Webinar Transcript

Event: IndiaMART Q4 FY2022 Earnings Webinar

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CORPORATE PARTICIPANTS:

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

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Ravi Gothwal: Good evening, Ladies and Gentlemen. I'm Ravi Gothwal from Churchgate partners and on behalf of IndiaMART InterMESH Limited, I would like to welcome you all to the company's Q4 FY22 Earnings Webinar. As a reminder, all participant line will be in the listen only mode, and there will be an opportunity for you 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 Agarwal, Wholetime Director, Mr. Prateek Chandra, Chief Financial Officer, and Mr. Kushal Maheshwari, Head of Treasury and Investor Relations.

Before we begin, I would like to remind you that some of the statements made in today's webinar may be forward looking in nature and may involve risk and uncertainties. Kindly refer to slide number three 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, everybody and welcome to IndiaMART's Q4 FY2022 Earnings Webinar. I hope you and your loved ones are staying safe and healthy. We have already circulated our Earnings presentation, which is available on our website as well as the website of the Stock Exchanges. I'm sure you would have gone through the presentation, and I would be happy to take any questions afterwards.

I'm pleased to report that the Collections from customer for this year grew to Rs 934 crore in FY22 a growth of 31% year on year basis, Deferred revenue has also registered a growth of about 25% to Rs 907 crores as on 31st, March 2022, Cash flow from operations for last year was Rs 402 crores with 25% growth over last year. Consolidated revenue from operations of Rs 201 crores for the fourth quarter and Rs 753 crores for the full year representing a year-on-year growth of 12% and 13% respectively.

We also witnessed our highest ever Net customer addition in the last quarter, while doing net customer addition of 13,000 paying subscribers at the end of March 2022. Our total count of paying subscribers is 169,000. A Supportive demand environment, recovery of lost customers growth in the number of channel sales partners and people in sales and service teams have helped us achieve this milestone, we are seeing a good growth momentum as we continue making investments behind growth and strengthening our product sales and customer service teams. The coming year will be the year of investment for us as we expect to add 8,000 to 9,000 net paying customers every quarter. At the beginning of the COVID 19 pandemic we communicated that the margins will be elevated for the next few quarters due to cost control measures implemented by the company in FY21. Now with the business volumes recovering a portion of the cost have come back and we are doubling down on the growth momentum which we are witnessing post COVID. We have significantly expanded our sales and service team in Q4 FY22 alone. Our employee headcount has increased by 15% on sequential basis. Consequently, the expenses have increased in the similar trend. As I told you earlier, there has been an increase in the salaries across the board in the last six nine months as can be seen in the industry and elsewhere. Unique business inquiries for the quarter stood at 23 million with our 90 day repeat buyers standing at about approximately 55%.

In the last quarter, we have announced the following investments, Rs 104 crores for 26% stake in Industry buying.com, an ecommerce platform for industrial and business supplies, this is operated by IB Monotaro of Japan who is a leader into the MRO goods ecommerce for the last 20 years in Japan. Rs 91 crores for 16.5% stake in FleetX, a freight and fleet management software as a service which is used by corporates as well as fleet owners. Rs 46 crores for 51% in Live keeping, this has been announced and under the due diligence for the completion. Platform providing an add on service to the existing on-premises accounting software such as tally. Rs 17 crores for 10% stake in Zimyo, it's a SaaS based HR management software for small and medium new age companies. Rs 14 crores for 26% stake in Realbooks, which is again a cloud based multi-location accounting software mostly used by multi branch multi location real time accounting. For the sake of our new participants two transactions that were announced in the last-to-last quarter are completed during this quarter. One, we have participated in series B investment round for our associate company simply VYAPAR and currently now hold 27% stake post the transaction. I am happy to announce that we have completed the 100% acquisition of BUSY Infotech accounting software company, which was completed on 6th of April 2022. All these investments are focused towards building a comprehensive ecosystem for enabling businesses and helping them doing business easier. So far, we have invested close to Rs 1,000 crore in aggregate in all these companies. Before I could conclude, I would like to say that we are very happy to close the financial year with good growth on all important metrics and we are optimistic about the next year and improving macroeconomic environment, increasing adoption of Internet by businesses and our strengthening value proposition will support the growth momentum at the IndiaMART.com. Now I would like to hand over the call to Brijesh to discuss about our investments, particularly in the accounting space with updates on Busy Infotech. Thank you and over to you Brijesh.

Brijesh: Thank you. Good afternoon, everyone. As we had shared during the last call accounting space is a key strategic priority for IndiaMART. It is a priority because it is also key in realising our vision of make doing business easy for businesses. Now apart from our investment in VYAPAR, we were able to complete two other investments which were in process. One is of BUSY and the second one of Realbooks, both done on 6th of April 22. We are in the process of closing the Live keeping transaction, which should happen sometime in May month itself. Now with these four investments in place, we have a portfolio of products that appeals to the entire wide spectrum of businesses from micro sized businesses to the large size businesses put together. Regarding Busy specifically, the business did a collection of roughly about Rs 45 crores and they did generate cash from operations of roughly about Rs 10 crores, both of which essentially showing a growth of about 10% from what was done in the last financial year. Now post the closure of this or completion of this transaction, we are actively managing the business. We also now have a new head of finance, who's joined the team and helping us build the business. Our principal focus for this year is BUSY, essentially to ensure a smooth transition, because obviously there's a change in the management team there. The three key priority areas that we've picked up for us, one would be to double the growth in the top line and also grow the new customer acquisition base for the company and then further strengthen the team and that each that BUSY currently has, so that this entire growth can be realised. Now while we invest behind this, right, we are looking at, you know, continuing to build the Busy brand and make it far stronger. During this entire year, obviously, we would have better visibility on the integrities of the business. And we should also be able to go ahead and build a view on the timelines for these activities, which are required to cross leverage the strengths of both BUSY as well as IndiaMART. As far as real books and live keeping are concerned, we will continue with our existing strategy on you know, the investments where we have minority stake in the businesses, we will help the founders continue to scale the business. And then over the period of time, we would explore what are the deeper collaboration opportunities that are available to us. So, this is the update on the accounting and busy specifically, I'll hand over the call now to Prateek to discuss the financial performance in detail. Thank you, you can take.

Prateek: Thank you Brijesh and Good evening, everyone. I will take you through the financial performance for the quarter and fiscal year ending March 2022. Consolidated Revenue from operations for Rs 201 crores in the fourth quarter, a growth of 12% year on year, driven primarily by increase in paying subscribers and marginal improvements in ARPU. Consolidated EBITDA was Rs 57 crores representing a margin of 28%. As we communicated earlier, margins during the last year were high due to low business volumes and related cost savings that were temporary in nature. Now with business volumes recovering and our focus on investing behind growth, we have significantly expanded our sales as well as customer services team that is responsible for the renewals and the upsells of existing customers. As you would have seen, our employee headcount is increased by 487 people in this quarter. Further Outsourced Sales cost has also increased by Rs 12 crores as compared to the last quarter, in line with growth in paying subscribers. All these costs are recurring in nature. Therefore, we expect our margins to remain subdued as we continue to make investments for the growth ahead. Net profit for the quarter was released Rs 57 crores with a margin of 25% and Cash generated from operations during the quarter was Rs 158 Crores. On a full year basis, Consolidated Revenue from Operations was Rs 753 crores with EBITDA of Rs 308 crores representing a margin of 41%, Net profit for the year was Rs 298 crores with a margin of 34%, Cash Flow from Operations during the year was Rs 402 crores. As of March 31, 2022, Cash and Investment balance stood at Rs 2,419 crores, subsequent to the balance sheet date we have concluded our acquisition of BUSY for which consideration of Rs 500 crores has been discharged. Therefore, as of now, our effective cash balance will be approximately Rs 2,000 crores. In line with our policy of distributing return to the shareholders, we have proposed share buyback at a price of Rs 6,250 per share, for amounts not exceeding Rs 100 crores and further a final dividend of Rs 2 per share has been recommended, for approval from the shareholders. Thank you very much. We are now ready to take any 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 a question and use the raise hand option available on your screen. Please restrict to two questions so that we may be able to address questions from all the participants. We will wait for a couple of seconds while the question queue assembles.

So, first question is from the line of Pranav Kshatriya from Edelweiss. Pranav, please go ahead.

Pranav Kshatriya: Yeah, thanks for the opportunity. My first question is regarding the 8,000 to 9,000 paying customer addition what you talked about. Should we expect, you know, this higher subscriber addition to have any implications on the ARPU, you know, that it shouldn't dilute because, you know, the subscriber addition is going to be primarily at the lower end. My second question is can you provide a little bit more colour on the cost side, Q4 tend to have the highest cost in the quarter and typically in Q1, one sees the cost, you know, sort of going down, for example, our Q4FY19, the cost was Rs 117 crore in Q1 came down to Rs 110 crore. So, should we expect the costs for the next quarter to be down? Because, you know, the variable notes will not be there in that quarter? And if you can quantify, that will be useful. And basically, the last quarter we were talking about roughly Rs 470 crores plus around 15 to 20 percent cost escalation on that sort of cost run rate for FY23. Is that a sustainable cost? And my last very small question is on unique business inquiries. You know, that has tended to be plateaued, in fact, it is down 1% on a year on year. You know, what is happening here? Because I think, you know, that's a very important parameter for ensuring higher, you know, customer growth and satisfactory inquiries for the paying customers.

Dinesh Agarwal: Thank you, Pranav. 9,000 customers will have a minor implication on ARPU in the near term. Yeah, as the bulk of the customer gets added at the bottom of the pyramid, it may have a little bit of difference on the ARPU side. But over the time, it will catch up, we are confident that as we are going to be building a little bit of a differential pricing here and there. I think on the platinum side, our price momentum continues to be good. Now coming to the cost run rate and Q4 versus Q1, because we are on a ramping up over time. And we have added 500 odd people in the last quarter itself also added many new channel partners and they have added people at their end. So much of that could have been in the February and March. So I don't expect this time around Q1 cost run rate to come down. In fact, cost for the March is running at around Rs 50 crores plus, which, you know, is going to be reflecting in our increased costs for quarter one, as we're doubling down on the growth. Now, so that answers the new cost run rate, as well as the Q4 versus Q1. On the unique inquiry side, last couple of quarters has had this unique demand on the medical supplies, medicines, mask, and other things, which I think as the COVID is subsiding, is going down, which is good. It is not a mark. So, I think if you really see pre-COVID, the traffic and unique inquiries have anyway gone up by almost 50%. We used to, if I remember correctly, we used to model our business were about 500 unique business inquiries per customer per year. Now we are already at 600 odd. So, I think we have enough scope there. I'm not worried on the flattening of the unique business inquiries, as the business will settle down. Now that schools are opening up, the school sector which is used to consume lots of inquiries that are coming back. Hotels are opening up; travel is opening up. So, I think all that will come back because we represent almost like 50 industries, the 95,000 categories. It keeps happening in some of the industries. The inquiries go up inquiries go down. Currently there is a lot of pressure on the commodity pricing because everything is inflationary. So that's why also there could be some slow demand, but I'm not worried on that side. Thank you.

Pranav Kshatriya: Yeah. Thanks so much.

Ravi Gothwal: Thank you Pranav. Next question is from the line of Ambit Capital. Vivekanand, please go ahead with your question.

Vivekanand: Hi, thank you very much for the opportunity. I have two questions. So, can you tell us about the churn levels across customer segments? So, whether it's silver monthly, gold and platinum, that's one. Secondly, what is the progress of integration of some of the older investees like VYAPAR and BIZOM, you have had shareholding in these companies for a while and I believe that their power is in an area of immense interest for you, which is mobile accounting software. So, if you could give us an update on that? Thank you.

Dinesh Agarwal: As mentioned earlier also, Platinum and gold churns are back to almost pre COVID levels, we see less than 10% annual churn in gold and platinum customers, and we are back to those levels. In terms of monthly and silver annual and MYR I think there is continued to be affected because and when and why our customers are coming up for renewal now, there as we guided the churn rates remain between 25% to 30%. It remains there, it has definitely improved from during the COVID level. And churn depends a lot on the vintage of the customer, as first year is higher, second year term is lower, third year churn is further lower. A challenge for the lower churn in the silver monthly customers, I think we have gone down from 6% to no more like 5% per month. So, hopefully this will increase number of customers because two thirds of those customers get added to silver monthly, we should be able to look at the churn more positively in times to come as the economy keeps opening and as the network effects become stronger. On the investment integration, On the Vyapar side we have started to do a little bit of a cross selling. So, if you take a IndiaMART new subscription, you are offered the first-year subscription for free. I think about 20% of new subscribers who offer IndiaMART they are taking a trial package. We haven't yet looked back, and we get some money paid on the ounce length basis for the referral of those customers from Vyapar that would be visible in the financial numbers in the related party transactions. On the reverse side, we have not yet done much an integration where Vyapar customers could be present on IndiaMART, we are looking at talking to them if we can integrate IndiaMART search within our application for those people if they need anything to buy. It will be more like advertising IndiaMART within the Vyapar platform. So that what we have done on the BIZOM side, we continue to learn from their business, their business is more corporate in nature and more enterprise in nature, we haven't been able to do much integration so far, I think far closer we should be able to do better integration with Livekeeping going forward. So, I think those are the updates, and most other investments have happened in the past year alone.

Vivekanand: Just one follow up on the investees. So, Dinesh ji and Brijesh ji in the next 12 to 24 months, should we expect IndiaMART to make many more new investments? Or will you be focused more on the existing investees perhaps putting money in the series B C D rounds? Can you give us some colour on that? Thank you.

Dinesh Agarwal: During the COVID time, we looked at almost 300 companies in these two years. Given that there is a limited scope of the number of the startups within the SME B2B kind of space. I think that deal flow has reduced considerably now because we have scanned quite a bit of market now. So, your question is right that I think from now on a lot more focused on trying to understand these businesses, trying to integrate these businesses and do the follow-on investment as we have done in Vyapar, the past series investment. So, Series A, we invested about Rs 31 crores, and then we invested about Rs 62 crores more in Vyapar. So, I think follow on investments would be required. We have recently announced the follow-on investment in Super Procure as well as Legistify. So, I think going forward, less of new investment we will continue to look for, but more of existing investments.

Vivekanand: Thank you, and I wish you all the best. I'll come back.

Ravi Gothwal: Thank you, Vivekanand. Now we'll move on to the next participant Abhishek Bhandari from Nomura, please go ahead with your question Abhishek.

Abhishek: Thank you for the opportunity. Sir, I have two questions. First, if you can give us some ballpark cost number, is it fair to assume it'll be like Rs 150 Odd crore per quarter for FY23, that’s the first part. Secondly, could you also help us understand you know, how are you trying to control attrition in your sales team, servicing team, you know, because in most of the services sector, we are seeing a very high attrition level and very incremental hiring is too expensive. I know which is a cost item for us. So, if you could help us on these two parameters, it will be helpful.

Dinesh Agarwal: As we are investing aggressively behind growth and salaries are also increasing, and there is no respite from the increase in wage inflation. All I can say for the next quarter or so, let's assume Rs 155 crores, whatever it is, but going forward, as we increase our number of customers, we will definitely need more people to serve them. Because for every 70-75 Odd customers, you need one person, and you need to build that pipeline early on. So, I think all the costs for this entire year will remain on the investment side. Because we can see that we can probably get a similar level of collection growth and customer growth as pre COVID levels. On the acquisition side, I think one we have done aggressive salary revision which you can see in the in the cost side as well as we have also issued ESOPs to about 365 new people, new and existing people. So, over and above 500-600 People who are still under the size of 2018 is 100 additional people have been included in the ESOP programme, which will be further going on for the next three four years. so, I think that is also reflecting or starting to reflect in the cost side of the employment if it makes sense. So, we are doing levels, we have also announced quite a bit work from home or work from anywhere. So, for most of the people who were working behind the desk or behind the telephone, most of them are allowed to work flexible working days. So that also we are trying to do, so multiple areas we are trying to work upon. Hopefully, that should result into a better vintage. As of 31st march, now we have around more than 200 people who are more than 10 years old, i.e., more than 10 years old in the organisation, about 800 people or more than five years old into our organisation and I don't know if you noticed, we are probably the first company to adopt a weekly pay salary structure in the country. US accepts bi-weekly pay and in Australia, New Zealand it is a weekly pay. We are the first company in India to adopt and this is applicable across all the levels. So, 100% of our employees are now getting weekly salaries. So hopefully, these things should be better. We have been a good employee retention company, and hope we continue to be there.

Abhishek: Sure. So, one more question if time permits. So basically, what's your thinking on you know, long term growth rate of ARPU, I think you said in one of the earlier questions that since most of the guys are entering at the lower end of the package that is dragging down the growth and ARPU, but if you could give some indication around the pre migration trend and the increases you're seeing in the Premium Pack value, you know, as an ARPU, and longer term, do you think you really have a pricing, you know, capability to enforce 4 or 5% kind of long term, you know, increases on your ARPU of your customers?

Dinesh Agarwal: Yes, so I believe that the long-term trend of 5% will continue. Because the top 10% i.e., top 1% customers to top 10% customers give us about 45% revenue today, which means their ARPU is about 1,80,000 odd. Now we have started to disclose another number, if you see on the slide number 20 of the presentation top 1% contribute about 17% of the revenue, which means that ARPU of about Rs 8 lakh, which is 1,700 Customers close to 2,000 Customer giving us eight lakh rupees. So, in the near term, yes, it may have Rs 1,000 dent on the overall ARPU that you can see, primarily not because customers will start to pay low, it is the denominator which will increase substantially. But our gold and platinum ARPU continues to be healthy and continues to improve year on year, we have particularly reduced the ARPU of silver because we want to invest behind the growth. So, we are confident that the 5% long term CAGR should be possible.

Abhishek: If you can give the ARPU growth of premium customer what has been the trend for last few years?

Dinesh Agarwal: I can come back on that because I don't have that number handy. But let's take another question. Another think is that if you look at the leads, that we are giving to every person, whether it is platinum gold or silver, we are the lowest cost per lead platform across all the whether it is Facebook, whether it is Instagram, whether it is Google, nowhere you can get that kind of a cost per lead for gold and platinum, our cost per lead turns out to be around Rs 15 for a silver cost per lead to Rs 30 or so. So, we have taken a look, we have a lot more power to increase the prices in the long run. We are going slowly because as the base needs to expand for better network effect and for better matchmaking, we are going slowly and also it gets complicated as you go and try to get every dollar for the worth of the platform that is delivered. So, we are going slow which is easier on sales. Simple plans with flat pricing kind of, as we slowly and slowly introduce differential pricing at here and there will continue to get 5% Jump may not be this year, but over a long period of time.

Abhishek: Thank you and all the best for the year.

Ravi Gothwal: Thank you Abhishek. Next question is from the line of Ratik Gupta from Guardian Asset Management. Please go ahead with your question.

Ratik: Hi sir, thank you for the opportunity. My first question is on the Sales per Employee. So, you have although mentioned that the sales employees have increased in the later half of Feb and March, but the per employee revenue has been decreased. So, are we seeing to going to that level or is this the normal level what we are expecting in the coming quarters?

Dinesh Agarwal: Per Employee Revenue, right?

Ratik: Yeah, Revenue Per Employee.

Dinesh Agarwal: I think it will catch up over a period of time because you know, the customers new customers are being added at lower revenue per customer itself, but we need to allocate similar number of employee whether the customer is paying you Rs 30,000 or the customer is paying you three lakh rupees, at least the headcount to service them remains the same. In fact, as the customers move to a higher ARPU, they become far more self-aware about the platform and requires much lesser servicing to be done. It's a counterintuitive, but yes, we allocate much expensive resource to serve them, but less frequently it is. So, I think, in this particular year, you may see that revenue per employee will remain a little bit lower as the cost will remain, but it will all catch up because if you look at the collections, and the cash flow from operations, all of that will catch up. In the past also, I'm telling even during the IPO and before the IPO, we had Rs 182 crores of cash from operation, but only Rs 60 crores of, you know EBITDA margins, which got catch up. So, ultimately the cash flows will reflect into the profit

Ratik: Okay. And sir, do you have in hand, the revenue breakup between the platinum, gold, silver annually and silver monthly?

Dinesh Agarwal: We already declared that top 10% which is similar, which is more or less platinum customer, the platinum customer we can assume top 10 customers, our top 10% customers, which is about 17,000 customers, today, they contributed 45% of the revenue which means the ARPU is about 1,80,000 And you know silver monthly remains at around 25 to 35%. The rest is all silver MYR and gold.

Ratik: And what can be the reason for such increase in the other expenses for this quarter as compared to the previous quarter.

Dinesh Agarwal: That expenses is not it is the output sales expenses. The other expenses have remained stagnant. Because most of the new acquisition a lot of new acquisition happens through channel partners and employee on the partner payroll. So that is all what is reflected in the other expenses. And within that it is outsource sales cost

Ratik: Okay, that's it from my side. So, all the best for the upcoming results. Thank you.

Ravi Gothwal: Thank you Ratik. Next question is from the line of Mihir from Ambit investments. Please go ahead.

Mihir: Yeah, I hope I am audible. So, my first question is, what are the other investments which you have made or are looking to make to drive growth and that is over and about increasing count?

Dinesh Agarwal: Can you repeat your question once?

Mihir: Yeah. So, my first question is, you said that you made investments to drive growth. So, are we looking to make any additional investments other than increase in headcount?

Because we've seen traffic growth being almost kind of flattish. Are you also looking to make investments to drive traffic growth in addition to subscribers?

Dinesh Agarwal: If you see pre COVID, we used to get 60 million traffic per month, which increased to now close to 90 million per month. So, traffic has already grown, we have not monetized in the last two years. Now. In order to monetize, our monetization model is mostly SME driven and field, driven and people driven, as you can see, on the people slide. For many people in this lesson, so many people in this channel partners, so the traffic had already grown now we need to monetize that traffic for next couple of years or so. So, if you mean to ask whether I'm going to invest on the advertising to bring the traffic or not in the near future, but even in the past, it has not been a very large amount even if we do but that has nothing is planned in this calendar year for sure.

Mihir: Okay, and just a simple basic question that what are the factors that have driven such a high substantial subscriber growth from, like 6,000-7,000 to almost 13,000? And what gives you the confidence that we'll be able to make more than 10,000 Subscribers additions to the quarter?

Dinesh Agarwal: Yes. So, as I said, one was there is a supportive economic environment. The second was recovery of the lost customers. Because if you see, during the two COVID waves, we had cumulatively lost about 20,000 customers. So, I think many of those customers by themselves came back and said that they wanted to come back to IndiaMART. And second, we increase the number of people in sales, as well as the number of channel partners. And most of this, about two thirds of those customers come at the silver monthly level, and 1/3 of those customers come at the silver annual level.

Mihir: Got it. Got it. So just pushing a bit on it. But would it be fair to assume that the Subscriber edition of this quarter can be replicated in the future quarters?

Dinesh Agarwal: No, no. So, as I said, it, this was a lot of one off, manage that fourth quarter is always the seasonally best quarter for us. As you can see, historically, also, March quarter is the best one. But yes, as I'm typing those 8,000 to 9,000 customers, we will try to earlier, we had the capacity to add 5000 to 6000. And now we have built the capacity to add up to 9,000 customers, let us see how the churn behaves, because the customer attrition is a function of new customer acquisition, minus churn since we have started to acquire many new customers now in the last 3-4 months, as they will become six months old or nine months old. And we can say that first year churn is higher. So, I think we will come to know about the steady state level of net customer attrition per quarter. But let's assume for the next two quarter 8,000 – 9,000

Mihir: Got it. Thank you very much.

Ravi Gothwal: Thank you here, reminder to all the participants that you may use raise hand option on your screen if you wish to ask question and also accept the request to come on stage and ask the question. Amit, you can go ahead with your question.

Amit: Yeah. Hi, thanks for the opportunity. So, my first question is on the salary costs. So, as we have seen the salary costs going up. So, now, in that how much would be fixed and the variable costs that we have incurred in this quarter? And is there any bunching up of sales incentives that we have given in the quarter because we have not given incentives earlier. So, and also in terms of incentives, are we giving the incentives weekly, as we have you know change these salary model? So, are the incentives also going out weekly or is it still like quarterly or annual basis?

Prateek: Sure, so, if you look at our manpower expenses, in three heads, the salary incentives and the Stock based compensation and Gratuity and leave encashment. The salary for this quarter had been roughly around Rs 74 crores as compared to Rs 60 crores in the last quarter. So, there is an increase of Rs 14 crores in the salary side and incentives were almost five crores as compared to two crores last quarter increase of three crores there. And all the other expenses, the Stock-based compensation, Gratuity, leave encashments combined were appear on nine crores as compared to three crores last quarter. So that should give you the increase by the elements of the total manpower cost.

Dinesh Agarwal: And in terms of incentive dispersal, I know new client acquisition incentive dispersal happens weekly. Client Servicing incentives are disbursed fortnightly. However, the entire salary is now being disbursed on a weekly basis. Okay.

Amit: And sir you mentioned about in the margin around it is around like Rs 50 crores per month. So, this cost is excluding the acquisition right. So, that we have made busy so, that will be integrated next quarter, so, that the cost of like this acquisition will be additional to this right.

Prateek: Yes, so, as we concluded the busy transaction in the month of April that could be the one-time cost of completing the acquisition and other than that, it will get consolidated from the next quarter onwards, we would give you a separate breakup of the revenues as well as expenses in the Busy business separately.

Amit: Okay. On the like, you mentioned about the channel partner model that you have been investing in that. So, if you can elaborate more on that, what exactly is it and how it is like benefiting us?

Dinesh Agarwal: So earlier we used to have our own branches everywhere and we could not afford very small branches because we have our own management structure sales managers. So, in many cities, we could not cover far flung areas in tier-two towns, we could not cover many, many of those areas. So, I think one, we have a team, and we were forced actually, we during the COVID. We were fooled that most of our allies went home, and they were mostly working from home only could do telesales. So, we as much COVID effect was there on the metro cities it was not there on the tier two cities. So, we started experimenting with channel partners in tier two cities. And we found that it was a good model one profitable model for a small proprietor or a small firm owner to run our business. And then we started to experiment even in the bigger cities. In any case, they all use our own CRM system with you know, our own mobile CRM as well as desktop CRM, we assigned the companies we assigned the leads, it is only that we are now able to operate as smaller branches which are operated by a channel partner. However, we have a manager who looks at each one of those personally. So, this particular model starts as a fixed pay model, but over the time, we are able to move it to the variable pay model, we have done that for many channel partners. It is only last six months or so, that we have asked them to increase salaries similar to IndiaMART salary levels and that's why you see outsource sales cost increasing, so, I think the model is working and we will keep evolving as and when it requires better.

Amit: Okay. So, in the channel partner model, the incentives are higher than what we give or is it on a revenue share kind of a model?

Dinesh Agarwal: I think it is the same as our site, there are no differences

Amit: And how much of the subscriber addition that you had has been coming from the Channel Sales buttons, if you can give some number.

Dinesh Agarwal: So, between if I, give you some number about 1/3 will come from say field channel partners 1/3 will come from our own tele verses or field telesales combined and 1/3 will come from our own outsource sales employees that we have on our, currently it is like that, which used to be 80% ours and 20% telephone, pre COVID.

Amit: Okay. And so, in terms of technology, what kind of investments we are making? So, we have around 7 million free suppliers on the platform. And out of that only around 2.5 or 3% is paying so are we intending to increase that further with the help of technology and on no salespeople and rather use technology to penetrate deeper to separate areas.

Dinesh Agarwal: We use technology to predict who will benefit from our platform, what kind of customer will benefit from our platform and whom should be approach, but for the SME customer as of now, it is as you can see earlier 100% of the sales, we used to happen from the field sales people have learned a little bit now, a lot more sales are happening on telephone that itself is a technology adoption. Our online sales are pure online sales, but most of them almost 40% of our sales are coming from people who come and give a lead online and say that I want to do this service online or who add a product online and then we approach them. So, it is not that all of these people are doing only pure database calling they are all working on a proper hot lead system. And those leads are everything that a visitor does on our app or on our website, whether he adds a product whether he looks at a buy lead whether he tries to do any payment all of that is recorded and then we use the intelligent engine to say that he is the one who is more likely to benefit and then run technology. So, I guess you know, we are already a good profitable company over the period of time, technology has eased our margin level well however, if you can see the current light technology and content cost, which used to be Rs 100 crores every year has now gone up to Rs 32 crores per quarter. So, we are already investing quite a bit behind technology. I don't know if you notice that this particular time, we have declared another number which is the replies and call back number on our lead manager. And they're almost close to a million conversations that have started to happen beyond our discovery platform. So, technology is being used at all the places one to identify which supplier, two to do the better discovery and matchmaking and three to make them converse between the buyer and seller, both.

Amit: Okay, sir, like one last question from my side on the buyback. So, we have around Rs 100 crores of buyback. So, like maybe I was wondering that, No, like it could have been higher and because the quantum is very small, and because we are almost done with acquisitions, and we have cash on our books, so is it like it and also on the promoters, are the promoters like going to participate in the buy back?

Prateek: If you look at in this particular year, we have announced Rs 100 crore buyback and then another two rupees of the final dividend subject to the shareholders' approval. Now, combine this including taxes and everything this would mean an outflow of close Rs 126 – 130 crores, which would be if you see the cash that we've generated for this year, it's been roughly around

Rs 400 crores which will be almost 1/3 of the cash that we've generated. So, basis this we have decided to propose the size of the buyback and as we go along, we want to see depending on the cash flow generation and the cash requirements, the Board will visit this every year. And we'll come back on the suitable shareholder. The second question was on the promoter's participation to that would be to the extent of their entitlement that would be the pro rata to the share only to the buyer issue size.

Amit: Okay, so thank you and all the best for the future. Thanks.

Ravi Gothwal: Thank you. Next question is from the line of Mr. Anuj Sehgal from Manas Asian equity. Please go ahead with your question.

Anuj: I have two questions. One on the employee cost. If I look at the annual trend, the employee cost per employee went down in FY22. If I divide the employee expenditure by the total number of employees so Is that to say that the extremely high wage inflation that you're talking about only started to happen towards the later half of the year? And what is your trend in terms of employee? You know, expenses per head going forward? And my second question is, if I look at your buyers on the platform, it's about 149 million as of end of FY22 is a substantial 20% Jump from last year. What drove that? And can you explain when you say that, I think if I remember correctly, 38 million of those are recurring or current buyers, meaning they have done a transaction in less than one year, but the ones that have added have they just been added and have not done any transaction because I can't really understand when there is a big jump in the number of buyers, why the ones who have transacted with IndiaMART is only a very small piece.

Dinesh Agarwal: So, first on the wage inflation, so, you were right, the wage inflation typically started to happen only around, I think, June or July onwards. So, we started to respond something sometime around June first and then again in January. So, you are seeing mostly in the later part. So, that would be visible going forward as well. On the buyer side, so, on slide 26, there is increase from 125 to 149 million Buyers, which is about 24 million new buyers got added in this year. So, among this 38 million, 24 million new buyers who came in and transacted this year, and from the past another 12 million or 14 million, which transacted this year. So that's how you see this, that's why we started to report this number.

Anuj: So, 35 million going to 30 or just an increase of 3 million that is the existing buyers who have transacted or increased Is that what you're saying?

Dinesh Agarwal: 38 has two portions one is the 149 minus 125 which is just 24 million. So, 24 million has definitely transacted in this 38 million. Now the other 14 million came from the previous 125 figure.

Anuj: Got it. So then is that also to say then that assuming at the end of FY21, you had one qualify, so only 14 of them continue to transact which is just about almost a 10%. So, 90% of the buyers on the platform are actually ideal?

Dinesh Agarwal: They are not on the platform; these are registered buyers till date. So, if you want to look at the platform, let's go to the traffic slide. On the traffic slide, this is when you say that a billion visits have happened, these billion visits have happened by close to half a billion people out of those half a billion people about 40 million have projected. So, 10% of the people who visit ended up doing some transaction, transaction means ended up doing some inquiry.

Anuj: Right. So, just to be clear, the 149 million is not the existing number of buyers on the platform like as you say right?

Dinesh Agarwal: That is why we report that unique buyer. So, if you go to unique buyer slide this is the current people who are buying.

Anuj: Right okay understood.

Dinesh Agarwal: And then people buying on a daily basis for any anybody who comes today and looks for a pen comes to three days later and look for a pencil those are two different buying, but this is a better number.

Anuj: Right understood and then on the cost side you as I mentioned earlier, your actual cost per employee was down 4% in FY22, but what is your expectation of that number going forward in terms of wage inflation. Did you say 15% earlier?

Dinesh Agarwal: So, if we look at the quarter quarterly number that will give you better because you know the yearly number has changed dramatically in the last two three quarters. Last quarter run rate number will give you some better idea.

Prateek: I just wanted to add there that if you see one that wage inflation also happened in the second half of the year. The headcount addition also started hitting up in the second half of the year. Therefore, FY22 is not reflecting the whole year cost of the increases that has happened which is why we may be getting a 4% reduction in the average cost of the employee.

Dinesh Agarwal: If you look at the financial, what happens when you issue ESOP or SAR it is the front loaded, the cost comes front loaded while the vesting happens till ended. So, if you have 10-20-30-40 vesting the cost becomes 40-30-20-10.

Ravi Gothwal:	Reminder to participants. If you wish to ask question, please raise your hand option on your screen. Next question is from the line of Chirag of Kinu capital. Please go ahead.
Chirag:	Thank you for the opportunity. Sir I just wanted to ask the new salesforce that has added in this year which part are they added in? could you give it in terms of percentage that they are added in like this percentage is added in metro cities, this percentage is added in tier two and rest of India.
Dinesh Agarwal:	So, if you go to our slide, there is a buyer seller geography city wise. This is slide no. 12 and you can take a similar slide of 1 year old, that will give you the metro vs tier 2 vs rest of the India paying subscription suppliers.
Chirag:	I am asking for employees, the salesforce that has added.
Dinesh Agarwal:	The salesforce that has added, mostly added in the metro cities and tier two.
Chirag:	Are we facing any kind of issues in growing paid suppliers in metro cities right now?
Dinesh Agarwal:	No. Infact now metro cities are reviving after COVID. Because metro cities were most effected during the covid because most of the lockdowns were imposed there. Infact last two years or 18 months of Covid lot of clients came from telephone or tier two. Now we have started to refocus on metros.
Chirag:	Okay good to hear that. Last one question, is it possible for you to provide data like you are providing for paying subscribers, is it possible for you to provide data for total suppliers that are available?
Dinesh Agarwal:	That would be market intelligence.
Chirag:	Okay. Thank you so much Sir.
Ravi Gothwal:	Thank you. With this we come to the end of the Q&A session. Now I hand over the call to the management for their closing remarks.
Dinesh Agarwal:	Thank you very much everybody. I think this has been a great year for us after a very muted FY21 where we had a negative collection growth, we have gone up by 31% and the good part is we are exiting the year at a higher net customer runrate also which is also very and we have completed the acquisition of BUSY and now we have a very good foothold on the accounting space so looking forward to a great new financial year and thank you for joining the conference call. In case if you still have some queries left which have been not answered, you can reach out to our investor relation team whose email id has been given on the investor ppt. Thank you very much. Have a nice day and a great weekend.

Ravi Gothwal: Thank you everyone. On behalf of IndiaMART we now conclude this webinar, you may now exit your lines. Thank you.

Notes:

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