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July 23, 2025

To,

BSE Limited
(BSE: 542726)

National Stock Exchange of India Limited
(NSE: INDIAMART)

Subject: Transcript of Earnings Conference Call on financial results and developments for the quarter ended June 30, 2025

Dear Sir/Ma'am,

Pursuant to Regulation 30(6) read with Part A of Schedule III of the Listing Regulations, we wish to inform that the Transcript of Earnings Conference Call for Analysts and Investors held on July 18, 2025, with respect to the financial performance of the Company for quarter ended June 30, 2025, is enclosed herewith. The copy of transcript is also available on the Company's website at https://investor.indiamart.com/FinancialResultsStatements.aspx.

Kindly take note of the same.

Yours faithfully,
For IndiaMART InterMESH Limited

Vasudha Bagri
Digitally signed by Vasudha Bagri
Date: 2025.07.23 16:25:57 +05'30'

(Vasudha Bagri)
Compliance Officer
Membership No: A28500

Encl: As above.

Webinar Transcript

Event: IndiaMART Q1 FY2026 Earnings Webinar

Event Date/Time: July 18, 2025 at 17:00 hrs

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 everyone. I am Avijit Vikram, Head of Investor Relations. On behalf of IndiaMART InterMESH Limited, I welcome you all to the company's Q1 FY26 Earnings Webinar. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity to ask questions after the presentation concludes.

Joining us today from the management side, we have Mr. Dinesh Agarwal - Chief Executive Officer; Mr. Brijesh Agrawal - Whole Time Director; Mr. Jitin Diwan - Chief Financial Officer; and Mr. Prateek Chandra - Chief Strategy Officer.

Before we begin, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer to Slide #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 everyone, and welcome to IndiaMART's Q1 FY26 Earnings Webinar. We have circulated our Earnings Presentation, which is available on our own website as well as the stock exchange websites. We are sure you would have gone through the same. And we would be happy to take any questions afterwards.

IndiaMART has delivered a consolidated revenue from operations of Rs. 372 crores in the quarter 1, representing a year-on-year growth of about 12%. Collections from the customers have grown to Rs. 430 crores, representing about 17% year-on-year growth. And deferred revenue grew to Rs. 1,735 crores, representing a year-on-year growth of about 17-18%.

In quarter 1, unique business enquiries were 29 million for the standalone business of IndiaMART, representing a year-on-year growth of about 17%. Total number of paying suppliers stood at 2 lakh 18 thousand. Net paying subscribers addition in the quarter 1 was about 1,500. Our platinum and gold customers, which constitute approximately 50% of our customer base and about 75% of our revenue continue to have very good upsell and retention rates.

We are committed to improving the platform through product enhancements, better interface, better customer service and onboarding quality suppliers. We are also leveraging generative AI and machine learning to address key issues and use cases to enhance our offerings and make it easier to do business on IndiaMART.

Our focus remains on consistently raising quality standards and optimising the user experience to maximise the value delivered by our 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. Busy has done a net billing of Rs. 53 crores in Q1. As we had shared in the previous calls, we had implemented a change in the payout structure for our partners, and this was done in Q3 of FY25. The impact because of this billing change that you see in this quarter is about Rs. 15 crores. And therefore, the normalised year-on-year growth will be 64% in the net billing.

The revenue from operations stood at about Rs. 25 crores, and the deferred revenue is at Rs. 101 crores at the end of Q1. And again, the normalised rate of growth year-on-year basis is 29% and 61%, respectively. The cash flow from operations in Q1 is Rs. 21 crores. During this quarter, we also sold 12 thousand new licenses, taking the total count of licenses sold to about 4 lakh 9 thousand.

Looking ahead, we continue to focus on enhancing the product, enhancing the user experience and increasing our growth rates.

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

Jitin Diwan: Good evening everyone. I'll take you through the financial performance for the quarter ending June 2025. Reported consolidated collection from customers was Rs. 430 crores, representing a Y-on-Y growth of 17%. Excluding the reclassification impact of Busy, which we talked about, the normalised growth stands at 13%.

Consolidated deferred revenue stood at Rs. 1,735 crores, an increase of 18% on a Y-on-Y basis. On a normalised basis, Y-on-Y growth stood at 16%.

IndiaMART standalone collection from customers for the quarter was Rs. 374 crores, registering Y-on-Y growth of 10%. Standalone revenue from operations stood at Rs. 346 crores, registering a Y-on-Y growth of 10%. Our growth in revenue was primarily driven by improvement in realisation from paying suppliers.

EBITDA of IndiaMART standalone business stood at Rs. 135 crores, representing margin of 39%. Consolidated net profit for the quarter was Rs. 154 crores, and consolidated cash generated from operations was Rs. 161 crores. Consolidated cash and treasury balance stood at Rs. 2,762 crores as on June 30, 2025.

Thank you very much. Now we are ready to take questions. Over to you, Avijit.

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 questions on 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 unmute yourself and go ahead with your question.

Sachin Salgaonkar: I have two questions. First question, it would be great to get a bit more clarity in terms of online advertisement, how IndiaMART is looking at it, what is the budget? How much of that is actually spent? And what is the time frame you guys are looking? And more frankly, the output of that, should we see net adds, for example, accelerating as we come out of this spending on online advertisement?

And second question is on Gen AI, what you guys mentioned. Clearly, we're seeing companies globally who are adopting Gen AI seeing some benefits, either in terms of the revenue growth or in terms of cost control. Anything you could talk from a medium term or a near-term perspective for IndiaMART, how they could benefit by adopting Gen AI?

Dinesh Chandra Agarwal: As informed in the last quarterly conference call, we had started doing some experimentation with performance marketing and some experimentation on affiliate marketing on YouTube and Meta also. These are early days. I think in this entire quarter, we have spent close to Rs. 5 - 6 crores as against Rs. 1 odd crore that we spent in the JFM quarter. And the early results are encouraging. However, a lot of optimisation needs to be done in order to derive full benefit, as well as go at scale.

So currently, we are keeping this budget around Rs. 6 to 10 crores per quarter so that we can do a better optimisation and utilise that. If you see the early impacts of that, we used to grow unique business enquiry at 10-11-12 odd percent in the previous quarters. That has shown some jump to about 16 - 17%. So that 5 - 6% additional growth in the unique business enquiries this particular quarter is showing up in the additional buyers that we could gather.

Having said that, it is too early to make any larger impact on the overall net add or net retention. Once we do consistent advertising over the 3 quarters or so, then I can come back and tell you that, okay, if it is working or not working.

On the second question on the AI side, in the last 6 -7 years, I think we have been using AI, the traditional machine learning AI to do a lot of automation and cost optimisation. If you remember, last year, I had informed in the JFM quarter that we have started to use WhatsApp chatbot for our buyer side lead confirmation as against the call centre earlier. And that had two different benefits: One, a lot of buyers were not expecting calls from IndiaMART for their lead confirmation. Secondly, at the time of call, the buyers were probably not ready to pick up the call. So that chatbot has been scaled. And I think that led to almost $1 million savings in the last year alone.

Apart from that, we have been using it in the product categorisation and in the buy lead recommendation system, photo search, voice search, a lot of restricted content detection. I've been telling about Indic language and mis-spell searches. So you can try many of these traditional AI/ML things that we have been using.

Now with this agentic AI system, hopefully, we will get a lot more audit capability and a lot more classification capability that we were trying to build in-house now because these models are trained on world knowledge and they can be given context, which is a lot of data which is very, very proprietary to IndiaMART, for example, the buyer seller calls, the customer calls to us, these have a lot of proprietary information which is not usually available to even these AI models, to be able to train it on. We have a lot of data that is only and only available to IndiaMART. And we could use some of that data to probably do further automation.

On the B2B side, I am yet to see revenue opportunities using AI. I think with a lot more young people coming in, whether it is at our Board-level or whether you are seeing some of the people joining at next generation level at IndiaMART, I'm sure they will definitely find revenue opportunities over the time. But as of now, I think cost opportunities and automation opportunities and as well as better effectiveness and better customer experience opportunities are definitely coming and they have been happening since 2018-19 itself.

Sachin Salgaonkar: Any way you could quantify the benefits at the cost side that would be in the medium term?

Dinesh Chandra Agarwal: Yeah, so as I said, a lot of benefit that we have accrued, about Rs. 4 - 5 crores every year kind of a benefit that has accrued to us in the last 4 - 5 years. So you can see our margins improving from 25% odd in 2018 to almost like 35% now, despite the fact that there has been a run-up in the salaries very heavily in 2021 - 22 time frame.

Going forward also, I think it will accrue slowly and slowly, but I think we are not really worried at the cost side of it. For us, revenue growth and the experience is quite important. And we will continue to invest more and more in the experimentation. So if you are trying to get any hang on the bottom line, I think let's go with our traditional guidance, 30 - 35% margin guidance. Let us not build upon that.

Sachin Salgaonkar: Got it and a quick follow-up. Clearly, the focus is to spend on advertisement for a couple of quarters. The question out here is, what if we don't see the intended benefit? Is there an intention to continue to spend on the advertisement? Or are there any other measures where the company intends to take, to further accelerate the net adds from these levels?

Dinesh Chandra Agarwal: I mean, a lot of guys have been suggesting for last many, many quarters that we should start spending on the advertising. And I have been saying that first, we will correct the product market fit that we find and I myself personally went to almost 50+ customers and noted down things. Most of our team members went to so many customers to find out small, small things. And we have corrected the quality of leads, the intent recognition of the buyers, the localisation of search. So many of the blind spots that we found, we have corrected them over the time. And that gave us some confidence that we can now spend on advertising.

Since we haven't spent on advertising for the last 10-odd years, I don't think we have a DNA in the company, ready-made, which is optimised for large-scale, diversified industry and diversified location-based advertising, which we are trying to optimise on that. If it will not yield benefit, we will close that down. But I'm saying at Rs. 10 crores per quarter here and there, I think another 3 – 4 quarters of experimentation is required.

Moderator: Thank you. Next question is from the line of Anirudh from Solidarity Advisors. Hi Anirudh, please unmute yourself and go ahead with your question.

Anirudh Shetty: Thanks for the opportunity. Just to clarify, so I see that step-up in your sales and marketing from 14% to 16%. So is this primarily the ad-related spends that we just spoke about? Or are there any other investments that we are making? And in terms of the progress that we're seeing in terms of our silver customers, I think the last time you spoke, you felt that you were somewhere around 60% kind of solved the problem, per se. Any progress from there since we last spoke?

Jitin Diwan: Hi, Anirudh. On the first question, the increase from Rs. 47 crores to Rs. 55 crores is majorly the performance marketing which we have been doing, which Dinesh just talked about. So about Rs. 6 crores of performance marketing, we spent against Rs. 1.5 crores, so increment in about Rs. 5 - 6 crores of performance marketing. So that is why you are seeing the increase in this line item. The gross adds, majorly the acquisition, it remains the same, what we have been doing in the last few quarters.

Anirudh Shetty: Okay. And in terms of just qualitatively, how much of the issues that say, silver customers was facing, say, 3 months back, have you made any progress there, maybe some qualitative input?

Dinesh Chandra Agarwal: Let me clarify. It is not a single thing that silver customer was facing, the silver customer faces multiple problems such as he is not able to get a grasp of the platform or he doesn't have a person to follow up or the price they are asking for is too difficult or the enquiry that they are looking for is very local. So what we tried to correct are the general problems that were being highlighted by silver, gold and platinum, all of them together.

And we found that many of them highlighted towards the incompleteness of the lead quality. Many of them had highlighted the weaker intent on the lead quality. And I think we have addressed some of those things. And many of them had highlighted why am I seeing non-local business enquiry, whether it is buyer or seller. So we have corrected those things.

And I think it is too early because if we started to correct them about 9 months ago or 11 months ago, the benefits of that started to accrue about 4 - 5 months ago. And we continue to make minor adjustments here and there on that. Expecting a clearly step function jump on any renewal or retention would probably be too early to expect. Because if it was a sales and service problem, I think that can clearly give you a result in 2 - 3 quarters. But if it is a product and perception thing, then I think it may take a little longer than expected. And that is what we are trying to do.

The good part is that the noise in the market, when you go to many many customers, if there were 5 different complaints, they have reduced generally. And they are now very customer-specific complaints that we are seeing. The 3 - 4 common complaints that people were generally asking for, I think we have reduced. One common complaint that has increased is that now the enquiries are so good. I am unable to find one. How can I get many more of that? So let's see how do we solve for that.

Anirudh Shetty: Got it. No, that's heartening to see, sir. And just one final question is in terms of our pricing power with our gold, platinum customers, just if I look at the ARPU for the top 10% customer as a proxy, are we seeing a bit of pushbacks over there? Or the price hikes that you've taken in the past, we think we can kind of maintain that going forward as well?

Dinesh Chandra Agarwal: I think we have always guided that if we were growing on the customer base also, then typically anywhere up to 10% of the growth comes from ARPU and anywhere up to 10% growth comes from the customers. Currently, since there is no customer growth, then ARPU is doing all the heavy lifting and also, it is getting the benefit of the denominator not growing. So, both these things are resulting in double-digits ARPU growth. Otherwise, it should have been anywhere between 5% to 9%.

Moderator: Thank you. Next question is from the line of Prashant from Pictet Asset Manager. Hi, Prashant, please unmute yourself and go ahead with your question.

Prashant Kothari: A few questions here. One is, if you can tell us what has been the churn now? Or how does it kind of compare to the past?

Dinesh Chandra Agarwal: So there is no change in the churn, churn remains elevated for silver monthly and silver annual customers, and churn remains well under control for gold and platinum customers. On the silver side, as I said, on the annual side 4%, on the monthly side 7%, and gold and platinum remains at about 1% plus/minus on the monthly side.

Prashant Kothari: But why the churn is not coming down, if you are making such good changes on the product side?

Dinesh Chandra Agarwal: I mean, I'm only saying, probably let's wait for 2 quarters and see, because there are two kinds of customers in our business. One is the monthly customers. Monthly customers have their own expectation because they have put in only Rs. 3,000. So while they have an intent to do Internet marketing, they have much lesser intent than those who are paying Rs. 30,000.

The second part is they themselves have affordability issue. So in the monthly customer base, typically, most of the customers are less than Rs. 40 lakhs turnover. Third, since they have committed lesser money, they have also committed lesser resources to do the digital marketing, handling of the digital marketing versus somebody who is paying Rs. 30,000. And so only the newer, last three months customers who have paid Rs. 30,000 are probably experiencing this new way of doing things. Their renewals will come up sometimes starting from February or March next year.

So that's why maybe they are not experiencing that. While in the monthly system, we have yet not got much benefit, maybe another quarter, we should get some green shoots on the monthly side or at least on the gold and platinum side.

Prashant Kothari: Okay, Understood. And in this enquiry growth that you're seeing now, like are there any important categories where you're seeing this increased traction?

Dinesh Chandra Agarwal: So, we divide our 100 thousand categories into 4 different segments based upon our internal brackets. One are the categories where the seller demand or the seller traction is higher. And if we divide them into top quartile, second quartile, third quartile and bottom quartile. Most of the advertising effort that we do or most of the improvement that we keep doing is for the second quartile or first quartile only.

We try and let the bottom quartile build up on its own. Once they reach to the third quartile or so from bottom, then we start working on them. So, most of the work that we do is to reduce the bottom quartile and to increase the top quartile.

Prashant Kothari: Okay, Interesting. And when I look at your ratio of total enquiries to the unique enquiries, that has come down to 3.3x, which is way lower than what we've ever seen. And our expectation was that when this ratio becomes like less than four, that is when you will probably look to step up on the addition of new paid sellers as well. Is that kind of going to start now? Or you think you still need time to go forward in that direction?

Dinesh Chandra Agarwal: One, our expectation is that when it goes down to 4 or 3, that's when probably is a good time to say that, okay, competition side for a seller to compete against many other sellers is better. But however, these numbers are across all the four quartiles. I'm not going to give you the numbers of each of those quartiles. But for each of those quartiles, the numbers are still very, very different.

For the bottom quartile, it could be 2, and for the top quartile, it could be 6. So we are still where most of the business is happening, we are still introducing six. And that is still good from

9 or 10 that we were doing earlier. And we believe that as soon as this start to show up in the churn or retention and that's when we will press the pedal on the sales and marketing.

Prashant Kothari: Okay. Because the only concern would be whether the buyers are now maybe getting less satisfied if their enquiries are not reaching appropriate number of sellers.

Dinesh Chandra Agarwal: At present, repeat buyers are highest ever. So repeat percentage is the highest. Our internal NPS is also highest. If you see 58% repeat buyer, this is the highest since the COVID shortage time. When the COVID shortage was there, everybody was just coming every day and checking if there is a mask available or if there is a sanitiser available or if there is oxygen available.

Ever since then, 58% is the highest repeat buyer. And it is also seen in the Play Store rating, if you see it's also gone to highest ever at 4.8. And you can read all the positive comments and as well as critical comments, these are publicly available on the Google Play Store. Most of our users are Android users, they are not iPhone users. So, you'll find a lot of comments, positive and negative, on Android, while you will find very little traction on the iPhone. Our internal metrics are also showing that buyers are also equally better satisfied. However, when will that start to result into very, very frequent repeat, that we don't know. So, we are doing multiple things like advertising, like correcting the buyer experience.

See seller experience was the easiest low-hanging fruit, because we could go and talk to our paying customers, which were in thousands or 200 thousand, and quickly gather what are the top 2 - 3 KPIs that they are looking at. While the buyers are a lot more varied and a lot more experiential, somebody is a retail buyer, somebody is a SME buyer, somebody is a large buyer. And each one of them have a very different persona of what IndiaMART can help me with. Somebody thinks of it as, can IndiaMART become my sourcing agent? Somebody thinks of it that, why can't IndiaMART deliver me one single product in the same manner as Amazon and Flipkart does?

So I think the buyer side problem is a lot more difficult. And in the past 30 years, we have been mostly solving for price and variety per buyers. On the experience side, I think there is a lot more work that can be done on the buyer side, which we are continuously working to see what will click for a very large platform like this, which is very similar to what Google does or what Meta does.

Prashant Kothari: Interesting and just one last question, when we look at the associates, the losses from associates has been continuously going up over the years. And even in this quarter also it's higher. Would this cash burn kind of continue? How should we think about that and where it is mostly kind of going?

Jitin Diwan: So, Prashant, losses have not increased this time. So, there was one investment which we had made in Fleetx, by virtue of which now it has become the associate, and therefore little loss from Fleetx also have started getting added into these metrics. And therefore, you're looking at a Rs. 2 crores, has been added. Otherwise, the losses have remained more or less same, what it was in the last quarter.

Dinesh Chandra Agarwal: So, it was 17% of the Fleetx, now it has become 22%.

Jitin Diwan: Correct.

Dinesh Chandra Agarwal: So Fleetx got classified from a strategic an investment to now associate.

Prateek Chandra: So, actually Prashant, the Fleetx loss till last quarter was not there in the share of loss from associates because it was being recorded as an FVTPL investment. So, since it has become associate with 20% plus, now we are recording their share of losses also, which is resulting in this increase.

Prashant Kothari: Okay. I understood on the last quarter, but in general, the longer-term trend has been of increasing associate losses. How do you think about that?

Dinesh Chandra Agarwal: I mean, longer term is like, so Vyapar was one, then Fleetx is another one, then Bizom is another one. So every time we end up investing in a company, which is going to become profitable over the next 3 to 5 years' time frame, their loss also keeps coming back. Also, in Vyapar, we have increased our shareholding from 26% to now 29% odd.

Similarly, in Bizom, we increased our shareholding over the last 2 - 3 years from 22% odd to now, 31% odd. So that is why you are seeing a little bit of increase in the losses from associates.

Prateek Chandra: And also, Prashant, when we invested in these companies, they were at slightly early stage. Now as they are also achieving scale, overall on each company basis you would see still companies moving towards the line of profitability. But yeah, the aggregate number, will be a function of how many investments and how many new investments that we would have done for every quarter.

Avijit Vikram: So now we have a question from the chat box. The question is from Mr. Aditya Padhi. Your unique business enquiries divided by paying supplier metric has been showing improvement. Is this a relevant metric to look at?

Dinesh Chandra Agarwal: Yes, that's a very relevant metric. That's a very relevant metric because that is the number of unique buyers available between all of these paying suppliers. And that is why we started measuring from a business enquiries delivered per seller, because the seller himself sees only the business enquiries delivered to him, while we can see how many unique buyers that we are distributing. So, this number is slowly and slowly improving, which is a good thing. Highest of that number was in FY21-22, when there were COVID shortages.

And then as the markets opened up, a lot of that went back to doing business offline way. However, with the product and service improvement, I think slowly and slowly, we have seen some uptick in that. Also, with the advertising, now I think 29 million is the highest ever that we have touched.

Moderator: Next question is from the line of Nikhil from Nuvama. Hi, Nikhil, please unmute yourself and go ahead with your question.

Nikhil Choudhary: Thanks for the opportunity. First question on the churn part, what you highlighted, 7% churn, especially for a monthly subscriber. So while I understand your thesis, especially on annual subscriber given those are the ones who are experiencing these changes for the first time and maybe using the platform much more frequently, but why this logic do not apply to monthly subscriber? I mean, we have been investing for some time now. I mean, you highlighted Rs. 1 crore in JFM and then Rs. 6 crore in AMJ. So shouldn't the improving unique business enquiries or unique ratio or improving some internal KPI, should ideally reflect in lower churn, especially for monthly?

Dinesh Chandra Agarwal: Yes, it should, but it is taking time, maybe another quarter or so. Otherwise, probably we need to find more such levers.

Nikhil Choudhary: Got it. But basically, just to confirm, we haven't seen improvement, let's say, from Jan to June.

Dinesh Chandra Agarwal: Over 40 - 50 thousand customers that we have in the monthly and you are right, at least 10 thousand of them or 20 thousand of them came in the last six months. They should be seeing some positive, so there should be some early churn advantages, but we are not yet seeing any of that.

Nikhil Choudhary: Got it. Next one on the collection side, the consolidated collection grew to 17%. You also highlighted that adjusted for Busy billing, it is 13%. So just want to understand from collection to revenue growth perspective, is 17% collection growth makes more sense while projecting revenue growth or 13%, going forward?

Jitin Diwan: So Nikhil, 17% is a reported number. And as Brijesh explained that there was a change in payout structure and therefore, the normalised number looks like 13%. But for the projection of revenue, it would be 17% reported only because that will convert to the revenue from deferred revenue perspective.

Nikhil Choudhary: Got it. Then the next question for Brijesh, how the suppliers or users of Busy are reacting to this change in policy? Have you seen any change there? And also, you have previously talked about that for the margin in Busy, the intent is to keep it low. But clearly, we have seen a significant improvement during the last three quarters. So is it going to be the new run rate going forward?

Brijesh Kumar Agrawal: So, when we did the change in the billing, we started making this change from Q3 of last year. So, the implementation has been done over two quarters. And therefore, the acceptance levels of our partners to whom we've been doing this billing and to our customers, that has been absolutely in line. We haven't seen anything negative essentially coming in from any side. And therefore, we know that when this entire financial year gets completed, we would see normalisation of the reporting numbers also.

On the increase in the margin side of it, if you look at, when we are saying margins will be under pressure, it is because when we start to accelerate the overall number of customer acquisition at a much faster pace than the growth that we get in the renewals and upgrades from the customers. And currently, what we are doing is, there is an exercise on customer win back, which is being done. Because of which, we continue to see strong revenues coming in even because of renewals and upgrades.

In the long run, however, we do foresee that customer acquisition will start to see higher investments. And that is the time, when the margins may not continue to be as high. And our priority will remain on increasing the overall customer base, adding more new customers, so that we continue to see higher growth.

Dinesh Chandra Agarwal: As well as APRU.

Nikhil Choudhary: Got it. The next one on the marketing spend, especially digital marketing spend. Are we taking some internal targets for this investment? I know you guys have just started and are doing it for the first time. But what kind of return you are expecting or target you have? Is it more on unique business enquiry? Is it more linked to churn? Some colour there, in terms of linking those investments with some targets internally.

Dinesh Chandra Agarwal: Leading indicators are, first one is the traffic. Second one is the unique business enquiry. And the third one is the business enquiries delivered, how many times the RFQ gets consumed. So, these are the leading indicators, because they are immediately there. Because you are advertising, somebody is clicking and coming back to your platform. If he's coming to your platform, every click is the traffic, every conversion is a unique business enquiry, and every transaction after that in the RFQ level is the business enquiry delivered. So those are the leading indicators.

At the end of the day, the lagging indicators are churn and ARPU. And maybe reduced COCA. So, the leading indicators we are trying to get, we believe that in the last three months, and it is a lot more complicated than to pure simple e-commerce advertising. We have to advertise every product in every geography, separately, because we are not the sellers, and we don't switch these sellers from behind the scene. We are directly connecting buyers and sellers with each other. So, it's a lot more programmatic effort across hundreds of cities and across thousands and thousands of categories and across millions of products.

We believe that the top line of that to be optimised, is going to itself take a couple of months. And that is why the internal budget has been taken at, I mean, Rs. 2 - 3 crores every month and probably Rs. 9 - 10 crores every quarter. The good part is that the early indicators are correct. Whether they will result into the lagging indicator of churn and revenue and lower CAC, that is to be seen. And I mean, for that, you need to go past, for a size of this kind of a business, at least Rs. 100 - 200 crores to be spent, to see any greater impact in the market on the brand visibility or on the retention or on the ARPU.

Nikhil Choudhary: Thanks. Just last one on margin. How should we think about margin going ahead? Is the investment is going to pick up? And what would be normalised margin?

Dinesh Chandra Agarwal: As I said for this particular year, I mean you can safely assume, until unless we come back and announce, you can safely assume Rs. 5 - 10 crore per quarter kind of investment. It is not going to go heavily above the Rs. 10 crore mark per quarter.

Jitin Diwan: So, you were asking on the margin, I was just saying that Rs. 10 crores in the quarter translate to about 3%. So our margin at this point of time, EBITDA is hovering around 38 - 39%. As we have said that when we believe that the retention problem now has been solved, all the product things have now started converting into the renewals of seller, we will also push the pedal on the gross adds, so you should assume 32 - 33% of the margin as the sustainable margin.

Moderator: Thank you. Next question is from the line of Anmol Garg from DAM Capital. Anmol, please unmute yourself and go ahead with your question.

Anmol Garg: So couple of things from my end. Firstly, any plans for going into transaction-based structure? So, do you believe that the classified plus model that we are operating, the size of that is kind of limited to 200 - 250 thousand paid suppliers? And to maybe grow further, we have to kind of switch to a transaction-based model where we provide logistics and complete end-to-end transactions, at least in a few of the cases?

Dinesh Chandra Agarwal: See, it's not that we are completely averse to that. We have tried doing that between 2014 and 2017, so for 4 years and to launch at 2014, I think we started working in late 2012-13. So 4 -5 years, we did in the name of Tolexo transactional platform for B2B industrial products and B2B product. It didn't succeed at that point of time, probably our DNA, probably the market readiness and probably the ability to pay.

Then also we did not stay behind once Monotaro, who is the industry leader in Japan and which was the joint venture of Grainger and Sumitomo Corporation in Japan, and Grainger is the big daddy of B2B transactional business. So, when they acquired a similar business called Industrybuying, then we again invested another Rs. 100 + crores in that business. And we continue to work with them to see if that succeeds. Hopefully, that answers your question. So, we are not averse, but are we going to change the IndiaMART into a transactional model suddenly? I don't think so.

Anmol Garg: Understood. Just one more thing that I wanted to understand is, see, our unique business enquiries have increased because of the ad expenses that we have done in this quarter. However, what confidence do we have that this will result in an increase in the paid suppliers? I mean, particularly when the main issue remains the churn and the ad expenses, my guess is that will only help in the gross additions, which anyways remains healthy for us. So do you believe in effectiveness of this?

Dinesh Chandra Agarwal: We are only doing buyer-side advertising, and buyer-side advertising help us only and only reduce churn and increase ARPU. It doesn't help increase gross addition.

Anmol Garg: Sure. So according to you, how many quarters would it take as a best guesstimate that this will start resulting in positive results on the churn side?

Dinesh Chandra Agarwal: I mean, I have taken an internal target that at least 9 months of work is required, 3 months has only happened. At least 6 to 9 months more work should be done. Then only this should be measured at the churn level. On the leading indicator side, I think it is already giving us unique buyer enquiries.

Avijit Vikram: We have a question from the chat box. The question is from Mr. Rehan Saiyyed. With Rs. 2,762 crores cash on books and 19% Y-o-Y growth in reserves, do we have any immediate or medium-term capital deployment plans, whether for platform upgrades, acquisitions or return to shareholders?

Jitin Diwan: So from shareholder return perspective, we have just returned in the last quarter itself, Rs. 300 crores of dividend, that's what we have done. So, on the overall capital allocation perspective, how we think as a management is that we keep the safety cash, which is the advance which we have received from the customers. And then we see that if we need to invest in any business, and of course, we go to the Board and take the approval for that, and it should be in sync with what we are doing, whether it should be in the internet business, it should be something related to B2B and it should be related to the MSME.

So as and when we get the right opportunity, we go to the Board for the approval, we do that. As like whenever it comes, the right time comes, we'll report that as well. And distribution to shareholder I have already talked about, that we have given the dividends. Hope that answers your question.

Moderator: Thank you. Next question is from the line of Abhisek Banerjee from ICICI Securities. Hi Abhisek, please unmute yourself and go ahead with your question.

Abhisek Banerjee: So my question would be with regards to, what is the proportion of business enquiries delivered to the different classes of sellers on your platform, that is, your top-10% paying customers, the remaining paying customers and the suppliers who do not pay? If you could give a proportion of that, that would be really helpful.

And also wanted to understand, what is happening with regards to adding new categories that you have spoken of in the past? Are you being really able to create more categories which can potentially bring in more paying suppliers in the medium term? If you could speak on these parts.

Dinesh Chandra Agarwal: So on the enquiry side, between 80 - 85% of the enquiries go to the paying set of customers. And anywhere between 13 - 14% to 17 - 18% enquiries are typically delivered or goes to free suppliers. Now within that gold and platinum, I don't have the number in this manner in terms of the percentage though on an average, approximately 70-odd enquiries go to silver, we can come back with the percentage of enquiries that are delivered to silver, gold and platinum.

Coming on to the second part, expanding on the category side. So, our top-10% customers used to contribute about 40% of the revenue about 5 years ago and then our revenues itself was much lower. Today, our top-10% of the customer contribute about 50% of the revenue. And if you remember, from 5 years ago, we used to say that our platinum customer base and top-10% are same, we no longer say that. So, platinum customer count has exceeded far more than top-10%.

So, the number of categories has also expanded. If I remember, most of our new business used to happen into top 20 - 25% of the categories earlier. Today, almost in 40 - 50% of the categories, we have a good amount of business happening. So, if you see the number of total paying suppliers, if you compare this one with a 5-year-old screenshot or a 6-year-old screenshot, the first time we put it in 2020 or so, then you can very well see that this 2 - 3% numbers at that particular time and that 2 - 3% number at this particular time, so a lot more categories have become a high-moving category. And that's a very core KPI that we measure internally and our category team measures internally and works to bring a similar bottom-of-pyramid kind of a category moving them upwards towards that.

Abhisek Banerjee: Understood. So, have you ever tried to evaluate the feasibility of charging something like platform fees across the board, as in I mean with UPI, it is even possible to charge something to the guys who are not paying anything.

Dinesh Chandra Agarwal: There are not many examples of classified websites charging on a consumer side or on a buyer side fee. However, there are recent experimentation by Twitter or by Instagram to buy a blue tick by consumer. So, we keep contemplating every now and then, what could be equivalent to Amazon Prime in a classified business, but not yet. I think that's a long moon shot.

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

Dinesh Chandra Agarwal: Thank you ladies and gentlemen, for joining our Q1 FY26 conference call. We have tried to address your queries in the time available. And we have also given a detailed information in our presentation. Detailed financials are also uploaded on our website as well as the stock exchange website. If you still have any questions, please feel free to connect with our Investor Relations team. Their e-mail ID is available on the website. And thank you very much. Have a nice weekend.

Moderator: On behalf of IndiaMART, we thank you for joining us today. We now conclude this webinar. You may disconnect the lines.

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