



Webinar Transcript

Event: IndiaMART Q3 FY2021 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. I am Ravi Gothwal from Churchgate Partners and on behalf of IndiaMART InterMESH Ltd, I would like to welcome you all to the company's Q3 FY21 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 on the management side, **we have Mr. Dinesh Agarwal – Chief Executive Officer, Mr. Brijesh Agarwal – Whole Time Director and Mr. Prateek Chandra, Chief Financial Officer.**

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 risks and uncertainties. **Kindly refer to slide no. 3 of the earnings presentation for the detailed disclaimer.**

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

Dinesh Agrawal: Good afternoon everybody and welcome to IndiaMART's Q3 FY2021 Earnings Webinar. I would like to wish everybody a very happy new year and hope you and your loved ones are staying safe and healthy.

We are hosting this conference through FLOOR a platform by our associate company 10 times.com. The earnings webinar is also being shown live on IndiaMART's Facebook page and YouTube channel. 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 I would be happy to take any questions afterward.

In the third quarter of this fiscal, we saw a recovery in the economy and businesses across the board. I'm pleased to report a strong financial performance of IndiaMART during the quarter. Our consolidated revenue from operations stood at Rs. 174 crore representing a growth of 5% on year on year basis. Collections from the customers for the period reached Rs. 179 crore, a sequential growth of 9% quarter over quarter but marginally a decline of 2% year on year, as compared to Q3 FY20. December 2020 collections were better than December 2019's pre-COVID levels. The jump in the buyer traffic was visible in the last quarter and has sustained this quarter as well. Total traffic has grown by 35% year on year, reflecting approximately 85 million visits per month. Business inquiries delivered increased by 37% year on year to 154 million with our 90 days repeat buyers standing at about approximately 60%. During this quarter, there was approximately 7,000 clients in addition to the net paying subscribers resulting in 1,48,000 customers at the end of the quarter. Now, we are back to March 2020 paying customer levels of 1,47,000.

In India, internet growth has accelerated further after the pandemic and many new opportunities will emerge in the coming time. Keeping this in view, in yesterday's

board meeting, shareholder resolution to raise funds was approved on 18th January for approximately up to Rs. 1,100 crore. The proceeds will be utilized for organic or inorganic growth opportunities in the spaces strategic to IndiaMART.

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

Prateek Chandra: Thank you Dinesh and good afternoon everyone.

I will take you through the financial performance for this quarter. Consolidated revenue from operations was Rs. 174 crores in the quarter, a growth of 5% year on year which was primarily driven by a similar increase in paying subscribers year over year and a marginal improvement in average realizations per supplier.

Consolidated EBITDA was rupees Rs. 88 crores representing a margin of 51%. Net profit for the quarter was Rs. 80 crores. We've been able to sustain these margins as our offices stay closed and hiring has recently started. As and when the business volumes reached normalcy, we expect some of these costs to increase.

Cash flow from operations during the quarter was Rs 77 crores. As of 31st December, cash and investments stood at Rs. 1,143 crores.

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. You may type your question in the discussion panel, and we will revert to you if any questions remain unanswered.

Please introduce yourself and restrict to 2 questions so that we will be able to address questions from all the participants. We will wait for a couple of seconds while the question queue assembles.

The First question is from the line of Manan Shah. Please unmute yourself and go ahead with the question.

Manan Shah: Thanks for the opportunity. My first question is that we had recently filed a case against one of our competitors for IP theft. So can you update us on this case and where is this case right now at? That would be my first question.

My second question is that with the increase in the competitive intensity would we start spending on advertising? Because currently, we are not spending anything on advertising?

And my last question was on the recent fundraising, we are already sitting on adequate cash and cash equivalents in our balance sheet. So why is there a need to raise such huge cash right now?

Prateek Chandra: So, with respect to your three questions. The first question you asked about the legal proceedings we have initiated against one of the competitors. So you know, its next hearing is scheduled on 25th of January. And we filed this case, sometime in the month

of November, wherein we have highlighted to the court our grievances through which the court has granted an interim injunction in our favor. And the next date is the 25th of January. So, it will proceed as it goes along.

Manan Shah: How confident are we on our claims?

Prateek Chandra: So, in the only one hearing which has happened so far, in which we have presented our case to the honorable court, and the honorable court has granted that injunction in our favor. The competition or the other party is yet to revert with their response to our grievances in front of the court. Hopefully, by the next time of the hearing, they would revert with their response, and then the proceedings will take place accordingly.

Manan Shah: Okay, and on the advertising spend?

Dinesh Agarwal: So on the advertising, if you see, we haven't done any significant advertising since FY17, 100% of our traffic, which is about 80 million visits a month that we get is organic traffic and even last time when we did advertising in 2015 to 2017 period, it was for brand building and recall value, and we feel that currently, especially in the last year, the traffic has gone up by 30-40% and also the leads of IndiaMART has been used by many people. Whereas we don't feel there is a need for advertising as of now, but, if as and when, there would be any need for advertising, we will definitely let you know and do the same.

On the cash side, as I said earlier, that Indian Internet growth opportunities further accelerated during the last year, and many new opportunities are likely to emerge as the transformation progresses. With 700 million mobile phones and a step function jump into the SMEs and businesses using the internet for their purpose, we believe that there will be many more opportunities that will come. We intend to make long term organic and inorganic strategic growth opportunities, and in the area of IndiaMART operation and its adjacency.

On the cash part, you can see that there is a Rs. 633 crores of our deferred revenue out of the total net balance we have, which leaves us at a remaining cash reserve of Rs. 500 crores. We have seen and met multiple companies across multiple sectors over the last year. And based upon our own assessment, we feel that Rs. 1,000-1,100 crore kind of fundraise should be necessary to fund our growth ambition for the next two years or so.

Manan Shah: Will they be like in a controlling stake or would-be investment kind of acquisitions that we are looking at?

Dinesh Agarwal: So, it is difficult to say as of now, we intend to make long term investment in strategic spaces. And we will try for one or two acquisitions along with a couple of minority investments. And we will continue to evaluate proposals and we will let you know as and when anything comes.

Manan Shah: Thank you.

Ravi Gothwal: Next question is from the line of Anmol Garg from Motilal Oswal. Please go ahead.

Anmol Garg: Good afternoon everyone. So, I had a couple of questions. First is just on a previous question, if you can dwell more on which are the areas that we are targeting for the acquisitions, for the fundraise that we are doing?

Dinesh Agarwal: So as I said, we intend to make investments or acquisitions in the strategic spaces where we can leverage IndiaMART's ecosystem. So whether it is the reach, or whether it is the customer, and it should improve customer experience, engagement and monetization. The broader spaces that you can see, we have always been talking about Fintech and SAS and vertical commerce is one such thing which is also very important. We have recently seen a lot of activity in conversational commerce and we believe that there could be good growth opportunities. We have done an investment in Vyapar, which is into accounting and tax invoicing. Receivables management, sales and distribution management, we have already done an investment through Bizom which belongs to the sales and distribution side. And then there are cloud communication, payroll, logistics aggregation and tracking platform. Within Fintech If you see there could be payment facilitation and credit facilitation, we already have a payment subsidiary called paywithindiamart.com. However, we have not yet done any kind of a buyer or seller facilitation of the credit on the transaction side. And then there are API banking which we would like to offer to our SMEs. That is another area. Business insurance is another area. So, there are multiple areas that we have seen in the past and within the vertical side spaces, there are agricultural, there are industrial products, there are items like you know, through wholesales, and many other kinds of items are available. And the basic theme has to be either a transaction enablement or the ease of doing the business by way of business process enablement. So, I think enable the commerce to how do we become a one stop shop and keep improving our customer experience engagement and expanding the network for monetization. That should be the overall theme.

Anmol Garg: Thanks for elaborate reply. And secondly, just wanted to ask that have we any plans to increase our pricing of the base packages that we are offering right now?

Dinesh Agarwal: So, we have been doing price changes multiple times, and I have said in the past also, last year, we have seen how we offer a shorter duration and more affordable package, because people were facing the cash crunch and we wanted more and more people to come on the platform. You can see that if you go to our deferred revenue slide, you will see that the current portion of the deferred revenue has gone up from ~60% to ~65%. And similarly, on the base package, we have done two changes. One, the base package was initially having a Rs. 5,000 rupees setup fee and Rs. 3,000 rupees inclusive of tax monthly. Now, we have simplified, so that there is Rs. 3,000 plus tax, which offers two things one is that it simplifies to sell one kind of a package and second it lowers the entry price from upfront Rs. 8,000 rupees to now Rs. 3,540 rupees. So, we have done that change and apart from that in the previous quarter itself, we had introduced the concept of daily buy leads. If you remember, we had all our packages like silver gold and platinum, we had a buy lead packages which were on the weekly basis. So, now we have introduced the daily quota as well to make the customers come back on a daily basis as well as the weekly basis. So, the overall buyer base has gone up by ~40%, we have also increased the weekly quota for silver monthly packages,

one every day plus seven per week and for annual and multi-year, one everyday plus 10 per week. Similarly, for gold, two per day and 20 to 30 per week depending upon which tier of gold, and for platinum, 3 and 4 per day and 50 to 100 per week depending upon the tier of platinum.

So, we have done certain changes in the pricing and we have seen very good result. Many of our suppliers won because of the pandemic, I think, they have done a good internet adoption and they found useful value in IndiaMART. And second, we have seen that people who are consuming buy leads/RFQ's on 7 days a month or 10 days a month has gone up to 15 days a month by introduction of these daily expiry packages.

Anmol Garg:

And just lastly, from my end, so, earlier we talked about that half of the margins will be sustainable on a longer-term basis. So, what are the factors that are letting you say that what on the cost optimization front are we doing that will be sustainable on a longer-term basis post we start paying out variable pays to our employees and also start hiring.

Prateek Chandra:

Sure, if you look at our cost structure in the pre-COVID level was opening around Rs. 120 crore per quarter, in last year same quarter we did Rs. 122 crores approx. In this quarter, our total cost was around Rs. 85 crores and so, there is roughly around 30% reduction in the cost on an overall basis. And even if we look at the split of the cost broadly you know we had two types of costs, one is the people and people related, which is manpower and outsources sales. So there the cost has come down from ~Rs. 90 crores to roughly around Rs. 65 crores in this quarter. The other overheads and G&A where the cost has come down from roughly around Rs. 30 crores to Rs. 22 crores in this particular quarter. If you see the headcount cost, the change has largely been because of the reduction in the headcount or the manpower, as we had been operating with the lesser people. Second is on the G&A side, since we're continuing to work from home, offices are closed, so there is a lot of savings on the G&A side. And there are certain variable costs, which was related to the businesses, which we have seen in savings. Going forward, as we come back to our normal levels of businesses, some of these costs would certainly come back and the cost which would not come back would be optimization that we would have done, which is largely the G&A cost of offices, from 80 offices, now we are operating with around 40 odd offices, there are certain automations that we have done on the processes, which would also result into some sustained savings and there are certain efficiency improvements, which would also be there on the manpower side. So all in all, our estimate was that roughly around 50% of these costs would sustain and 50% of these savings would come back.

Dinesh Agrawal:

I would add some permanent kind of items that we are seeing. One, I think over the last six months, we have seen that some of the sales can be done using channel sales partners, which are tele-based channel sales partners as well as field based channel partners, there the cost has gone completely variable. We have seen today, if there are 1,000 people who are working on the new client acquisition which are employed by IndiaMART on the fixed cost basis, then about 500 people are working as channels sales partner. Second thing we used to have a lot of BPO and call center operations, which was being operated out of the physical call centers and there were travel and all other costs were involved. Now that all of that has moved to the cloud telephony-based

system, we are seeing approximately 10% of saving perceived on, when the agents are working on work from home model, and we don't plan to return those call center based or BPO based operation back to the large call center coming in. So, we have moved certain products, which we were using in the server end and we have moved to the open source Softwares and we have seen significant saving coming from their side also. We have also seen how our meetings can be done on the Zoom or on the video call today. So, we believe that whatever travel costs that we were doing either for the investor relation purpose or for the sales coordination purpose, at least half of that would look like a permanent saving. And now we are expanding hiring, out of what we are hiring today, we are hiring almost 50% of the people in the work from home operations, there we believe that the capital cost and the office related travel, office proceed cost is much lower. And in fact, we can pass on some of that cost to the employees and some of the benefits also to be employees. So, on one side we can increase their take home on the other hand, we are able to decrease the overall cost to the company. So, these are some of the costs and that is why I believe that out of the Rs. 30 odd crores that we have saved in the cost, we will probably get back to Rs. 15 odd crores and we will probably save Rs. 15 odd crores.

Anmol Garg: Thanks Dinesh and Prateek. That was very, very elaborate. I will jump back to the queue.

Ravi Gothwal: Thank you. The next question is from the line of Udit Jain from ASK investment managers. Please go ahead with the question.

Udit Jain: Thanks. How do you determine what is the ROI of a subscriber or supplier, let us say if I'm a supplier or a subscriber, how much business I get generated through IndiaMart, because that is crucial to know and to judge eventual stickiness of me with IndiaMART?

Dinesh Agrawal: ROI is very different for different customers. We are a lead generation platform. So, the way we measure ROI is how many buy-leads a customer is consuming, how many days he's coming to the platform and consuming buy-leads, how many calls he's received, and how many inquiries that he's received. Nowadays, because our CRM system has also become quite useful and quite daily used. We also come to know how many times people have replied to the inquiries, and how many times people have made a call back from our CRM system. So all in all, we are able to measure the ROI in terms of number of calls or inquiries or buy-leads received by the person and number of calls and replies being done by the supplier, in terms of the actual ROI will depend largely upon different industries and different geographies. So we do not know exact transaction volume, some of the data that we get is where people use our platform for payment service, there also we come to know what kind of transactions are happening on the platform. So these are the some of the ways that we calculate the ROI. And if the engagement level continues to increase or continues to remain there, then we understand that people would invest their time only if they are getting an ROI. Otherwise, they would not be wasting their time. These are the some of the ways that we measure. Brijesh, you want to add something?

- Brijesh Agrawal:** So one of the ways we also go ahead and look at this, is what is the overall number of inquiries that every paying subscriber essentially gets. So we have that number, typically ranging about 400. The other parameter, which becomes important to measure the ROI is at what rate do we see these inquiries getting converted into order. We have a proxy value around this measure whereby we receive more than 150,000 plus feedbacks every month, from buyers who send inquiries. And using that data, we can articulate that, you know, about 40% of these buyers essentially have done business with IndiaMART supplier. If we translate that conversion level, we believe that about 6% to 7% of these inquiries received by supplier would get converted. A multiplication of this conversion, along with the average inquiries received by paying subscribers gives us a good indication of that, of course it's an average so you know, we are having customers having better order values being received versus some customers having lower ROI. But it does give us a good view on where this trend is moving.
- Udit Jain:** Is there a way to capture more and more data of conversions of inquiries into sales for the subscriber that will give you early signals as to the stickiness of the subscriber?
- Dinesh Agrawal:** Of course, that is the direction we continue to work upon. And in that direction only we introduced the preferred number service as the first step and then buy-lead as second and then CRM reply and CRM callbacks and payment facilitation. So, all our efforts is in that direction. Because as you can understand B2B is a very different thing you know, there are lot of categories and different geography and then there are custom products that are made to order, products that are wholesale products being sent from manufacturer, there are machines which are made to the specification. So, it is it is not easy to do a simple buy now kind of a product and then restrict your industries to only shippable and off the shelf, readymade product. So, we are trying these different methods to find out more and more ROI. I think the best ROI that we can see is the engagement on the platform. If the supplier is engaged on a platform, three days a week, we believe that he is getting the ROI.
- Udit Jain:** How does one correlate the daily unique business inquiries, which is 25 million in this quarter, let us say as an example, to total business inquiries delivered 154 million in this quarter?
- Dinesh Agrawal:** So, 25 million unique buyers have sent an inquiry which has been received as a buy-lead or as an inquiry or as a call by total number of 154 inquiries. So, you can imagine that one buyer would typically either send an inquiry to three different suppliers and to three different suppliers would consume a buy-lead of a particular buyer. So, one buyer converts into like six inquiries.
- Udit Jain:** And one last question Rs. 1,100 crores of fundraise, how big is your M&A team, how many prospects do they meet every quarter, and their compensation and their reward structures?
- Dinesh Agrawal:** It is too early to say. We have a three-member full time team as of now, one very senior person whom you would have interacted he was earlier taking care of investor relation also, and compensation details are not relevant at this point of time. We meet and evaluate almost like 25 to 30 companies every quarter. And you know, we do secondary research on another 25 to 30 companies where we do not meet. So, all in all,

we are able to meet almost like, you know, 25 to 30 companies personally and 25 to 30 companies where we do the research. So, in the last year alone, we have done about 200 company research in a year.

Ravi Gothwal: Next question is from the line of Tejas Mehta from Old Bridge Capital, please go ahead.

Tejas Mehta: Sir, one question is, again taking a lead from the question, which was asked, if you could just give us some qualitative understanding about how do you figure that a customer is right, to either make a paying customer or to move him up to a gold or a platinum level customer, how do you really go about that process?

Dinesh Agrawal: Are you asking about our sales process?

Tejas Mehta: Yes, how do you really try to mine your entire supply base of 6.5 million to actually be subscribers and the stickiness?

Dinesh Agrawal: Interesting question you have asked. This particular year, a lot of significant work has gone into that mining of the data, because historically a lot of that work was being done by our field Salesforce, and they would meet the customer and continuously keep in touch with the customer. However, when we faced the challenge of working from home and we could not have gone to the customer, we have put a lot of data science towards this aspect. So, if I tell you how do we convert a free to pay? We have multiple indicators on industry-based, geography-based, whether he is GST registered person or not, how many times he has visited our platform in the past, how many products he has added, how many buy-leads he has seen, based upon that we prioritize our database and create a hard lead and then we have a complete CRM which is in house built, which we called mobile base ERP as well as the web based ERP where we have this automatic location to our sales team and it comes in the prioritized order whom they should be calling and where there are a chances of conversion higher and where there are a chances of success for that customer is higher. One is customer stickiness where the customer is more likely to benefit and the second is where the customer is more likely to convert, On the combination of the two, we do that. And second part is the upsell part or upgrade part. Again, it happens two ways. One become to know based upon the ROI engagement levels that a customer is having on the platform. And then again, we see that if he is consuming buy-leads regularly, if he is using the CRM reply tools and callback tools to manage customers well, then we are able to ask him whether he would like to upgrade. On the other hand, many calls come inbound and they want to ask for higher packages, how do I take a premium listing or how do I take trust listing or how do I get seal badge? So, there is an inbound customer requests also, on which we are able to upsell.

Tejas Mehta: Sir, the other thing I wanted to understand was how does the two parties negotiate the terms of trade on the platform? or is it completely offline for them, once you make them meet your job is over and they do that offline?

Dinesh Agrawal : We have a CRM tool, which many of these suppliers use for managing their interaction with the buyer. But as I said, we do also offer a payment mechanism. As most of the

B2B transactions are very, very high value in nature and many times extend to multiple weeks or multiple months. So thereby, a lot of those transactions happen offline.

Tejas Mehta: Okay. So the third question is, to what extent is the Vyapar and Bizom now integrated in our platform and how many customers are actually using those services?

Dinesh Agrawal: Let me first tell you on the Vyapar side, they continue to grow well, and they are still a small company. I think their current quarterly revenue run rate is about Rs. 3 crore a quarter and that is a significant improvement from one year back. Their number of customers have also gone up significantly. Last I told you probably have been about 25,000 customer, now they're closer to like 70-75,000 customers, we are helping them getting leads through IndiaMART. We are also thinking of, you know, using our seller data network to further increase that reach. But we have not yet fully integrated into IndiaMART. We believe that they still have some distance to cover before we could integrate and I'm also learning more about this new side of the business on how best to integrate this over a period of time. Coming to the Bizom, it has multiple facets. One is: it acts like a sales force management tool for the large brands to manage their sales force and dealer distribution system. And second, they have an insight tool where they can get some insights on what retailers are asking for. We believe that out of the three systems - the field sales management, distribution management and the insights that will be in analytics, I think from the distribution side we would like to work with the brands to see if we can get all their distributors on premium platform as well. But that is also is going to take some time. As of now I think they were badly hit with the lockdown and Corona, they have recovered well, and I think they continue to be at a similar level last year in terms of revenue. And last year, their revenue was about Rs. 35 odd crores.

Tejas Mehta: Just one last question over here. Number of paying suppliers have now gone back to 1,48,000 but your deferred revenue has not really grown much in the last few quarters. It essentially tells me that all these new customers are basically monthly or quarterly paying customers. They are no longer staying customers. So how do you how do you get back on earlier run rate of growing stronger?

Dinesh Agrawal : So if you see the first quarter of this financial year, there was a huge difference between the revenue and the collection. We were on one side, where the revenues are coming from the deferred revenue and collections dropped heavily in the first quarter, so most of the deferred revenue loss or the decline that you see is coming from the first quarter. In the current quarter there is Rs 178 crores of Collection from customers and Rs 173 crores of revenues flowing. So, again, the deferred revenue has gone up by Rs. 5 crores. I think in times to come, it will go up again in coming quarters. If you see I've been telling you that earlier, we were selling mostly annual and the three-year package when it came to gold and platinum subscriber. But during the pandemic, it was our duty to help the suppliers opt for a lower price package, so, we could not reduce the price of the product, so we reduced the duration so now those products are being offered in a six month, one year, and three year packages. Since the six-month packages have gone up, the deferred revenue has declined a little bit and the current portion has gone up from 60% to about 65%.

Tejas Mehta: Okay. And just one last question, you have been adding about the 4,000-5,000 customers on quarterly basis. So, when do we start seeing more additions at a higher level? Because, you know again, the number of inquiries has largely been flat for the last many quarters. Only in the first few quarters we saw enquiries going up, thanks to Covid. As the situation normalizes, inquiry levels come off and then how the trajectory of the customer addition.

Dinesh Agrawal : This is a very imaginary question. I mean, when the number of suppliers increase, the number of buyers increase in our platform. The suppliers have been increasing slowly so the buyers are also increasing slowly. Now that the buyers have gone up significantly by 30 percent the suppliers will follow in the times to come. And that also remains on our ability to sell and the nation's ability to the pace at which economy opens. As I said, 90 percent of the categories have started to do business almost like pre-Covid levels. 10 percent category are still badly suffered. You can imagine offices like ours are completely closed and there are so many supplies related to the offices, related to hotels, related to the airline industry and railway industry which has still not recovered. So, the channel sales effort that we have started to do and people's affinity to purchase online products has gone up only recently.

So we believe that in times to come, this will slowly, slowly inch up. And as it will happen, you have seen that in current quarter also, there are 7,000 net additions, whereas, only ~1,500 came from the previous recovery, ~4000-5,000 plus from new, when most of our salespeople are working from home or even remotely. So, as we are able to open offices and as the economy goes back, I certainly believe that there should be a similar growth in the buyers and supplier trend also. But let us wait for that.

Ravi Gothwal: Next question is from the line of Vaibhav Agarwal. Please go ahead with your question.

Vaibhav Agarwal: So, thanks for taking my question. So we are raising around Rs. 1,100 crores through QIP, so this will result in a sharp drop in our ROEs. So when can we expect the return on equity to get back to the normal levels. When can it get back from the current levels? Exactly what timeframe do we expect for that?

Prateek Chandra: Right now, the board has approved a plan for shareholder approval. Once we receive the shareholder approval, we will look at what appropriate time we can which do the fundraising and complete this activity because the approval would be valid for a period of one year from the date of approval. So the ROI and other computations will also depend on that particular time. But overall, if you look at it historically, we have been able to improve our margins and improve the profitability. So hopefully if this similar trend continues and even if it is at lesser pace than what we have shown in last 9 months hopefully we should be able to cover up whatever the dilution that may happen because of this fundraising activity. And also, over a longer period as this fund raise or whatever, the funds will be raised, will get deployed in the different businesses, I'm sure we will also generate returns and create value from this fund.

Vaibhav Agarwal: So do we have a ROE target internally, like in three years or two years where we are supposed to be?

- Dinesh Agrawal:** I don't think we have gotten to that level of ROE targeting. I think the current target is to create value, to create stickiness for them, to create a meaningful platform which can be monetized in longer duration and how to make it easier to do business. I won't be worried about the short-term ROE percentage going up or down by few percentage points. I think we will continue to create value and look for the long-term growth.
- Ravi Gothwal:** Thank you. Next question is from the line of the Dipen Mehta, Elixir Equities. Please go ahead with your question.
- Dipen Mehta:** Yes, sir. Congratulations on a very good set of numbers. From what I understand and what I've been observing, I think it's the vision of the company to be the end-to-end service provider for the SME, which means you may provide payment services, maybe accounting services, logistics. So if that in fact, is the goal, have we done some beta testing or have you done some experimentation as to how the whole process can be done? And any time frame by when we can offer all these adjacent services to your large database and then try and enable them on those various platforms and perhaps trying to get more revenue from them.
- Dinesh Agrawal:** Yes, you see, all the efforts are going in that direction only. The current slide which may be visible to you, we started with the CRM tool which was completely built in-house and today that CRM tool is very effectively being used. We also found a subsidiary called Pay with IndiaMART Pvt Ltd and that working in facilitating payments, now slowly because B2B payments are generally done over multiple tranches by way of NEFT, RTGS and traditional methods. But still, we can do some portion of that experiment on be on the platform. We have also invested into the order management system in one our subsidiary, where we are developing the manufacturing management system. We have invested in Vyapar where they are providing invoicing and accounting based software. In Bizom, we talked about that does dealer distribution management and sales force optimization. So, I think, slowly and slowly, we are trying to build the jigsaw puzzle in the last quarter. You see in the last quarter; we have added reviews and ratings on our platform also. I think we are slowly and slowly building, there is no one day when all of it will start to happen. We continue to build pieces of this and hopefully all of that will come together in times to come.
- Dipen Mehta:** Ok Sir. Thank you and all the best for your endeavors.
- Ravi Gothwal:** Next question is from the line of Manan Shah. Please go ahead with your question.
- Manan Shah:** Earlier, we had plans of having differential pricing across different geographies and across product categories. Can you expand on that?
- Dinesh Agrawal:** Yes, we did implement differential pricing at the top tier of our service, at the platinum level called industry leadership products. However, when we were planning to do for suppliers and leading suppliers' packages in the platinum, by that time the pandemic has set in and I don't think this is the right time for going forward with differential pricing. We wanted to make the product far more affordable during this time. I think let us wait for six months, let everything be settled and then we will start experimenting on those sides again, because on one side, the entire workforce is started to work from home, and we needed lot more training and rationale on that side because we are selling a one size fits all product for a long period of time and that is what our customers and

sales teams have understood. Incidentally, only last quarter we have also started export based buy leads and started offering it to exporters separately from one place. So export based buy-leads are differentially priced. We will be working on more such products in times to come and as of now we are going slowly. As of now we want to go with the acquisition side better because we feel that a lot of people have favored digitization during the last year and probably this time is right to double the digitization of the SMEs at the bottom of the pyramid.

Manan Shah: Earlier, you used to guide for net addition of 5,000 subscribers per quarter, however in the past two quarters, due to more digitization and more affordable products we have been able to add 7,000-8,000 net subscribers per quarter. Should we expect this run rate to continue going forward and could you provide what was the gross subscriber added or what was the churn rate during the quarter.

Dinesh Agrawal: Providing churn information at this point would not be adequate at this point because we have gone through moratorium of lot of subscribers and lot of subscribers have taken a temporary off from the platform, so we are not able to calculate the exact churn numbers as of now. In terms of net subscriber addition, last time when we told you about 7,000 addition, we informed that only 3,500 came from new subscribers and rest 50% came from recovery of moratorium subscribers. Similarly, when we added ~7,000 subscribers, 15-20% came from recovery of moratorium subscribers and about 5,500 came from new additions. So, new addition has gone up from 5,000 to 5,500 and we believe for next quarter it will be between 5,500 to 6,000.

Manan Shah: Are we still offering discounts to gain back our old subscribers?

Dinesh Agrawal: Yes, if they want to come back, they can rejoin at Rs. 3,000 plus taxes.

Ravi Gothwal: Next question is from the line of Sanjay Ladha from Concept Investwell. Please go ahead with your question.

Sanjay Ladha: Congratulations on good set of numbers, my first question is since we are targeting the growth vision for two years, can you throw some light on the ballpark number that we are planning, say +25% or so, anything of that sort?

Dinesh Agrawal: We are not in position to discuss such projections.

Sanjay Ladha: So my next question could you throw some colour as to what changes taking place in this year in terms of in terms of technology or in terms of business or in terms of planning. What changes we have done?

Dinesh Agrawal: Yeah, I think there are a lot of items to share this year, almost 50% of the time we have done these technological changes and process related optimization and efficiency only. I suggest you please go to through the new updated investor presentation, which is available on our website, as well as on the stock exchange, in which you will see multiple new things when I talked about the deeper use of artificial intelligence and data analytics whether it is in sales or its in match making, language detection, translation or in the banned product detection or reserved keywords. We have also done a lot of progress on CRM tool, conversational commerce and on the payment side. Today all debit transactions are available for free on our payment gateway if you are a

customer. We have also seen a significant adoption of Vyapar accounting software going up on mobile as well as on the website, and we are continuing to build cloud based products on that site. So multiple process related optimization, multiple cost related optimization and multiple technology related breakthroughs have been achieved in this particular year and we believe all of these together should poise for better adoption of our products and services.

Sanjay Ladha: So my last question will be on acquisition front, before IPO came we have goodwill acquisition or goodwill write off in the books, so how we are making sure that this will not have not happened in our books right now. Can you please throw some light on that?

Prateek Chandra: So the good will you are referring to was pertaining to our Tolexo business that we started in 2014 and in 2017 we merged that without business, so Tolexo was 100% subsidiary from Day-1, if you look at from a consolidated financial standpoint there is no goodwill write down because these expenses would be part of consolidated financials. It's only in standalone books where in this business was showing up as an investment and when we merged this business, so as part of that merger, the goodwill was generated and subsequently written off before we decided to go public as a part of the cleanup exercise. So, if you look at it, it was more of an accounting adjustment between the old holding company and the subsidiary rather than any business being written off on account of any particular business. So, they didn't have any financial implications as such on that and that was the most tax efficient way also.

Ravi Gothwal: Next question is from the line of Ms. Ishpreet Kaur, Motilal Oswal. Please go ahead with your question.

Ishpreet Kaur: Hi sir. If you could just throw some light on your thought process on transaction-based platform versus a subscription based platform?

Dinesh Agrawal: So we pioneer the zero commission market place and we believe that subscription brings stability to our revenue and gives lot of visibility to the customers also. There could be some areas where transaction-based pricing could be applicable. So, for example, payment is one area where there is transaction-based pricing is applicable, but our intent is not to increase the cost of transaction by charging on every transaction a commission fee. We are not an agent rather we are a business enabler, and we would like to make it easier and cheaper to do business in India. And we will continue to offer more subscription-based services and less transaction-based revenue. Even if these are going to be a transaction based, they are going to be between one or two percent transaction charges rather than going to 10-20 percent transaction charges.

Ishpreet Kaur: Is there a unit economic based calculation or something for the preference for subscription-based platform?

Dinesh Agrawal: Yes, if you look into our standalone financials, there is a gross margin calculation, which is available in the detailed financial, and with notes you will find entire unit economics and how our gross margins have gone up over a period of time. So if you refer to that you will come to know and in case you need any more understanding you can get in touch with our investor relation team and they will help you.

- Ishpreet Kaur:** Just one last thing on my end, since the deferred revenue for now is roughly flat and a lot of the revenue accounting happens from the deferred revenue, would the next year revenue growth be marginal kind of growth? Because the deferred revenue is flat this year?
- Dinesh Agrawal:** I have been guiding on this time and again, that our average age of deferred revenue is about 20 months. Now, if we continue to do badly on collections for multiple quarter, obviously it will be visible on revenue. As you can see, and as I have guided you that by the month of December, collections were even higher than the previous year December and we believe that we should be able to beat our last quarter numbers. So I think in case the collection remains subdued for a longer period of time, this will definitely impact. As of now I won't be able to give you any guidance on revenue.
- Ravi Gothwal:** We will now take a couple of questions from the discussion panel and I'll read out the question for the management panel and audience. Can you please outline current business scenario for companies IndiaMART has invested in, i.e. SaaS company? How this investing model evolve and how we see this investment tying up the customer base, at least for cross-selling potential?
- Dinesh Agrawal:** So, we would like to offer services of business enablement and marketing to our customer base, some of it we are providing on our own. So you can see the preferred number service, the cloud telephony service and order management system is being developed by one of our subsidiary. The payment services are done by another of our subsidiary. For certain use cases we believe that there are other entrepreneurs who are better off solving those issues and we are better to take a minority type of investment. And over the period, we would like to integrate them through our customer base and their customer base overlap method. So, I think I've already explained a similar rational in one of the previous questions.
- Ravi Gothwal:** And one last question, how has been the renewals in the shorter duration packages. Also, the long term packages will also come up for the renewal, first time post Covid, so what has been the renewal and churn there? and also are we planning to focus on providing customer protection, which is more of a capital intensive model?
- Dinesh Agrawal:** So, yes, the last year has been very transformative and so many ups and downs for different kind of SMEs in different industries and different geography. So churn is going to be on a higher side, it will continue to be on a higher side until the economy settles down for good. Currently a lot of people are transforming their businesses into new businesses. So, as I told you in the first quarter, many more subscribers came in especially for face mask, safety products and hygiene products. And many of them could sustain and many of them could not sustain. Similarly, you rightly said many of the longer-term renewals will come and as and when their renewal comes, we will come to know if they have migrated to a different business or their current business has survived and thriving. So that pain would be known in this particular year over a period of next nine months or so.
- Ravi Gothwal:** With this we come to an end of the Q&A session and I now hand over to management for closing remarks.

Dinesh Agrawal: Thank you very much, ladies and gentlemen, for joining us on our earnings webinar. If have any further questions, please feel free to reach out to our investor's team, either on e-mail or on WhatsApp. Thank you everyone once again. Stay safe and very happy new year to you.

Ravi Gothwal: Thank you everyone on behalf of IndiaMART, that concludes this Webinar.

Notes:

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