4 crores in the quarter, and this represents a Y-o-Y growth of about 42%. This billing also includes an impact of approximately Rs. 2 crores, which has come in because of a change in the overall payout structure for the channel partners.

The revenue from operations have grown by 30% year-on-year basis to Rs. 16.3 crores and the deferred revenue has grown by 43% to Rs. 57.3 crores. The EBITDA for the quarter is at Rs. 1.1 crores with margin of 7%. The net profit was Rs. 1.9 crores. The cash flows from operations stood at Rs. 4.9 crores.

During this quarter, we have sold an additional 7K new licenses, and this takes our total licenses sold to about 388K at the end of December '24.

With this, I will hand over the call to Jitin to give an update on the financial performance.

Jitin Diwan: Thank you, Brijesh. Good evening, everyone. I will take you through the financial performance for the quarter ending December 2024. Consolidated collection from customers was Rs. 363 crores in the quarter, representing year-on-year growth of 10%. IndiaMART stand-alone collections from customers for the quarter were at Rs. 341 crores, registering year-on-year growth of 8%. Standalone revenue from operations stood at Rs. 337 crores, registering year-on-year growth of 16%. Our growth in revenue was primarily driven by improvement in realisation from paying suppliers.

Consolidated deferred revenue stood at Rs. 1,492 crores, increase of about 17% on year-on-yearbasis. EBITDA of IndiaMART standalone business stood at about Rs. 144 crores, representing a margin of 43%. The margins continue to be elevated on account of savings arising from lower subscriber acquisitions and operating leverage. As and when customer growth increases in future, we anticipate the margins will align with the gradual operating leverage.

Consolidated net profit for the quarter was Rs. 121 crores. Consolidated cash generated from operations was Rs. 114 crores.

Consolidated cash and treasury balance stood at Rs. 2,606 crores as of 31st December 2024.

During the quarter, we exited one of our investee companies, Shipway, as it was fully acquired by Unicommerce, listed on stock exchanges.

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

Question-and-Answer Session

Avijit Vikram: We will now begin the Q&A session. If you wish to ask a question to the panellists, kindly raise your hand and allow camera and microphone access. Alternatively, you may type your question in the chat box and we will revert on it. Please restrict to two questions so that we may be able to address questions from all the participants. We'll wait for a couple of seconds while the question queue assembles.

Moderator: First question is from the line of Abhishek Bhandari from Nomura. Hi, Abhishek, please go ahead with your question.

Abhishek Bhandari: Yeah, thank you for the opportunity. I just had this question on surprise paying subscriber number, minus 3.7%. Even in the worst of the last few quarters, you were at a positive number of around Rs. 2,000 odd. So, what surprised you negatively? And by when do you think we'll again go back to a positive number, if at all? and sustaining this collection growth rate in double-digit, is it possible sans the net subscriber addition for you?

Dinesh Chandra Agarwal: Thank you, Abhishek. See, I've been guiding in last two quarters that while we are working on improving the churn and for the purpose of improving the churn we have taken two, three initiatives. One, which you can see is the number of unique enquiries to the number of enquiries delivered, that ratio has come down from 5.5% to now 4%. Secondly, we are trying to improve the relevancy in terms of geographical matchmaking and in terms of the buylead or RFQ quality. So those things that we are doing are taking much longer than our anticipation.

So, in the meantime, what we are doing is not aggressively investing in gross addition rather we are doing segment-by-segment analysis, which are the high churn customers for whom the platform is not working at all We are trying to identify those segments one by one whether it is the Tier 3 or Tier 4 geographies or whether it is some of the industries where it is not working and we are trying to restrict our investment until we are able to get a very positive hang on churn. There's no point trying to get 1,000 or 2,000 customer addition per quarter or whether it is 1,000 or 2,000 less.

If you go to our functional P&L slide, you will see that investment in sales and marketing which used to be typically at about 15% odd or plus/minus that so that it ranges between 12% to 18%, is at the lower side of the range. Now we are at 13% only. So, we are consciously not investing and going aggressive to increase the supplier base. We know we have supplier base. We are getting certain supplier base and secondly, there may be some seasonal effect of Dussehra, Diwali, Christmas and New Year.

I think let's wait for a quarter or two when I can give you a really good news about the churn and we have all the money and resources to go back and press the pedal on new customer acquisition.

Abhishek Bhandari: And my question on whether you can sustain this double-digit customer collection growth in the fact that addition has gone negative?

Dinesh Chandra Agarwal: Right question, because if we are not doing the gross addition, so even if those customers were staying for let's say three months, six months, nine months they were adding to the collection. So, if the net customer addition is going to be even zero or plus minus then whether the collection will remain in the 5% to 10% range or whether it will remain in the 10% to 15% range, you are right. I think let us not have an expectation of over 10% as of now. If we can surprise you, we will come back, but I would not increase my expectation beyond 10%.

Abhishek Bhandari: Okay. Thank you and all the best.

Moderator: Thank you Abhishek. Next question is from the line of Nikhil Choudhary from Nuvama. Hi, Nikhil, please go ahead with your question.

Nikhil Choudhary: Hello, good evening. Thanks for the opportunity. My question is on collection growth remaining below 10%. Last quarter, we highlighted there were some execution challenges, right? And that basically impacted your collection growth last time, but still collection growth remains below 10%, and you're also guiding less than 10%. So, I just wanted to get some colour on what's happening? and is the impact of execution challenges continue to remain?

Dinesh Chandra Agarwal: I mean, last quarter, suddenly, we came down from that 14% odd to 4% odd or 5% odd and there were two things, one is that the number of customer addition was not happening so, we were slowly and slowly coming down in our collection growth, coming from 20% to 15%, 16% to 14%, 13%. So, I think we would have been happier if the last quarter was 12%-odd, but we actually fell down to 4%.

So, there were some execution challenges. I think there is always an execution challenge, but by and large, I think the team has done a good job with 8%, 9% and mostly, if you see the ARPU growth or the collection per customer growth, the team has been able to do a decently good job. So, I would not say that the collection is now reflecting a bad execution. 1%, 2% plus/minus here and there is possible but because we have not been adding customers so there is a problem with the collection and that is why I'm saying that let us wait for a quarter or two more when we can give you a better colour on the churn.

Nikhil Choudhary: Sure. Second one, just want to understand your thinking behind it. So, we have been trying to do or reduce the churn basically during the last five to six quarters, right? We have made various initiatives including changing the matchmaking, enabling overall easier contact between the seller, plugging WhatsApp, which is now available on your website, in your app. So just want to understand, despite of so much initiative, if we are seeing the elevated churn continue to remain a problem, why don't we fundamentally think that elevated churn is now maybe a base case and we should focus on gross addition rather than cutting our sales and marketing, which is impacting our growth further?

Dinesh Chandra Agarwal: I mean that can only help you in maybe one or two more quarters. But after that again it will come back and bite you. So, there's a concept of CAC to LTV, the customer acquisition cost that we pay and long-term value that we can derive and while it is highly profitable for us in the second year, third year, fourth year. For the first-year customers if the retention is going to be so low, I think it will become a problem in times to come. So, I think it is better that we correct our main engine right now and be able to do a better job.

Otherwise, we will get into the pure ARPU growth mode for many, many years. I think it will take some time. I am still not pessimistic on the India growth story, our Internet growth story or lead gen story or any of that.

That is what I suggested, I think last to last quarter in one of the question, that let us not question the business model of Google itself because if the Google as a business model is a purely advertising, lead gen business model for SMEs and for our businesses. I think IndiaMART is slightly more refined version of that with a slightly lesser TAM. So, I'm still confident that structurally there is a whole lot of opportunity available in front of us. We are trying to find that blind spot which we can fix doing too many different experiments.

Yes, you are right that it has taken five six quarters, and nothing has resulted so far but I think we have done it time and again in the past many years over the last two, three decades. I think we will be able to fix this. If we are not able to fix this two, three, four quarters, I think we can always go back to the ARPU led growth or customer acquisition-led growth at a lower profitability.

Nikhil Choudhary: Sure. Makes sense. The last one, if I can squeeze in, is on your buyer side. So, we have seen a decent improvement in metrics, both on LTM active buyer as well as daily unique business enquiry, right? Any colour, any initiatives you have taken which is resulting that? And just some colour out there.

Dinesh Chandra Agarwal: I think this is function of too many things, whether lesser number of suppliers causing lesser irritation to the buyer because at the end of the day we sell buyer information to the sellers and multiple sellers do call you. So, has that resulted into a significant repeat buyer. You can see a little bit of improvement in repeat buyer coming at about 55%, highest ever kind. But that's just one quarter.

Some improvement is possibly due to the search engine optimisation because the last year, most of the searches were driven from the Google desktop and now Google has become mobile-first indexing. But I would still say that let's wait for another quarter when this can become a sustainable trend because these are the only two quarters of good growth. I would still wait for another quarter to say that this is a sustainable trend. We are running at almost all-time high unique business enquiries per quarter.

Nikhil Choudhary: Yeah, thanks again and good luck for coming period.

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

Swapnil: Hi, thanks for the opportunity. So, I had two questions. The first one is, we have been seeing these churn-related issues since the time we increased our pricing on the silver category, right, the last year, sometime in May and that is when we have been seeing this kind of high-churn rates, especially in the silver category and that has sustained.

Have we considered going back to previous pricing, trying out something different rather than just saying that this is low margin growth, and it may not get converted into upsells going ahead but just for the time being, just going back to the previous pricing just to bring something new to the table. I'm just coming from that thought process, if you can just?

Dinesh Chandra Agarwal: Yeah, I think it's a valid suggestion now because while the price is same as what we had in 2019-'20 just before the COVID and so there was no rationale to even think while the inflation has run up so heavily in these many years that Rs. 500 per month would have such an impact. But given that it's been five, six quarters, if another two, three quarters, that doesn't change, we will definitely look at your suggestion, and I think we internally also keep debating on this.

I'm still hopeful that we should be able to find the real reason of it rather than the Rs. 500 reasons because gross addition has slowed only in the last three, four quarters, not in the first two, three quarters. It was only that one quarter glitch, otherwise the gross addition that I see in my own number internally and if you go back again to the functional P&L, the sales and marketing for the entire year of FY24 it was 18% and then if you look at the quarter-on-quarter that number, it is slowly and slowly come down.

So, we are meaningfully not really investing heavily on going after the market and there are opportunities if we want to acquire customers at Rs. 2,000 but at the end of the day, if I'm not able to retain the customer and upsell that customer, it will slowly and slowly become a deteriorating business. So, give us another two quarters. If not, then we will see.

Swapnil: Okay, the second question is with respect to your categories which are getting impacted in a meaningful way. Now there has been some spending-related slowdown on especially government spend not increasing in a meaningful way. Are there any specific categories that are getting impacted and a part of the problem could be this macro challenges rather than just on the churn side.

I am just trying to extrapolate a few things and if that is the thing have you started the thought process from a vertical perspective, right, focusing on certain categories where opportunities can be big even today, despite the kind of penetration could have happened and rather focus on those categories far more than those categories where chances of incremental supply growth could be lower? Have you thought on those lines also?

Dinesh Chandra Agarwal: Yes. So, on the macro side, I continue to say that every quarter or so, there are some of the other macro challenges in some of the other categories or geographies. So, for example, sometimes there is a ban on single-use plastics. I mean plastic is a huge industry,packaging is a huge industry but it evolves into something newer like green products and all that.

Sometimes, I mean there's a construction ban, past two, three months have been bad for delhi NCR. So I think there are always small, small segments of macro negatives whether it is state-wise or whether it is industry-wise. The good part about IndiaMART or any large horizontal diversified business like IndiaMART is that while there are always 1% or 2% headwinds, there are some tailwinds also available in some of the other sectors.

Coming to your second question, yes, I think it is very imperative for us that we should start thinking about our business also now as verticals within horizontal and be able to cultivate certain verticals much more speedily or much more profitably. We have done that in the past. I remember apparel and handicraft used to be the first few verticals when we were doing export-related business. When we came to domestic business, I think the engineering goods was one of the very, very important business.

As the advent of e-commerce happened, packaging material became very, very big. Similarly, now pharmaceutical and health care became very, very big. So, I think there are at least top 10 industries where we can choose to go double down on vertical-wise and find growth. We are working on that. As I said, we have started to invest a lot more on category-specific insights than a couple of years ago and I think we will come back with more solid options on that soon.

Swapnil: Okay. Just to get that point a bit more, have you started hiring a specific vertical focused employees and who can better extract value for you within certain categories? I mean, is that the thought process?

Dinesh Chandra Agarwal: Yes, it is the thought process. We will start to hire a couple of industry-specific people to focus on that vertical. Currently, we have in-house category management people, and we have a large team working on that. But you are right, now we should be looking more at industry insider experts.

Swapnil: Got it. So those are the questions. Thanks a lot for taking.

Moderator: Thank you, Swapnil. Next question is from the line of Anmol Garg from DAM Capital. Hi, Anmol. Please go ahead with your question.

Anmol Garg: Hi, thanks for the opportunity. A couple of things from my end. Firstly, if you can indicate that are we planning to change anything in our customer acquisition strategy and what do you think is not working? Is it the channel partners or the customer acquisitions through our own employees, if you can share a bit of light on that?

Dinesh Chandra Agarwal: Equally, I think, in the beginning of the last year, we first cut down on our tele-based Tier 4 centres so, I think that was the first thing that we did in January, December last year, I mean, 2023 and January 2024 aAnd then wherever we operate field sales force, I think we started to look at the cost of customer acquisition very closely and we found that there were certain geographies as well as the certain places. I can give you an example, if you go to Surat and you want to buy an IndiaMART subscription, you will not be able to buy it in the monthly mode because it was found that apparel while it is one of the large industry, it has that look and feel and high churn in nature.

Similarly, Jaipur as a handicraft place has very similar nature. So, we have taken individual steps to reduce the investment and where it was getting wasted completely while focusing on categories or focusing on segment of suppliers which are better useful. So, for example, we're trying to find how can we create a specific channel which can work on maybe Rs. 1.5 crore plus turnover company because that is where we see a better retention than less than Rs. 40 Lakhs turnover. Or less than six months or less than one year of GST registration because a lot of these new businesses who get registered and want to try internet for their own growth, their natural churn is unnecessary high, which end up creating a bad mouth for us also.

But those execution challenges kept apart, I would say if I can fix the basic matchmaking and the basic buyer/supplier thing where buyer starts to increase systematically again and thereby impacting even better retention for our gold and platinum customers then I think the silver will automatically fall in place. So, we tried fixing silver training and onboarding and those things, which are anyway we should be doing and I think Dinesh Gulati and his team is doing a fantastic job on that side.

But there are certain blind spots that must be there in the product that we are not able to find because I'm fully convinced about the overall opportunity size. The overall opportunity is massive. Customers want to give you money and we need to fix the large multi-geography, multi-industry engine. I think we should be able to fix that. Give us one or two more quarters on that.

Anmol Garg: Right. Just on the continuation of the same, are we also planning somewhere to change the payout structures for our channel partners or for our sales employees who are bringing in more quality-based customers to us where the churn might be lower for those particular customers?

Dinesh Chandra Agarwal: We keep doing these minor changes on the incentive policies and as I said where we have to promote annual acquisition, we incentivise annual acquisition, wherever we have to promote any particular segment, so we do incentivise. For dis-incentivisation purpose, we have a control in our own hand where we do not assign those leads. So, a lot of these things we can do centrally as well for the purpose of incentivisation, we do, and we continue to tweak them day in day out. So don't worry on that side, we will do enough experiments. I think let us first fix the basic nature of churn and then come back on that again.

Anmol Garg: Secondly, I wanted to understand if we intend to acquire majority stake in any of the investee companies. The basis of this question is just wanted to understand if we are also looking to enter full-fledged into any of the newer businesses which we have acquired or in associate manner?

Dinesh Chandra Agarwal: So, if you look at the accounting as a segment. We started Live keeping with 51%, currently we have 66% and i think as per our agreement we will end up doing 100% acquisition of that. On Vyapar also, we started from 26% and right now we are about 29%. Busy we have already taken 100%. So, on the accounting side we are fully committed and in the first three years of Busy we have been able to increase the growth rate as well as retain every customer, nothing has gone wrong on that side. So, I think this side is well sorted.

Now coming to the second side, which has the minority investments into various things, couple of companies, I think we increased our stake. Prateek, can you give more details on that?

Prateek Chandra: Yeah, sure. So, all these investments have been done in the spaces which are strategic for us because our going-in thesis is that we should be able to get some kind of synergies, either in the near term or in the longer term, while making the investments. So, if you see, for example, Bizom, when we started, we started with 10% stake, now we own roughly around 31.3% stake here.

Similarly, in SuperProcure, we started with roughly around 26%, now we have a 35% stake here. EasyEcom is another one, which we started with 26%. We've put in some other cash in the convertible position. So, we'll come to know as to what the stake would be. But there are follow-ons that we have done in our investee companies wherever the opportunity has arisen.

So, to answer your question, we are okay increasing our stakes in the investee companies, because these are the strategic spaces. However, whether to take majority, we are very patient investor and we'll wait for the right opportunity to decide as to whether we need to take majority or we don't need to take majority. But as and when the opportunity comes, we will continue backing these companies in the further rounds.

Anmol Garg: Understood. And just one last thing from my end. Are we somewhere planning to enter into the e-commerce, B2B commerce business as well? And are we seeing any kind of competition from that particular set of companies right now?

Dinesh Chandra Agarwal: We are already into B2B commerce. If you look at Industrybuying and ProcMart. Industrybuying and ProcMart, both of them are purely what in the normal media parlance, B2B commerce iscalled. ProcMart is more like a wholesale B2B commerce and Industrybuying is more like SME or corporate MRO kind of B2B commerce. So, we have invested in both. However, if we look at the profitability of any of them it looks quite elusive as of now. So, while we have been investing on B2B commerce since 2014 from 2014 to 2017, we were invested in Tolexo and then again in 2021 or so, we invested in Industrybuying and between 2016 and 2020, we invested in ProcMart and ProcMart has done handsomely well.

So, we continue to look for any of these and anything which is good enough and has a better unit economics, we would be looking at. Nothing to say any competition has come back and hurt any of our customers or any of our people. So, I think, in fact, whatever noise was there, was there between 2021 and 2022, is no longer even there. So, none of the competition.

Anmol Garg: Sure. Thank you so much. These were my questions.

Avijit Vikram: So, we have a question from the chat box. The question is from Mr. Yasser Lakdawala. Considering the fact that we generate operating cash flows of Rs. 500 crores plus, and that we have a robust balance sheet, what are your thoughts on buying back stock?

Dinesh Chandra Agarwal: I think this financial year around August, September, we had returned about Rs. 120 crores back to the shareholders and we have also done about Rs. 84 crores of strategic investment in these nine months and if you look at the historical numbers, we have been able to return either money to the shareholders or doing a strategic investment. So as the time will come and as the Board will decide, we try to do it once in a year, not multiple times in a year. So, after the financial year ends, whenever the Board meeting happens before the AGM, we will decide how much to distribute back to the shareholders or how much to invest in this strategic investment. Thank you.

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

Amit Chandra: Hi, and thanks for the opportunity. So, in terms of the divergent trend we are seeing, in terms of the pressure that we're seeing on the paid suppliers and increasing the ARPU. In very simple terms I am trying to understand. That suggest that the lower end of the pyramid is not able to derive value from the platform, whereas the higher end or the top paying suppliers are able to derive much better value from the platform and the ARPUs increasing is suggesting that and also, people are moving from lower plan to higher plan. So, what explains this divergence? And is it going to continue in this manner for a while? Obviously, you have explained it in like different form but just from the relevance of the platform for the lower end, is it you need some kind of more innovation there? Or the platform, in terms of offerings has to be reconsidered in terms of what we're offering for the lower end?

Dinesh Chandra Agarwal: Yes. Thank you very much. I think a very important question. So, there are three, four kinds of suppliers that use IndiaMART. One who are very highly native digital savvy kind of customers and they are able to find value because they are investing not only money but they are also investing enough time on the IndiaMART app or on the IndiaMART seller panel. They are digitally more savvy and giving lot of time.

The second kind of customers are those who themselves have not found their own business model or have started a new business or recently trying to scale, because I have seen a lot of our customers come from less than one year GST registration who have recently got their GST number registered.

And the third ones are those who have understood the value initially being digitally savvy and they have invested one or two persons who properly deal with IndiaMART leads and IndiaMART system and are able to do a daily, weekly monitoring of those people. So, these are the people who invest higher.

And the fourth kind of customers are those who are newer, which is a large market, large off-line market looking for an easy digital option. While at IndiaMART, we started as a very smaller simple system but over the time, I think we have gone more sophisticated or complex for that new genuine customer who is one to five years in business or one to 50 years in business, has good offline business, and trying to go digital, but is not digitally savvy. For him, I think it is difficult, and we have to make it easier and more full proof for him to be able to succeed. I think that is where the bigger opportunity is and if we are able to handle these two separately. Gold and platinum bring you a lot of spillover effect, because they are the ambassadors that in every market, in every mohalla few of those guys make a lot of money through IndiaMART and their word of mouth actually spreads down, which helps us acquire a lot of these newer customers. So, I think the middle fat is that we have to fix, and we are working on that. Let us not assume that we will not be able to fix that.

Amit Chandra: Okay. Lastly, on the collections. Obviously, we had the collections better than what we had last quarter, but considering 4Q is the more important quarter for us in terms of collections. sSo how is the progress for 4Q, because if I take at least 10% Y-o-Y growth also for 4Q, then also we are hitting say 9% to 10% growth for the full year. So, the full-year collections growth is still muted because of what happened in the first half. So, the ask rate for that is still high for the fourth quarter. So, what you would like to suggest what is happening till now? And what kind of collections we can see for the fourth quarter?

Dinesh Chandra Agarwal: If you go to the net customer addition slide, I think customer growth has been slower for almost six seven quarters now and that is resulting into slower collection growth. Until unless we are able to fix that, i don't think we should expect anything miraculous, so whether it remains 8%, 10%, 12%, I would say, any of that is maybe hard work or extra work that we might do but we have to fix the churn and then we have to start acquiring customers so that we can naturally start to grow collection and thereby revenue. So, I would say please wait for another quarter or two.

Amit Chandra: So, let's put it simply. So, collections of Rs. 500 crores or more in fourth quarter requires some fix? Or is it achievable at the current status?

Dinesh Chandra Agarwal: I can't comment on any specific numbers or the futuristic numbers.

Amit Chandra: Okay. Thank you.

Avijit Vikram: So, we have another question from the chat box. The question is from Mr. Manish Gupta. What percentage of business enquiries are delivered to free suppliers. Any thoughts on whether we can charge small amounts to free suppliers who have stayed on the platform or more broadly, are there any other levers of monetisation of supplier base?

Dinesh Chandra Agarwal: So less than 20% of our total enquiries are delivered to the free supplier and that is only in the absence of the paid supplier of that particular category or city, what buyer is looking for is not available. So, if I, as a buyer come to the platform, and I'm looking for a product from a specific geography and if IndiaMART does not have a paying customer, the buyer doesn't care whether IndiaMART as a platform makes money or not, they want to get their search fulfilled. So, from the buyer side, IndiaMART is 100% free just like you go to Google, and you expect Google to give you all the answers whether or not Google makes money from that category or from that geography.

In the same manner, it is for IndiaMART. Now coming to the monetisation of those free suppliers or suppliers in a free manner, if you go and see it on the IndiaMART, there are individual RFQs or buyleads that supplier can purchase, which are available for 299 and upwards for each individual lead and if I remember correctly that generates about Rs. 4 crores a year coming into collections and not only that, it also generates a good number of hot leads for those suppliers to get converted into regular paying suppliers. Their conversion rates are also much higher than the hot leads of the suppliers who come and add products versus the ones who go and try and purchase an RFQ or purchase a buylead. So, we continue to do that. Any more ideas or any more suggestions, I think we are always open to that but currently, the major problem that we are trying to fix is the fat middle, where we should be holding on to the customer, customer is willing to invest money, it is not a new business so, where all the check boxes are right checkboxes. The customer is willing, it's only that the customer doesn't have enough time to be able to play fastest finger first. So, I think there we need to fix.

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

Rahul Jain: Hi. Thanks for the opportunity. I just wanted to understand that what are the initiatives we are undertaking to ensure that our ARPU improvement trend continues to trend faster than the usual pace so that we could mitigate the medium-term challenges on the subscriber adds and in which ways the subscriber adds during a year one contributes very small portion of the total incremental revenue. So is it possible to mitigate that by ensuring much better outcome from digitally savvy supplier base that we have to get to the aspired growth range.

Dinesh Chandra Agarwal: Ever since about two years ago now, we started selling platinum customer base by way of differential pricing of the category and city. I think we have seen a systematic increase in the ARPUs. Currently, about 4% or 4,000 of these categories command about 50% premium to the regular customers and as and when older customers are coming up for renewal and as the newer customers are being signed up, that is what is driving the ARPU if you see. So, I think systematically for many quarters in the coming months, I think the top 10% ARPU would continue to grow rapidly and that top 10% is now accounting for almost 50% of the revenue, 49% to be precise. So, I think 50% of the revenue has been growing rapidly over the last six, eight quarters and will continue to grow rapidly over the next six, eight quarters.

On the overall side, I think the ARPU is 13%, 14% growth. But the top 10% ARPU has been growing consistently, which is the 50% of the size, I think I'm pretty confident that if we can solve the churn issue and the customer growth issue over the next two, three quarters, I think we will be able to stay clear of any negative growth.

Brijesh Kumar Agrawal: Last four, five quarters, essentially, the ARPU growth has been in double-digits.

Dinesh Chandra Agarwal: I mean there's also denominator factor but in general, the top 10% of the customer side, that denominator factor is not there and in the overall ARPU, the denominator factor plays a lot larger role because of those 3,000 customers but on the top of the end, top 10% customers are only 21,000 or 22,000 customers so, the denominator factor is not there, the top 10% is sacrosanct.

Rahul Jain: Yeah, Dineshji, just a slight clarification, in the last part of your response. So, you're saying if we continue on this path, we can mitigate the situation of a weak revenue performance and there was another comment which you made earlier that for time being 10% benchmark for collection growth is a good number to look at. So, can you just clarify on these two parts? Thank you.

Dinesh Chandra Agarwal: Yeah, given the customer growth being either 0% or 1% or 2%, I think all of the growth has to come from ARPU only and on the ARPU side, historically, you see 6% CAGR, recently if you see 14% CAGR, I don't think the 14% is a good enough ask because what you are seeing in the ARPU growth is what collection growth we had in the past because the collections flow into the deferred revenue and then it flows into revenue.

So now if the collection growth is about 8% in this particular quarter and the supplier growth is 1%. So effectively, the ARPU growth, I mean, the average collection per customer growth is only 6%. So, I would say that 5% to 10% collection growth per customer expectation is a reasonable expectation, and rest has to be built up from the customer growth only. Hope that explains?

Rahul Jain: Yeah, right. Only one part, which we missed is that, are we doing anything new, of course, you said you've been doing a lot of things there but is there anything newer initiative that we have taken, given that digital adoption in general is much better so, are we seeing that behaviour? Or are we trying to do far better keyword monetisation or something like that?

Dinesh Chandra Agarwal: Yeah, I mean one small thing that I can tell, if it is not too complex for the broader audience. See, around 2018, 2019, 2021, 2022, we were assuming that the buyer is not very savvy on digital and the mobile was a new device that the buyers have gotten and our own category-by-category specification definition was also building up and our own understanding that where quantity is important, quantity is not important, which categories and we were more like a very horizontal platform. During the COVID, we learned a few things about categories. Now I think two things have happened.

One, the buyers or the visitors of the IndiaMART in general are not that novice, they at least know how to operate and how to select options in terms of what is it that they are looking for. So, while we had made a lower intent buying much more easier because earlier, we were saying that let us capture the intent of the buyer and we will be able to do the qualification or the seller will be able to do qualification. I think the over last 90 days or so, I think we have gone back to the drawing board and said, that why not do the multiple intent confirmation on the mobile website itself or the mobile app itself and I was happy enough to see that 90% buyers actually completed those journeys and 90% of those completed accurately, which was not the case two years earlier. So, I think the lead quality that the suppliers would see would also increase significantly over the next quarter or so. So, this is the new thing that we have found a gap or as an opportunity that we have fixed. Hopefully, that should be able to fix this apart from the competition that we have fixed. So, these are the two, three things that we are working on and this is the third thing that we have found in the last 90 days.

Rahul Jain: Sure, that is quite helpful. Thank you so much. That is it from my side.

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, ladies and gentlemen, for joining our Q3FY25 conference call and thanks for being so patient. We have tried to address all your queries in the time available but if you still have any questions, please feel free to connect with our Investors Relations team and they will be more than happy to answer you offline. Thank you very much.

Brijesh Kumar Agrawal: Thanks everyone.

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:

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