



Webinar Transcript

Event: IndiaMART Q1 FY2022 Earnings Webinar

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CORPORATE PARTICIPANTS:

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

Mr. Brijesh Kumar Agrawal – Whole Time Director

Mr. Prateek Chandra – Chief Financial Officer

Ravi Gothwal:

Good evening ladies and gentlemen. This is Ravi Gothwal from Churchgate Partners and on behalf of IndiaMART InterMESH Ltd, I would like to welcome you all to the company's Q1 FY2022 Earnings Webinar. As a reminder, all the 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 - Managing Director and Chief Executive Officer, Mr. Brijesh Agrawal - Whole Time Director, and Mr. Prateek Chandra - Chief Financial Officer, Mr. Puneet Gupta - Vice president, Strategic planning and Investors relation. Before we begin, I may 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 no. 3 of the Earnings Presentation for a detailed disclaimer. Now I would like to handover 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 Q1 FY2022 results conference call. I hope you all 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 stock exchange's website. I am sure you would have gone through the presentation and financial details attached. I would be happy to take questions afterwards.

I am pleased to report that IndiaMART has delivered consolidated Revenue from operations of Rs 182 crores in the first quarter, representing year-on-year growth of 19%, on a lower base of Q1 FY21. Collection from customers stands at Rs 170 crores in this quarter and deferred revenue has increased from Rs 628 crores as on June 2020 to Rs 715 crores as on June 2021. I think we have been able to navigate disruptions caused by second wave of COVID much better than last year and have been able to sustain and deliver profitable growth in this quarter as well. IndiaMART sustained buyer traffic of about 268 million in Q1 FY22 and business inquiries of 162 million in Q1 FY22. During the challenging second wave of COVID-19, our 90-days repeat buyers stands at about 55%. Unlike FY21, where in the first quarter we had lost about 14 thousand customers, we saw lesser mortality and 6 thousand paying customers have decreased on a sequential basis, closing the total count of 146 thousand customers for the end of the quarter.

We remain committed to enhance our value proposition and deliver value to our customers through organic and inorganic initiatives. As communicated earlier, in line with our strategy, we have made certain progress in the areas of accounting, logistics software, distribution management, and order management.

Now I would like to handover the call to Prateek to discuss financial performance in more detail. Thank you and over to you Prateek.

Prateek Chandra: Thank you Dinesh and good evening everyone. I will take you through the financial performance for the quarter ending June 2021.

Consolidated Revenue from operations was at Rs 182 crores in the quarter, a growth of 19% year-on-year, supported by both increase in ARPU and paying subscribers year-on-year. Consolidated EBITDA was Rs 89 crores representing a margin of 49%.

As highlighted earlier, the company posted strong YoY revenue growth due to a low base of Q1 FY21 for comparison and maintains high margins, as we continue to work from home and have lower costs. Net Profit for the quarter was Rs 88 crores with a margin of 42% and Cash generated from operations during the quarter was Rs 61 crores.

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

Ravi Gothwal: We will now begin our Q&A session. Please allow camera and microphone access if you wish to ask questions and use the raise hand option. You may type your question in the discussion panel. We will revert to you if any questions remain unanswered. 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, the first question is from the line of Amit Chandra. Please go ahead.

Amit Chandra: Thanks for the opportunity. As you mentioned that obviously, the impact has been lower as compared to the first wave, how do you see it in terms of the impact that we have seen in the various pockets, and what has been the impact on the monthly and the yearly package users? As we have seen a sharp jump in realisations, how do we rate that? If you can provide clarity on that?

Dinesh Agarwal: As you can see last time also, we have re-iterated this fact and this time also. Most of the customers that pay us monthly are the immediate noticeable ones, whom we come to know immediately because their monthly payments are not received and they are removed from our customer count. So, even the last time and even this time, I think almost 80-90% of the total customer that we decline is coming from the silver monthly bucket only and most of the other customer buckets are either more or less filled up from the new upgrades or have signed up, so there we have not seen much of decline. Now, coming to your second question on the realization.

The total revenue itself has been increasing which is coming from the deferred revenue. Deferred revenue last quarter had increased substantially and so is the revenue for this quarter. And it is divided by the number of customers this quarter. And since most of the customers which are downgraded or which are removed are the lowest ARPU customers and that is why you see a sudden jump in the average revenue realization per customer for the quarter. I believe that is just a quarterly aberration and as soon as we will recover, this customer base that will normalize back again to 45-46,000 rupees.

Amit Chandra:

Thanks for the explanation and also in terms of your investments that you have planned for the rest of the year and what kind of recovery you're seeing, so based on that, can we expect up-fronting of some of the investments that we have been doing in terms of sales and marketing and also for sales costs? Because that has been coming down consistently. So, based on the market conditions and normalization of the recovery that we are expecting, how do we see the different costs going forward in terms of your investment in sales and marketing and hiring, also in terms of increasing competition? Like maybe some of the competitors are spending huge amounts of money on advertising? So, are we seeing any impact of that on the traffic, or in terms of any of our clients? Like shifting from IndiaMART to the competition or something of that sort?

Dinesh Agarwal:

So, since you have asked two-three questions, let me try and answer them one by one. So, for the first one, we have been telling this from the December quarter itself, that we could not be to do hiring in the first two quarters of last financial year. And we wanted the office to open before we start hiring. However, that did not happen until October. So, post Diwali, we started to hire a number of people. And that could be seen as in this last quarter, we have been able to increase total employee on the rolls of IndiaMART from 2,700 to about 2,982. January, February, March were good months, where we could do the campus interviews, do the other interviews and hiring was good. However, as you know, April and May were pretty bad for everybody, many of our employees, and many people were very suffering. So, I think there could be a little bit of a dent in the speed of hiring that we could do. But, other than that, we are committed to getting back to our employee numbers and especially on the sales and servicing numbers as soon as possible over the next two - three quarters.

The second question that you asked was in the terms of the cost guidance that we have been giving very similarly, that we used to have a pre-pandemic cost of about Rs 115 to 120 crores, and we believe that it had come down all the way to Rs 80 crores which has now increased from Rs 80 to 85 to 90 to 95 crores and may continue to guide that it will remain in the range of Rs 100-105 crores.

Now, the competitor advertising, I think yes, you are referring to the recent advertising done on the IPL thing. But, look at our buyer site traffic, and the buyer site traffic remains strong. So, I don't think advertising has led to any distraction on that side. And we will continue to evaluate, as we have a good profitability as well as a cash balance. And we will not be shy of advertising if at all needed at any given point of time.

Amit Chandra:

Thanks for the answer on this competition angle. Now with the Reliance acquiring a majority stake and now the company is also having to watch this space. So, are we in any case worried about that in any sense that not that this can impact our future ambitions? Or are we planning to tweak some of our strategies with regard to that, as of now?

Dinesh Agarwal: I think we will maintain the same stance as earlier. I have been saying that more investment, more entrepreneurs, more industrialists coming into the internet as a sector, software as a sector, marketplace as a sector, e-commerce as a sector is good for the entire sector. You know, suddenly in the last two, three years, the number of internet users have gone up tremendously and their needs have gone up tremendously in terms of software needs, in terms of commerce need and there is a huge opportunity today to channelize different kinds of things. And I don't think it will be possible for a single IndiaMART or a single Justdial or single Google or a single Reliance to do that many more people and many more entrepreneurs and talent and industrialists would be welcome on that site. Having said that, yes, Justdial was always a very different business than our B2B business. They had recently announced the entry into B2B, we haven't seen yet much of the traction on that side or haven't heard anything, but we remain cautious and keep monitoring the situation properly. At IndiaMART. I think our focus will remain to see how do we continue to increase our network effects by way of more buyers and more suppliers coming there. And the supplier behavior data and the buyer behavior data that we gathered over a period of the last 10 years and every year that we gather with 55% repeat visit, that we will use towards behavioral matchmaking using AI, ML, and different data techniques. Also, as you can see, we are slowly and slowly expanding our ecosystem to go beyond just discovery towards financial accounting, towards logistics technology and towards distribution management or order management side. And we continue to look for more organic as well as an inorganic opportunity within IndiaMART organically also, our lead management system has been slowly going towards becoming a conversational commerce platform. And we continue to work slowly on that bit by bit. I'm sure these things will result. I hope that answers your question.

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

Amit Jeswani: Hi Dinesh Ji. When I look at your vertical things, you've done everything perfectly. When I look at website views, RFQs, and the number of buyers sellers, you've created a great platform. So, you're perfect horizontally. But do you think we've been very conservative and not going vertical? I mean getting into newer products, which can solve large customer problems because you have massive numbers of customers, probably the largest. What we are doing right now is very small-scale things, your customers' needs accountings, they need websites, they need a lot of these SMEs need to get digital and you have a platform. Do you think because we have capital, do you think we need to hire the right kind of skill from a place like Zoho, etc to get that thing rolling?

My question is more on the verticalisation of IndiaMART and not on the horizontal things, now it's an automatic platform that you have created. So, my ideas are more based on how do you think about verticalisation and what large new customer problems can you solve?

Dinesh Agarwal: First of all, how do we expand our ecosystem horizontally? So, within a horizontal ecosystem, as you can see, we started with a website, we started offering them RFQ

and buy-lead system, we started offering the cloud telephony, lead manager, and CRM. Now, we are adding accounting, logistics, order management, we already have a payment system in place. So, horizontally, we have been adding multiple items and we have been investing in multiple items. You are right that vertically, we have not invested so far into any avenue, but we continue to look for any vertical inorganic investment opportunity. On the other hand, if you look at internally, we have, you know, last year also I said that previous to the pandemic, more or less very little category focus was there on in within IndiaMART. It's only last year first time when the suddenly had to work on the medical as a category or medicine as a category we realized that there is a huge opportunity to do things more vertical category wise and we are actually in the process of increasing team and expertise on that side, so that more and more vertical fulfillment can be done and more vertical problems can be solved and you are right, hiring better people can definitely improve this whole area and the better we are able to hire, better we are able to execute, that is how we'll go. But to answer your question, we are looking at vertically in category management. And also, we are expanding horizontally slowly.

Amit Jeswani:

Dinesh Ji last time we had a conversation, you were speaking about 5x to 10x growth in the next 5 to 10 years. Have you set a roadmap for it? Like I'm at one and a half lakh customers, I need to go to seven - eight lakh customers in the next five, seven years, you already have a large number of customers already on your platform? Of course, they're not paying. But have you set a roadmap? Or does it include many vertical things in that kind of goal that you've set?

Dinesh Agarwal:

So, I think as a broad strategic roadmap, we have shown you that we would have a core SME business and the medium and large enterprise business and then Fintech, SaaS, and vertical commerce. However, if you ask me, Do I have a business plan broken quarterly on that we don't have yet, we have done about five investments in different sectors inorganically at the same time, we have done organically into three sectors, whether it is payment or whether it is CRM lead management or whether it is order management. So, I think give us some two-three more quarters when we will be able to give you a slightly more deeper insights on how does the growth will look like I think we would have given you a better insight if the April- May would not have happened. But everything just started to fall in place but April May was a big surprise.

Amit Jeswani:

What is according to you except discovery. What is the biggest problem of your customers like these are SMEs largely who are your customers? What do you say, FinTech? Would you say more on the logistics side? That is where our large focus because there are large profit pools you can target. You've already nailed one profit pool Dinesh ji, so I'm just trying to understand which is that big problem, which your customers you think have which is adjacent to your IndiaMART platform is it logistics, because we've tried once on the logistic side in 2015-16, if I'm not wrong, so if you can also help us understand what stops us getting more on the logistic side also so that we control the ecosystem better?

Dinesh Agarwal: So, I think we have conveyed it multiple times. So, if you look at this particular slide, No.23 in presentation, the dark blue ones (Discovery and Conversion) are the areas which we have already worked upon and continue to improve upon the light blue (Commerce) ones that are four areas which have been defined, one is the payment, the second is the logistics, technology and tracking. The third is transaction financing and the fourth is the enablement of business. I think on that side enablement of businesses is a lot more fragmented because multiple different SAS and multiple different solutions are to be integrated. It is not just one big ERP that you can acquire and SMEs will start using it. Similarly on the logistics side. The medium enterprise uses very different logistics technology as compared to a B2C brand. On the Payment front, we have been building organically and we continue to look for more partners on that. As I said, in credit and transaction financing, we tried doing some small pilots before the pandemic. But after the pandemic immediately everything went on to the backburner. So currently our focus remains on the enablement of business, logistics tracking and the payment side. And as we get more granular data, we will come to the transaction financing side.

Amit Jeswani: Dinesh Ji one last question. Do you think the nation this year also will be able to grow at 25% around those levels? Probably might have seen a bounce in June and July you think this year by the end of the year we'll be able to do 25% kind of growth?

Dinesh Agarwal: I will keep mum, not to answer this.

Amit Jeswani: Thank you Mr. Dinesh. Nice speaking to you again.

Ravi Gothwal: Thank you. So next question is from the line of Mohit. Please go ahead with your question.

Mohit: Good evening. I just want to know with respect to the outsource Field Sales Representatives which usually is disclosed. So, just wanted to know if you can get the numbers for those outsource Field Sales representative and total sales and service representative and that was number one. Number two is that going forward like you know, since this field sales count has declined significantly from the last year from Q4 FY20. So, do we see aggressive hiring happen on this front so as to acquire more and more customers thereby resulting in increased outsourced sales cost?

Dinesh Agarwal: Yeah, Mohit, there is a slightly complex answer here. So, let me try to explain you. So, the way total sales and service organization in IndiaMART is by and large divided into two parts, one is the client acquisition side and the other is the client servicing upsell and renewal side, whether they are on the field or whether they are on the telephone. Currently, almost 99% of our renewals, servicing, upsell team which we call the client servicing team, which actually brings about 80% of the revenue, is in the house on IndiaMART payroll, we have not experimented with any kind of outsourcing on that. However, on the client acquisition side, if you see about two - three years ago, we used to have 100% in house set of people then we actually started to hire some of the people on the outsource payroll like team-lease or you

know, other companies. And then we also started to look at tele call centers, who could work with us either on a per sheet option or as you know per sale base. And now, we have told you in the month of July or September we started with the option of the franchise or dealer distributor network, spread in various cities, where they operate a smaller branch kind of a setup for 5 to 10 people branch, as a third party. So, the outsources cost is now become very difficult to quantify in the number of people, because there are so many different dealer distribution and channel sales, some of them are employing five people and some of them are employing eight people and some of them are employing 10 people, though we do have the count of overall count, but we do not know for sure if those are the people who are 100% working on IndiaMART only, because some of them could be selling software, some of them could be selling computers, could be selling telecom, as well as IndiaMART. So, that is why we have only now declared the employees on our own rolls. And the sales managers which are managing this outsource sale because 80% of this new client acquisition team is now on the different outsourced model. So, you will have to look at the cost directly on that side rather than the headcount. If at some point of time, in future, I will be able to get a clear number which I can give you in terms of headcount will give you but as of now, it is difficult to give you a headcount number rather than the cost.

Mohit: Understood, Thank you.

Ravi Gothwal: Thank you. Next question is from the line of Bharat Shah. Please go ahead with your question.

Bharat Shah: There are many things that we have done well. And then there are others, we've taken some baby steps. And then there are areas which are where we are aspiring to be something but has not yet commenced or taken any state. So, given the size of the opportunity, which is very large before us, unless you disagree that the size of opportunity is smaller than it's a separate issue. But if you agree that size of opportunity is large, what is inhibiting us from moving about in a more measured way? I'm not saying that we take a rash kind of steps, in case. But if we allow opportunity to kind of be prolonged beyond a point, then to that extent of their own competitiveness in our own strengths will diminish. So, what is your view about all of this?

Dinesh Agarwal: Yeah, Bharat you're right, to some extent, just to reiterate, there are two ways that we would want to tackle this large opportunity issue. Immediately after the IPO, we decided let's start on two-pronged strategies. One, the inorganic side, and another on the organic side. On the inorganic side, we did one or two investments and then in the whole last 15 months, the pandemic had happened, though, we continued to do more inorganic investments in the last 2-4 months after the first six months. On the organic side, we have been telling you that our conversational commerce part is shaping up well on the lead management and CRM side. However, you see very little happening on the payment and transaction financing side.

I think it's just that these uncertainties and challenges every now and then are distracting us from taking those two-pronged approaches in a much faster manner. That's the only thing you can say. But I fully agree that we should be looking at these opportunities, both organic and inorganic, in a measured as well faster rational way. And we do not want to go irrational and rash, increasing risk. So, I think, hopefully we will meet your expectation in times to come.

Ravi Gothwal: Right. Thank you. Next question is from the line of Kumar Pandit, Somrus Capital, please go ahead with your question.

Kumar Pandit: I wanted to understand the dynamics behind the ARPU growth, in spite of the decline in paying subscribers and whether you think these dynamics are sustainable, and whether these trends are sustainable over the near term to long term. Thank you.

Dinesh Agarwal: Yeah, Mr. Kumar. I think I've already answered that question. Due to sudden decline of the number of customers, mostly from the lower ARPU segment, this certainly looks like an aberration. I have already answered that, once we begin to recover the customer base growth and there is recovery on that side, it will come down to the usual Rs 45-46,000 rupees.

Ravi Gothwal: Thank you. Next question is from the line of Sudhir ICICI Security, please go ahead.

Sudhir: Now, firstly, in terms of the cost structure, you spoke about, let's say reorganization or restructuring of the sales team in two to three different models. And accordingly, our cost structure may have changed a bit. And we have also been seeing some of the COVID led costs tailwinds for the time being, in terms of let's say, a higher mix of tele callers, rather than foot on streets, so on and so forth. So, when we reach the steady state, let's say when COVID is behind, and when we reach the steady state, how do we think about the steady state margins at an EBITDA level?

Dinesh Agarwal: I think I have already given that answer, we used to be closer to 30% margin. And you know, we have saved about 20 odd percent or increase the margin by about 20 odd percent. Half of that is because of the different kinds of automation that we have been able to do and I think there is a permanent shift in the business that has happened and half of that is slowly going to come back because we have not been able to hire and we have not been going to the offices and I think the employee cost is one of the biggest costs and other some of the other costs that will return. So, I would say that if you take that into account, from closer to 30% margin I think will be closer to 40% margin in the steady state.

Sudhir: And the second point on the buyer side traffic or you know business inquiries deliver, so on and so forth. This quarter, I think there is a bit of buoyancy we have seen. So, this is the second part of this in searching for product categories like oxygen concentrators or oxygen cylinders, so on and so forth.

Dinesh Agarwal: Yes, in the month of April, a lot of oxygen related and ci-pap and bi-pap and mask related items were there. Some of them have sustained like masks have become a permanent feature now. In May, lot of them were for the purpose of medicines remdesivir, tocilizumab and things like that, because after a certain time the

medicine shortage started. In June, traffic sustained and spike came in April and May because in April and May, on one side these medical spikes came and on the other hand, naturally the industry was more or less shutdown. So that is actually balanced but we are seeing in the June month is in the stable weekly trend. I think 250 to 60 million traffic seems like sustainable traffic.

Sudhir: Got it so even after that spike is over that rush towards oxygen concentrator as a category is over, you're still seeing reasonable amount of buoyancy in the enquiries delivered and the buyer side traffic.

Dinesh Agarwal: Yeah, it is because we are much diversified. As you have seen in the past, we are coming from 50 different industries and almost 100,000 different categories coming from 1,000 plus towns and cities. Tier One cities only contribute about 33% of the buyer traffic, tier two city about 25% and then tier three and four is actually increasing now at 41%. So, we have very well diversified traffic across you know fashion apparel, garment, and chemical fertilizer, medical, agro-machinery and everything. So, I guess we have seen on even on a monthly basis, if you go and look at any of the indicators at Alexa or similar web, traffic is maintained and we believe that a permanent shift has happened towards internet adoption and IndiaMART has proven to be a go to place for people.

Ravi Gothwal: Next question is from the line of Kushagra Bhatt, please go ahead.

Kushagra Bhatt: So, one question on data advantage, which you were mentioning of buyers and sellers on a platform with all the AI and ML you can do on that, I just wanted to gather more sense on how with this whole data you're sitting on, what sort of analysis and what sort of advantage you can do, versus you know, others possibly, because all of the businesses in the B2B space are sort of moving in a similar direction. So, how are you thinking of differentiating yourself in a way, what additional offering which you can provide, and also one related question is with the Reliance sitting on data with all the Jio platforms and what data you think is probably you are missing today, which you know, Reliance will be bringing to the table with telecom and whatever geo platform ecosystem they have?

Dinesh Agarwal: So, let me first answer what we know of our own business. And so, there are two kinds of data, one is the database, the supplier database or the category database or the product database or the photos database or the rating database that we have, which probably everybody has even Google has and telecom companies also have some different types of data. The second part of the data is the behavioral data usage data.

Now, at many places you will see more consumer personalization that is being done. So, if you go to Google, if you go to Amazon, if you go to and as a consumer, you go there not very frequently, you go there maybe 2-4 times a month. Here at IndiaMART what we do very differently is we do supplier personalization, what happens at IndiaMART, we have developed two three very good supplier tools, which bring the supplier back on our platform almost every day or almost some of them every hour. So, for example, our RFQ system, our lead management system,

and our call pickup system, cloud telephony system, all of these actually bring back the supplier and especially our paying customers almost multiple times a day to our platform, and they end up doing activities on those kinds of buyers, which they like the best. So, if they like the retail ones the best, they like the Agra ones the best over the Jaipur ones or if they like the sofa set one's, ones which is better than the other. Suppose there are two furniture manufacturers, both of them can do all selling of all kinds of furniture and both of them actually sell on us, however, the supplier one is in sofa set and is a frequent visitor, because he has some expertise and he keeps coming back, checking out RFQs so far and replying to leads very frequently however, the other guy is doing say office chairs very frequently so that we know that both of them are furniture manufacturer, but he is a sofa set specialist and the other one is an office chair specialist. This data is not available with most other platforms and they are not even gathering this.

Similarly, we know location affinity, similarly we know price point affinity and similarly we know quantity affinity. The other thing is the buyer profiling that we have created over a period of time. So, a buyer comes on our platform say once and then he gave you his number and, maybe mail and name and some information. And he put a requirement for say sofa, next time he came in and he gave a requirement for say, a chair and next time he came in and gave a requirement for, say, sofa fabric. So, we know that he's probably a sofa set integrator or sofa set fabricator, and we display that to the suppliers. So, it's an enhanced buyer profile that we have gathered over a period of time because the buyers have been repeating on our platform at 55% rate.

So, these are some of the special insights that we gather. And thereby we use them in the matchmaking. So, we know by behavior that he likes retail leads, we know by behavior that he does not like retail leads, we know by behavior that he's an exporter or he's a local only manufacturer. So, we know all of these, because of this data that we can collect every day in day out and the data sources are RFQ consumption, our lead management, where callback and replies happen, and the PNS system and all of these data sources, obviously over and above there is a product data which is there available. So that is very specific data that we are referring to. And anybody will tell you that the relevancy is far better at IndiaMART than at any place.

Kushagra Bhatt: And a second part of the question like what, you know, data, you probably would be missing today, which Reliance is able to provide, any sense on that or you won't be able to comment on?

Dinesh Agarwal: No, we have not been tracking the Reliance or JioMart, we know about Justdial. This development has happened, we will start to study that more in detail as and when more details are revealed. And we'll try to see where we need to act? And we'll keep a close watch on the developments happening, and then start to build our strategy accordingly.

- Kushagra Bhatt:** Sure. Last question on ARPU's. So is this the correct understanding when I break up the ARPUs that the Platinum customers, the top 10% suppliers on your platform, the ARPUs for them have kind of moved from almost 1,80,000 to almost north of two lakh rupees. So, is this the correct understanding first of all?
- Dinesh Agarwal:** No, I think what happens is, the way our revenue recognition work, it comes from the deferred revenue. So, the way ARPU we calculate is the end of the quarter customers. It is the total revenue recognized during the quarter divided by the end of the quarter customers. So, this does not mean that the ARPU has increased dramatically in a particular segment. It is purely because there has been a sharp decline in the number of customers paying customers by 6000. And it is not reflecting a significant increase in ARPU and it is also reflecting that most of the decline has happened at the bottom of the pyramid.
- Kushagra Bhatt:** Okay, and a related question. So, when you mentioned that ARPU will kind of go back I remember in one of the past few calls, you sort of hinted towards planning or strategizing towards price hikes as well in respective categories, so those pricings are not you're not doing?
- Dinesh Agarwal:** I mean, we have been doing minor things here and there, and that is how you see a longer dip if you see longer duration, from 33,000 to 44,000 which is almost 33% hike that has happened over the last three, four years. The specific instance that you're talking about the category based or city-based pricing that has not been able to roll out. I don't think that is the right time to go out.
- Ravi Gothwal:** Thank you. Next question is from the line of Bharat Shah, please go ahead.
- Bharat Shah:** Yeah, earlier I was talking to you and we were discussing that in terms of the size of the opportunity, are we being a bit too much measured, then what is good for us? Or we think what we are doing at a pace is something that is meaningful and appropriate. Therefore, in that context, you answered. I wanted to raise an alternative point of view on that, supposing we have to think about IndiaMART, three to five years down the line, what do you think IndiaMART would look like? What will be the key defining aspects of IndiaMART that you think it will look like? Otherwise, you would regard that as a missed opportunity?
- Dinesh Agarwal:** Yeah, what we think we will look like, is already there on this slide No. 23 and this is in three to five years' time frame, this is what we would look like and this slide truly depicts what we want to look like in three to five years.
- Bharat Shah:** So, all these boxes will be cleared and will be attained?
- Dinesh Agarwal:** I mean, 80% of these boxes should be taken.
- Bharat Shah:** And the reason why it is not there, is it because of a strategic reason for not having adequate talent pool, or some other reason why it is kind of being moved over slowly?

- Dinesh Agarwal:** Mr. Bharat, I think, you know, until last year, we were only doing the first two quadrants, we were only doing the discovery, and we were in the process of doing conversation, the next light blue color items had been put down only in the month of October, November, December last year. So, from there, now we are only sitting in July. So, it's been seven, eight months, when we thought that, we will actually start doing all this.
- Bharat Shah:** And once we covered 80% or more of the quadrants, you think strategically our remits and plans from your point of view, will be satisfying and what is appropriate for the opportunity?
- Dinesh Agarwal:** That is what our collective thought as of now is.
- Bharat Shah:** Okay. Thank you.
- Ravi Gothwal:** Thank you. Next question is from a line of Manish Gupta, Solidarity advisors. Please go ahead.
- Manish Gupta:** Thank you for the opportunity. So, you know, slide 32 is, you know, fantastic transparency in terms of how your franchise is being developed. I had one query and one request. So, the query is that is it possible for us to report the percentage of inquiries that have been fulfilled successfully as a percentage of total business inquiries delivered?
- Dinesh Agarwal:** That number is only available to us on a sample feedback basis, and we get almost 100,000 feedbacks every month. So out of the monthly daily unique inquiries of about 7 to 8 million, and about 26 million in the recent quarter. So, if you divide it is about 9 million per month, we send out feedback mailers to all of them and about 2-3% people respond back, which becomes about 150,000 feedback and based upon that feedback, and since that is not very reliable feedback, we can't say that this inquiry is fulfilled or not fulfilled, whether the payment has happened whether the actual transaction happened. We have a sample data, which tells us on every week basis or every month basis, what is the fulfillment ratio going on, as of now, the buyer fulfillment ratio, typically trend about 40% of the unique buyer inquiries are fulfilled. And that could vary dramatically from city to city, from tier one to tier three, and from category to category.
- Manish Gupta:** Okay, you know, my sense is the niche that this is a very useful metric to see how the platform is servicing its end purpose. And as long as you're being consistent in the way you're sampling, I think, even if you could report this metric based on the samples you're doing, it might be very useful. But you know, I think this is something I'd request you to think over and see if you could report, maybe there are issues there, which might skew the data. But if you believe that the, sampling is representative, and if the 40% is trending higher or trending lower, you know, I think it gives some good feedback operationally.
- Dinesh Agarwal:** So, on a monthly or a quarterly basis, this number that may or may not change dramatically, but on a yearly basis, as part of my IPO roadshow and QIP roadshow, many of you had asked this question. And I'd answered that over the three-to-five-

year period, this number has kept moving up from 20 odd percent to almost 40 odd percent. However, in the last year, and year and a half the number of buyers has gone up tremendously in the last few years again, and the number has still stayed at 40 odd percent. So maybe as part of you know, future annual reporting, we will try to give some color on this.

Manish Gupta: Okay, the second query was, you know, I repeat that slide 32 is very, very useful. Is it possible for you also to share going forward, what is the percentage renewal rate of subscriptions of your top 10% customers?

Dinesh Agarwal: For top 10% customers, the renewal rates are above 90%. They used to be as high as 94-95%. In last year, ever since the pandemic happened, that has come down to about 90 or 89%. And we have said that for the top 10% of our customer churn rate is less than 1%.

Manish Gupta: So, my question was that, can you can we add that metric to this quarterly data pack that you're sharing?

Dinesh Agarwal: On the top 10% customer?

Manish Gupta: Yes because, it's a very good metric to look at operationally.

Dinesh Agarwal: Yeah, we'll definitely note down your suggestion and will look into that.

Manish Gupta: Last question I had was, in your employees, the product and tech employees, that seems to be flat or going down, anything to read into that?

Dinesh Agarwal: There has been a specific downturn, you know, otherwise there have been about 500 odd people, but there has been a specific downturn in the last year or last four or five quarters, and now that has started to increase. So, if you look at this quarter itself that has gone up from 419 to 464. And also, many of them, you know, product and tech and data employees, a lot of them are now becoming more technology employees and more product employees and less data employees because data related roles we have started to outsource at various places. For whatever you see, about 498 was probably the highest in the quarter one, just before the pandemic and there had been some natural churn and we did not hire, but I think we are filling this back and we are aggressively going up there. So actually, I will be guiding to go up to 600 very soon.

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

Dinesh Agarwal: Thank you very much. I really feel elated that you guys have a lot of interest and a lot of confidence in the opportunity size. That gives us a lot of inspiration and confidence that we have a lot more to execute and there is a lot greener grass ahead of us. Thank you very much for holding the confidence. And I would say please stay safe and have a nice weekend. Thank you, everybody.

Ravi Gothwal: Thank you, everyone. On behalf of IndiaMART, we conclude this webinar. Thank you.

Notes:

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