



Webinar Transcript

Event: IndiaMART Q4 FY2025 Earnings Webinar

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CORPORATE PARTICIPANTS:

Mr. Dinesh Chandra Agarwal – Chief Executive Officer

Mr. Brijesh Kumar Agrawal – Whole-Time Director

Mr. Jitin Diwan – Chief Financial Officer

Mr. Prateek Chandra – Chief Strategy Officer

Mr. Avijit Vikram – Head Investor Relations

Avijit Vikram:

Good evening, ladies and gentlemen. I am Avijit Vikram, Head of Investor Relations. On behalf of IndiaMART InterMESH Limited, I welcome you all to the company's Q4 and FY 2025 Earnings Webinar. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions once the presentation concludes.

Joining us today from the management side; we have Mr. Dinesh Agarwal, Chief Executive Officer; Mr. Brijesh Agrawal, Whole-Time Director; Mr. Jitin Diwan, Chief Financial Officer; and Mr. Prateek Chandra, Chief Strategy Officer. Before we begin, I would like to remind you that some of the statements made in today's call may be forward-looking in nature and may involve risk and uncertainties. Kindly refer to Slide #3 of the earnings presentation for the detailed disclaimer.

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

Dinesh Chandra Agarwal: Good evening, everybody and welcome to IndiaMART's Quarter 4 and FY2025 Earnings Webinar. We have circulated our Earnings Presentation, which is available on our website as well as the stock exchange websites. We would be happy to take any question afterwards. Here are the highlights: IndiaMART has delivered a consolidated revenue from operation of Rs. 355 crores in quarter 4 and Rs. 1,388 crores for the full-year, representing a year-on-year growth of 13% and 16%, respectively.

Collections from the customers have grown to Rs. 541 crores for the quarter, representing about 12% year-on-year growth and Rs. 1,626 crores in FY25 representing year-on-year growth of 10%, on the consolidated basis. In quarter 4, our unique business enquiries were 27 million, representing about 10% year on year growth.

Total number of paying suppliers stood at 2 lakh 17 thousand. Net supplier addition in the quarter was 2,139 which is slightly better than the last quarter. We continue taking measures to reduce the elevated churn in the silver-customer first-year bucket and onboarding higher quality businesses as paying customers.

We continue to make changes in our products and services for the better quality of leads with better qualification of buyers. Our

platinum and gold subscribers, which constitute about 50% of our customer base and about 75% of revenue, continues to have low churn and robust ARPU growth as well. We remain dedicated to continuously improving the quality and optimising the user experience on our website and on our mobile platforms to maximise the value delivered by the platform.

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

Brijesh Kumar Agrawal: Good evening, everyone. Firstly, I would like to share with you that Busy Infotech has amalgamated with the two other wholly-owned subsidiaries of IndiaMART, Tolexo Online Private Limited and Hello Trade Private Limited. This amalgamation is effective from 1st April 2023 and the numbers therefore for the last two years have been restated.

On the business front, Busy has done a net billing of Rs. 32.8 crores in quarter 4 and Rs. 94.3 crores in the entire financial year. These numbers also include an impact of approximately Rs. 7 crores and Rs. 10 crores respectively, due to the change in the payout structure of the partners that we had shared last time.

The normalised year-on-year growth for both of these, excluding the impact of this change, is 42% and 21%, respectively.

The revenue from operations stood at Rs. 18.4 crores for quarter 4 and Rs. 65.8 crores for the entire year. And if we were to normalise the numbers and calculate the growth rates, it would be an annual growth rate of 16% and 18%, respectively. Deferred revenue stands at Rs. 72.3 crores. Busy also generated cash flows of Rs. 8.8 crores in Q4 and about Rs. 23 crores in the entire year from operations.

During this quarter, Busy also sold 8 thousand plus licenses taking the total count of licenses sold at about 3 lakh 96 thousand. The new licenses sold in the entire year are approximately 33 thousand. We continue to enhance the product and increase our growth rates in the coming quarters and coming year.

With this, I will hand over the call to Jitin to discuss the financial performance.

Jitin Diwan:

Good evening, everyone. I will take you through the financial performance for the quarter and fiscal year ending March 2025.

Consolidated collection from customers was Rs. 541 crores in the fourth quarter and Rs. 1,626 crores on full-year basis, representing Y-on-Y growth of 12% and 10%, respectively. Consolidated deferred revenue stood at Rs. 1,678 crore, an increase of 17% on a Y-on-Y basis. IndiaMART stand-alone collection from customers for the quarter were Rs. 506 crores and for full year were Rs. 1,526 crores, both registering Y-o-Y growth of 9%.

Standalone revenue from operations stood at Rs. 336 crores for the quarter and Rs. 1,320 crores for the year registering Y-o-Y growth of 12% and 16%, respectively. Our growth in revenue was primarily driven by improvement in realisation of paying suppliers.

EBITDA of IndiaMART standalone business stood at Rs. 133 crores for the quarter and Rs. 513 crores for the full year, representing 40% and 39% margins, respectively. Margins continue to be elevated on account of savings arising from lower customer acquisition and operating leverage. Margins are anticipated to gradually normalise in the coming quarters, as we focus on measures to increase growth.

Consolidated Net profit for the quarter was Rs. 181 crore, which includes a fair valuation gain of around Rs. 59 crore on account of revaluation of our investment in M1xchange. Consolidated cash generated from operations was Rs. 271 crore in quarter 4 and Rs. 623 crore on a full-year basis. Consolidated cash and treasury balance stood at Rs. 2,885 crores as on March 31, 2025. Also, Board of Directors have recommended a final dividend of Rs. 30 per share for FY2024-25 and a special dividend of Rs. 20 per share, aggregating to a total dividend of Rs. 50 per share, subject to approval of shareholders.

Thank you very much and now we are 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 menu and we will revert on it. Please restrict to two questions so that we may be able to address questions from all the participants. We will wait for a couple of seconds while the question queue assembles.

Moderator:

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

Sachin Salgaonkar:

Thank you for the opportunity. I have two questions. First question, this is regarding your net adds. Clearly your net additions is close to around 2,000 or lower for last seven-odd quarters. So wanted to understand some of the steps taken by you guys to reduce churn. Any time frame we should have in mind where we could start seeing an improvement in the overall net adds and hence revenue for you guys?

Second question, I just wanted to understand the mix for platinum and gold users. What we are seeing for few quarters is clearly your churn being high and as a result of which collections growth slowing down, contribution from the smaller customers getting down. So why is the mix of platinum and gold not increasing in a proportion of total revenues? I presume it's range bound in the range of 75% to 80% only. So wanted to understand should we see this proportion increasing because the revenue from other set of users is going down?

Dinesh Chandra Agarwal: Let me answer the second question first. I think when we started telling you about this, I think the first time we told you that what is the gold and platinum total contribution, it was about 72% if I remember correctly, and then it became about 74% and now it is about 75% plus. So I think slowly and slowly, as the number of customers have not grown, the percentage of gold and platinum revenue contribution is actually inching up quarter-on-quarter.

So there is no issue on that side. And whatever growth in collection that you are seeing, largely all of that is coming from gold and

platinum. Just to repeat, gold and platinum accounts for about 50% of our total customer base and more than 75% of our revenue now.

Now coming to the seven quarters of reduced net customer addition, of about 2,000 plus/minus. Yes, I think for about first four quarters, we initially focused on service levels, what kind of customer onboarding and those areas. However, that didn't really do any breakthrough. So then we started to look at the product market fit again at a deeper level and we have found certain changes to be done.

In the last two quarters, we have done multiple changes. Few I have already told you. One, where the number of times a buyer was being introduced to a supplier was about 6.5 or so, now this has come down to 3.8 or so. The second part is, earlier we used to make a lot of enquiries even if they were low intent buyers.

I mean if somebody said I'm interested in this product, but not really filled the quantity or not really filled the specification, then also we used to make that as an enquiry or RFQ. Now we are doing a double check either by WhatsApp or by call and then only making that as an RFQ. By doing that, we are getting a lot more, almost 80% of our RFQs today have the quantity and specification well defined and filled by the buyer, which has started to show up anecdotally in our gold and platinum customers.

However, this has resulted into lower number of unique business enquiries, but good quality enquiries which are in demand.

Finally, since most of these good quality enquiries are being consumed by gold and platinum, I think we continue to see a good healthy improvement in renewal rates on the gold and platinum side of the renewals and there has not been any decline further in the last two, three quarters on that side. So I think we are doing enough things, but have we been able to fix the churn at the silver monthly or silver annual, at the first level? We have not yet and it will take probably another few quarters before we can go to that.

Some of the leading indicators that you can see, if you look at the repeat rate of the buyers in this particular quarter has slowly inched up to almost 57.5% or so. So there are some leading indicators which are there, that the product has started to improve well, but

first year retention continues to be a challenge and we are fully committed to solving that out in the times to come.

Sachin Salgaonkar:

Thanks Dineshji, very clear. Just one quick follow-up out here. How should one think about your margins in the time frame where your net adds remains at these levels? Because when I look at the margins for last seven quarters and I do get, there is a quarterly seasonality, but they are anywhere between 29% all the way to 43%. So is there a sort of a range one needs to be aware about from a margin perspective?

Jitin Diwan:

Thanks Sachin, for your question. So on margins, as you rightly said, it continues to be elevated at about 40% range plus/minus 1% or 2% here and there. So till the time we are confident on solving the churn and doubling down on the gross adds, it will be continue to look like 38%, 40% only. And once we push the pedal on gross adds, it will come down to a sustainable margin of about 33% to 35%, which we have been guiding in the last few quarters.

Moderator:

Thank you, Sachin. We'll take next question from Swapnil from JM Financials. Hi, Swapnil, please go ahead with your question.

Swapnil Potdukhe:

So my first question is regarding your unique business enquiries delivered. Obviously they are down 8% to 9% in Q-on-Q and you mentioned that you're delivering the enquiries to less number of suppliers right now, compared to what you were doing earlier, right, 6.5 coming down to 3.8. But my question is like have you started getting any feedback from the suppliers as to better conversions now, compared to the previous or is it still we are yet to see any meaningful results on this side? I understand that as a platform, you may not have the complete data, but certainly you will be discussing with your paying suppliers on this side.

Dinesh Chandra Agarwal: Yeah, so anecdotally, I think we are getting good feedback. Even at the platform, there are various feedback mechanisms that give us a leading indicator that customers are liking what we are doing. They are not liking the reduced number of enquiries, because they cannot imagine the competition has been reduced for them.

So for them, first comes the quantity. Whether the conversion has improved or not, that particular piece while anecdotally very few people are ready to admit that, most people's behaviour will tell us when they upgrade and renew that they are happier. Our leading

indicators tell us that whatever we have done in the last four, five months since the October Board meeting, has resulted into something meaningful and we still have few works in progress, which we should be able to do over the next couple of months.

As I had asked in the month of October, that give us three, four quarters, because now that we have started to focus purely on the product side, until unless I'm fixing that, I'm not going to invest heavy money on the customer acquisition or any kind of advertising.

Swapnil Potdukhe: Understood. But my question, just to extend that, will it be possible? I understand right now that may not be the focus. But going forward if there are better conversions for the suppliers, when the competition is less for them, will you be able to pass on significant pricing to them? I mean would it be possible for you to take significant pricing hikes at least to those people who might be benefiting from this?

Dinesh Chandra Agarwal: That's already visible. If you see in the financials, top 10% ARPU is up 17%.

Swapnil Potdukhe: Okay. But what about the gold customers?

Dinesh Chandra Agarwal: This is almost like a platinum customer. On a gold customer, whenever it comes up, we will let you know. Even the overall ARPU is up 11%. So we are working in that direction, but it's too early for me to admit.

Swapnil Potdukhe: Okay. Understood. The second question is on the traffic side. Now if you see the total traffic that you share, right, that number continues to remain weak. I mean for the full-year itself, growth was hardly 1% or 2%. Now, one, is like why that the number of hits that you are getting on your website or your mobile app are lukewarm? Secondly, are there any plans to invest on the A&P side to create more awareness about the platform or some other measures that would help you increase the number of hits on your platform?

Dinesh Chandra Agarwal: I mean we have started to do certain experiments on the advertising side, whether it is online advertising or whether it is affiliate-based customer acquisition or whether it is some video based. So I think over the next two quarters or so, you will see some pilot projects

going on, on that side. While we speak, I'm still doing some pilot projects, but they are not significant enough for me to tell you at this point of time. Maybe next quarter.

Swapnil Potdukhe: But these projects will not have a meaningful impact on your margins per se ?

Dinesh Chandra Agarwal: They will. But as of now, they are not going to have any meaningful impact on this particular quarter. If we are going to scale them significantly, then we will come back and tell you first before doing that.

Swapnil Potdukhe: Understood. Can you just give a breakup of how the churn rates have been across the different types of supplier categories this quarter? And just to get a sense as to how they have moved over the last three, four quarters?

Dinesh Chandra Agarwal: So gold and platinum remains at around 1%. That used to be under 1%, now it is about 1% per month. Silver monthly is about 6% to 7% and silver annual is about 3% to 4%.

Swapnil Potdukhe: And just something on the Busy side, because I see that the number of licenses sold seem to have increased this quarter by a decent number. Earlier we used to do around 6,000 to 7,000 licenses per quarter. Now that number has increased to 8,000 plus I think there has been some increase in the realisation side also. So any special efforts have you taken on that side or like something which is working on the Busy side? Would you like to call out something on that, sir?

Brijesh Kumar Agrawal: When you look at the number of licenses sold, generally Q3 in any given year is a weak quarter for this business and Q4 and Q1 typically are the best performing quarter. And therefore, we started to see an uptick in Q4 in terms of licenses sold. So this obviously is one factor, which has resulted into an increase in overall licenses.

Second, obviously there are efforts being placed on how do we grow sales and some of those efforts essentially have started to produce results overall. On the margin side or the ARPU going up, we've been able to improve the overall renewal rates within the business. Over the last two years, there has been a good ramp-up of percentage of customers renewing their subscription, plus there have been minor updates or changes in the pricing and some bit of

that has started to come into the overall ARPU that you get to see here.

Swapnil Potdukhe: Just to get a sense as to how our product will be priced compared to the competition? Any sense on the Busy side like what Tally or Marg? So what will be the difference on that side and how much scope do you think we can see on the realisations?

Brijesh Kumar Agrawal: So if we look at very like-to-like product comparisons, so the difference, and I'll benchmark this against Tally first, which is the market leader here, so we would be about 75% of the pricing that Tally typically offers and I'm just giving you a ballpark average, on let's say, the highest selling product that Tally would have, versus highest selling product that Busy has.

So that is how we are priced on the first-time license buy, when you do in the first year. From the second year when you look at the renewal prices, we would be equal to or slightly higher in terms of the annual recurring prices, at this point in time.

Swapnil Potdukhe: So do you see any scope for improvement on the realisations on a consistent basis for a few more periods, especially on the renewal side if that is, since you're already on that path?

Brijesh Kumar Agrawal: We think that there is scope for us to keep improving on both accounts of ARPU as well renewal percentage.

Avijit Vikram: We have a question from the chat box now from Mr. Pankul Sood. We have nearly Rs. 3,000 crores of cash plus investments on the book. Are we looking at any acquisitions? And if not, why not to do a buyback or a bigger dividend?

Dinesh Chandra Agarwal: I think we maintain a consistent position on our capital allocation policy. Out of the Rs. 3,000 crores, about Rs. 1,700 crores is deferred revenue and customer advances, which are our liability side. So that leaves us with about Rs. 1,100 odd crores. Out of the Rs. 1,100 odd crores, we typically maintain safety cash of about whatever Rs. 500 - 600 crores.

And then comes, either we invest or acquire or we return back. So in the past also if you see over the last four or five year period, I think we have returned a fairly good amount of cash back to the shareholders. year-on-year that number has changed based upon the buyback and the dividend. And this year also, the Board has

approved Rs. 20 special dividend and Rs. 30 final dividend, altogether about Rs. 50 per share dividend, which amounts for about Rs. 300 plus crores of dividend. So I think we are going as per our past performance and past stated policy, as well as the same logic, either we invest or we return.

Moderator:

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

Nikhil Choudhary:

Thanks for the opportunity. First question on supplier addition. Dinesh sir, we have again moved to net subscriber being positive after the last time we have seen decline. Is it fair to say that Q3 was an anomaly, and the subscriber addition trend will again go back to 1,000 to 3,000 between those ranges, with ARPU growth of, let's say, high single digit? And do you maintain your guidance of collection growth being less than 10%, more or less mid-single to high-single digit?

Dinesh Chandra Agarwal: See, these are uncertain times. At 2,000 or 3,000 plus/minus, I'm almost unable to really comment whether we'll be able to maintain 2,000 plus because every quarter there are some kind of seasonalities and we are doing a lot of experiments on whether to acquire this kind of customer, not to acquire this kind of customer. And in those experiments, there are possible mistakes and possible hiccups. So until and unless we really break the 5,000 barrier per quarter, I don't think we should be very fixated on 1,000 plus or 2,000 plus because if you really see for the entire year, we have been only able to do 2,000 only.

So I'm really not confident to give you any answer as of now. I mean I'll take another few quarters, when I can give you answer on that side. On the ARPU side, I think we are far more confident and we have been guiding that whatever collection growth or whatever revenue growth that we are getting and we continue to target around 10%. There you can say that quarter 2 was an anomaly where we were just 4% - 5%.

But otherwise from the earlier 14% - 15% collection growth, I think we have normalised to 9% - 10%; but that will continue to be our target, until we fix the consistent customer growth and all of that is going to come from the ARPU only.

Nikhil Choudhary:

Got it, sir. Just a follow-up on the point you mentioned that we are now thinking on the type of supplier to acquire, right? Is the behaviour of these suppliers is different from what we were acquiring earlier? While I understand the churn won't be visible now. But let's say in terms of behaviour on the platform, how active they are, how responsive they are or any other internal metrics you are checking to differentiate between the newly acquired customer compared to what you were doing, let's say, 2-3 quarters back?

Dinesh Chandra Agarwal: Yes. I think supplier engagement on our platform continues to be almost in the best ever bracket. So there is enough demand for good quality of buyers and good number of quantity of buyers. How we are able to deliver more and more of the same quality buyers because any good quality enquiry gets sold out on our platform in less than a couple of minutes or within a couple of hours. So I think there is enough demand and enough market for good quality buyers. I think as soon as we crack the repeat buyer behaviour, I think we should be good to go there.

Nikhil Choudhary:

Got it, sir. Second, I just want to understand the basic math behind it and sustainability of the top 10% ARPU growth. This top 10% ARPU growth had been, if I'm not wrong, more than 15% for quite a time with let's say, unique business enquiry on an average being lower than the overall ARPU growth. Do you think this 15% plus type of ARPU growth, at least for, let's say, gold and platinum is sustainable or do you think there will be a ceiling the way we have seen for, let's say, other category?

Dinesh Chandra Agarwal: I mean it's a very future-looking answer that you're looking for. The past performance says that, for the past five quarters we have been upwards of 10% ARPU growth for the top 10%, whether it will be 15% or 16% I can't say. But if you remember, I gave you last year, in the beginning of the year, that we have now successfully implemented our variable pricing for the platinum customers, which differs across the industries and I think that has resulted into this consistent ARPU growth on the platinum customers.

At that point of time, we did tell you that this should result into a multi-year 10% plus kind of an ARPU growth per platinum customer. But whether that will be 15% plus or not, I cannot really assure you. But for 10% plus, I think we are quite confident that for the next one year or so, that should be upwards of 10% because we

implemented the differential pricing sometimes around 1 - 1.5 years back.

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

Amit Chandra: Thanks for the opportunity. Sir, my first question is on the collections growth that has slowed down. Obviously, we have done slightly better in this quarter, but I'm saying from an overall year perspective, the collections have slowed down. So maybe you mentioned that obviously churn is one of the reasons for the slow growth in collections. But is it also because of the platinum and the gold customers are opting for more single-year kind of renewals versus like multi-year earlier? And also if you can share what percentage of your top-1 % and top-10 % customers are going for single year versus multiyear in this year versus last year?

Dinesh Chandra Agarwal: In the slide on standalone deferred revenue, so that has not changed, what gets recognised in 12 months and what gets recognised after 12 months remains consistent at 63% - 64% which means there's no change in the single-year versus multi-year.

Amit Chandra: So saying that the number of customers who were opting for a three year versus one year remains same. There is no change in that, right?

Dinesh Chandra Agarwal: Yes. As per financials also, that is proven that there is no change.

Amit Chandra: Okay. And so in terms of the mismatch between the ARPU growth versus the collections growth, so obviously the ARPU growth is being fuelled by the top-1 % and top-10 % customers. So if there is value like being derived from the platform, then what's the reason that it's not getting reflected in terms of the collections? Obviously churn is one reason, but churn now seems to be a permanent problem. So we have not seen any progress on that front. So can we assume that this 8% - 10% growth is the new normal?

Dinesh Chandra Agarwal: I refuse to assume that. I will continue to work my way back to the growth period. As I said, currently if you see all of that 10% growth is coming from ARPU because there is almost 0% growth coming from customer addition. And can we bring pure ARPU-led growth to 15%? Yes. Can we sustain that for a very long period? No. If we fix the product churn, can we sustain a 20% growth for a very long

period? Yes, we have seen that in the past 7-8-9 years. Last 10 years we have grown from 50,000 customers to 225,000 customers or so. So in a media subscription or media advertising business, the number of customers and the ARPU goes hand in hand. If you really see the top heavy media like television, etc even they will stagnate if there is not enough number of customers.

But if the classified platform, which becomes very, very small like Craigslist or something, even there the revenue stagnates. We believe a very healthy mix of revenue and customer growth, I mean ARPU and customer growth is 10% and 10%. Whether you can do 15% plus 10% or 10% plus 15%, but I think 10% and 10% is a great mix, that can give you a multi-year growth or a multi-decade growth.

So we will continue to try and achieve that. It is taking time. But every product market fit with every five-year period, in the current changing times of technology and customer expectation, I think the organisation which are able to come back and fix that timely, they can do a multi-decade growth. And we believe that we have done that for the last 30 years and will continue to do that over the next 30 years.

Amit Chandra:

Okay. And in terms of the factors which are driving the ARPU growth, obviously one of the factors is on providing more premium services, pricing hikes and obviously we have also lowered the number of RFQs per supplier or we have increased the quality of RFQs. So how this change of strategy is actually being taken by the customers? And is it that we are prioritising more to our higher paying suppliers to a larger extent, which is not in line with the strategy of improving our churn at the lower end. So how to maintain that balance?

Dinesh Chandra Agarwal: So, if you see, we are a two-way marketplace. One-way marketplace is where the buyers come and discover the suppliers. You are right that always the the customers who pay higher are on the top. So the traditional way of the marketplace is, the higher you pay, the higher share of the buyer visibility you get.

However, there's the other side of the marketplace, which is the supplier-led RFQ consumption marketplace. That's an equal opportunity marketplace, in terms of the quality of the enquiry, because the same quality of the enquiries are available to you as a

silver customer or you as a platinum customer at the same time. There is no differentiation there. The only differentiation is in the number of the buy leads that you can access as a silver customer or as a platinum customer. So, half of the marketplace is equal opportunity.

Now in fact some of the silver customers, which are self-users, where the proprietor himself is using the platform, we find that many times he is at a more advantageous situation, because he himself handles all the enquiries and he has the mobile app and he gets the immediate notification soe is able to compete better with some of the larger suppliers. However, some of the larger suppliers actually have 2-3 dedicated resources working on IndiaMART, and sometimes they have auto refresher where somebody keep looking at their screen to make sure that no important buyer is missed from their side.

So from our side, we don't differentiate. It is the supplier's ability and supplier's trust into the platform that he himself puts more effort or more money, to deal it equally by himself or equally by deploying more permanent resources to handle IndiaMART enquiry. We don't differentiate. We only differentiate based upon the buyer side marketplace or seller side marketplace.

Avijit Vikram:

We have a question from the chat box. The question is from Mr. Ankur Pant. Have we taken any pricing actions in quarter four?

Dinesh Chandra Agarwal: So on the silver side, we haven't taken any action. In fact if you really see our silver pricing from 2019, the only time it went down was during the 2021 COVID time, and then it went back to the same price. On the gold and platinum, we continue to take about 10% odd hike every year or so, which is the normal thing that we typically do in the month of January or so. And the hikes that happen are no longer applied on the same day, because some of the renewals have already been sent, some of the proposals have already been sent. So it takes care of as and when somebody's renewal will come and as and when new sales will happen. So these are the slower injection of prices, price hikes that we do about 10% odd every year that continues to happen.

Moderator:

Thank you. Next question is from the line of Abhishek Banerjee from ICICI Securities. Hi, Abhishek, please go ahead with your question.

Abhisek Banerjee:

Hi, Dinesh. Thanks for the opportunity. If we look at the traffic number. So from FY22 onwards till now, we would see a roughly 1% CAGR in terms of traffic growth? And if you kind of try to correlate that, when you are paying suppliers, numbers also kind of started reducing the gross numbers that is from FY23. So is it kind of time that we start advertising a little more to get the traffic higher and probably that can lead to some positive flywheel somewhere?

Dinesh Chandra Agarwal: Yeah. So we are aligned on that side. The only thing is that in the first root-cause analysis, we found certain things to be fixed and which we found that they anyway needs to be fixed, which we have tried to fix.

As I said, this particular quarter, we are doing multiple experiments and pilots on the online advertising as well as on the video side of the advertising, on affiliate advertising. And so this particular quarter, I don't think there is going to be a significant impact either on the financials on the bottom-line side or on the top-line side. If there are any of those experiments found unit economics positive and worthy of scaling up, then we will come back to you and tell you about scaling up.

Abhisek Banerjee:

Got it. So given we are at all-time high margins, how many basis points of revenues would you be willing to invest into advertising? What would be the quantum of advertising that you could roughly look at?

Dinesh Chandra Agarwal: I mean depends. I think last time, because we are very new to advertising again, I mean last time we did was in 2016 and this is now 2025, so I think it's been nine years since we have advertised. At that time, we used to spend about Rs. 40 odd crores on an annual budget, about Rs. 15 crores into 3 times. Things have changed dramatically, but I don't think they would have changed so dramatically, that we will end up spending Rs. 300 odd crores or something. I think that Rs. 40 odd crores would have become maybe Rs. 80 odd crores or something like that. Beyond that, I don't have any idea, as of now. So even if you take anywhere between Rs. 50 crores, Rs. 60 odd crores to Rs. 90 crores, Rs. 100 odd crores; on an annual basis, it should be around 500 basis point maybe.

Abhisek Banerjee:

Got it. Again so when you were last advertising say in FY16, it was a very different world. Now you're talking about performance

marketing. Do we have the kind of team in place that can really deliver on these new digital platforms? So any thoughts on that? Are you investing there?

Dinesh Chandra Agarwal: That is why I'm saying, we are doing pilots. So there are teams being aligned, new people being hired, existing people being trained for this new thing. We never had teams for mobile, but we developed teams for mobile. We never had teams for artificial intelligence, but we developed teams for artificial intelligence. We never had teams for accounting, we developed teams for accounting. So we develop and align resources as and when things are required.

Abhishek Banerjee: Understood. Now if I just look at last line on this slide, which is the employee count. So even this year we have grown employee count by almost 13%. While I understand some of it will be to support these new initiatives, but I'm sure the bulk of it is still for servicing clients, right? Now given that the number of clients has not really gone up, what is the outlook?

Dinesh Chandra Agarwal: Abhishek, this is only shifting of the outsourced sales cost to the on-role movement, which started last year JFM which was to be concluded this particular year in few every quarter. All of it has been concluded and I think now we will be returning back to the like-to-like members.

If you really add the employee cost plus outsourced sales cost, actually we have zero impact on cost, in the last entire one year. So while this number looks like 13% up, there is a zero impact on cost. Manpower cost plus outsourced sales cost put together remains same as last year.

Abhishek Banerjee: Understood. But what is the outlook going ahead? Do you think we can manage this at a mid-single digit kind of a CAGR for the next one or two years at least till we have requisite visibility of revenue now?

Dinesh Chandra Agarwal: No, I think because in this one full-year, we have had almost zero expense growth. Next year within six months or so, I think, expense will start to increase and even number of people will start to increase because as we crack the product market fit, we will go back to growth mode and then we will need product people again. We are so small a company that people thing cannot be filled all the

time. We go in expansion and consolidation kind of a mode. In FY21- FY22, if you see, we suddenly grew from 2,700 employees to 4,700 employees. So I guess this is the nature of our business. We are such a small company, we can't manage yet the growth and consolidation together. So we continue to focus on growth and then consolidate and then focus on growth and then consolidate until we become large enough to do both at the same time.

Abhisek Banerjee: Understood. So when you were guiding for 35-odd percent margins, you are kind of building this also in ?

Dinesh Chandra Agarwal: Yes. That's why I said the long-term sustainable margins are 33% - 35%. And since these EBITDA margins depend on revenue growth and collection growth and seasonality and that is why when I have to look at the leading indicators, I look at the collection and cash from operation and margin of the cash from operation.

On cash from operation margin slide , so if you look at this slide, this will give you a much more stable way of this 37% - 38% margin. This is the leading indicator and that will remain.

Avijit Vikram: We have a question from the chat box. The question is from Mr. Pratik Kothari. Have we already taken major part of the actions to bring down churn and we will wait and watch on how does it play out or more is left to be done on that?

Dinesh Chandra Agarwal: I think 66% of what we have found till date to be changed has been done and about 33% is still work in progress. Having said that, as we work deeper into it, we find more to-do actions. So I think by the time we are 80% or so, I think we will discover another 20% to do. So the work is never fully complete. But currently we feel that we are somewhere around 60% complete. We still have at least some 3-4 months of work when we can say that now we are 80/20.

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

Dinesh Chandra Agarwal: Thank you everybody for listening patiently to us. And I really admire that you guys are trying to understand our business model and complexity of our business model. Hopefully, we will come back with flying colours soon. In case you have any queries or

comments that are left, you can always reach out to our Investor Relations team. Thank you and have a good day.

Moderator:

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

Notes:

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