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October 24, 2024

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 September 30, 2024

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 October 19, 2024, with respect to the financial performance of the Company for quarter ended September 30, 2024, 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

MANOJ BHARGAVA
Digitally signed by MANOJ BHARGAVA
Date: 2024.10.24 12:21:55 +05'30'

(Manoj Bhargava)
Company Secretary & Compliance Officer
Membership No: F5164

Encl: As above.

Webinar Transcript

Event: IndiaMART Q2 FY2025 Earnings Webinar

Event Date/Time: October 19, 2024 at 16:30 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, ladies and gentlemen. I am Avijit Vikram, Head of Investor Relations. On behalf of IndiaMART InterMESH Limited, I welcome you all to the Company's Q2 FY 2025 Earnings Webinar. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions 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 call 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.

Dinesh Chandra Agarwal: Thank you, Avijit. Good evening, everyone and welcome to the IndiaMART's Q2FY25 earnings webinar. We have circulated our earnings presentation, which is available on our own website as well as both the Stock Exchange websites. We are sure you would have gone through the presentation, and we would be happy to take any questions afterwards.

IndiaMART has delivered consolidated revenue from operations of around Rs. 348 crores in Q2, representing a year-on-year growth of 18%. Collections from customers have grown by 6% to Rs. 356 crores on a consolidated basis, whereas the deferred revenue grew by 19% to Rs. 1,483 crores on consolidated basis.

Unique business enquiries grew to 28 million, representing year-on-year growth of about 14%. Our total paying suppliers have grown to 2,18,000. We continue to see more than anticipated churn on the customer base in the silver bucket. As a result, we have added 2,400 customers this quarter, which is a slight improvement over the 1,500 odd customers that we added in the last quarter. However, as I said, the churn continues to be elevated and we are working on that.

Our platinum and gold customers, which constitutes about 50% of our customer base and 75% of revenue continues to have a very low churn and continues to be very stable. We continue to take measures to refine the matchmaking and enhance the overall user experience and engagement on the platform.

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

Brijesh Kumar Agrawal: Hi, Good evening everyone. Busy has done a net billing of Rs. 17.1 crores in this quarter. This represents a Y-o-Y growth rate of 17%. The revenue from operations has grown by 19% Y-o-Y to Rs. 15.3 crores. The deferred revenue has grown by 40% to Rs. 53.3 crores. The net profit for the quarter was Rs. 2.5 crores.

During this quarter, we've sold 8,000 new licenses and the closing count of total licenses is about 3,81,000 licenses. This is at the end of September '24. The overall performance has been in line, and we are focused on increasing our growth rate in the coming quarters.

With this I'll hand over the call to Jitin to discuss the financial performance.

Jitin Diwan: Thank you Brijesh. Good evening everyone. I'll take you through the financial performance for the quarter ended September 2024. Consolidated collection from customers was of Rs. 356 crore in the quarter, representing YoY growth of about 6%. IndiaMART stand-alone collections from customers for the quarter were around Rs. 337 crores, registering YoY growth of 5%. The standalone revenue from operations stood at Rs. 332 crores, registering YoY growth of 18%. Our growth in revenue was primarily driven by around 14% improvement in realisation from paying suppliers and remaining by increase in number of paying suppliers.

Deferred revenue stood at Rs. 1,483 crores, an increase of 19% on YoY basis. EBITDA of IndiaMART standalone business stood at Rs. 120 crores, representing a margin of 36%. As we mentioned in our last call, current expansion in margins is primarily due to saving arising from lower customer acquisitions, certain cost optimisations and operating leverage. As and when there is an increase in customer growth, we anticipate that margin will align with the gradual the operating leverage inherent in the business.

Consolidated net profit for the quarter was about Rs. 135 crores. Consolidated cash generated from operations was about Rs. 103 crores. Consolidated cash and treasury balance stood at Rs. 2,449 crores as on September 30, 2024.

Thank you very much, and now we're ready to take any questions.

Question-and-Answer Session

Avijit Vikram: We will now begin the Q&A session. If you wish to ask a question to the panellists, kindly raise your hand and allow camera and microphone access. Alternatively, you may type your question in the chat box 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'll wait for a couple of seconds, while the question queue assembles.

Moderator: First question is from the line of Vivekanand from Ambit Capital. Hi, Vivekanand. Please go ahead with your question.

Vivekanand Subbaraman: Thanks for the opportunity. My question is on the collections trajectory. I think till last quarter, till 1Q, collections growth was in the range of around 15% to 20%. Now it has dramatically slowed down to only 5% on the standalone business. I understand that you are facing very high churn at silver bucket level and that's been the case for a while now. So why is it that collections got impacted so adversely this quarter, even though it was holding up strongly in prior periods? Was there anything specific this quarter that weighed on collections? And if you can give us some more insights into how to project collections? Or how do you yourself look at collections here on, given that churn appears to be a chronic problem rather than something that you can address? That's question one, very lengthy one. So, I'll ask my second one only after the answer to this question.

Dinesh Chandra Agarwal: Hi, Vivekanand, as I have been telling in the last couple of quarters if the increase in the net customer base continues to be flattish over a longer period of time, it will start to reflect in the collections as well as in the revenue. However, this particular quarter, even we have been a little surprised negatively on only 5%, 6% collection growth.

We still tend to believe that this is one-off, some of our execution issues, some of our sales execution issues. And we believe that we will probably bounce back, if not towards 15%, 20% at least try to be in the double-digit plus collection growth going forward. But until and unless we fix the churn position structurally, I think we must not anticipate more than 10%, 15% of the collection growth in the times to come.

Vivekanand Subbaraman: Okay. My second question is, again, on collections, but a different one. So, what proportion of your collections are coming from silver monthly, gold and platinum? Is it possible for you to explain that? And is there any colour you can give on the growth in the collections bucket across these three tiers? Thank you.

Dinesh Chandra Agarwal: So, as I said, gold and platinum on the revenue side, they contribute about 50% of the customer base and 75% of the revenue realised. On the collection front, though we internally do track on every segment of the customer what is the collection and what is the average collection per customer per month, but we have not been releasing that data publicly.

But in general, if you see our revenue and collection today, if you take six months moving average, they are mostly in line. So, you can safely assume that even the collection from customers, from gold and platinum, would be in the range of between 70% to 80% from these 50% customers, because the customer set for the collection and for the revenue will remain the same.

Vivekanand Subbaraman: Okay. So, does this mean that the ARPU increase that you are seeing on a collection basis? I know that the ARPU you report in slide 31

Dinesh Chandra Agarwal: That is on revenue basis.

Vivekanand Subbaraman: That is on a revenue basis, right? So, on collection basis, this does seem to suggest that you maxed out potentially increased prices from gold and platinum. Is that a correct inference?

Dinesh Chandra Agarwal: I would not tend to believe that immediately based upon just one single quarter of performance. I think it could be a few clients here and there, and obviously if the overall collection itself is 5%, 6% growth and total number of customers have grown by 4%, you can assume that the average collection per customer has grown only by 2%. But that simply does not mean that this is maxed out and this is the trend. So, I refuse to believe that. And if this is the similar trend for three quarters in a row, then yes, but I think we will try to reverse that next quarter onwards.

Vivekanand Subbaraman: Okay. No, what seems odd to me is that the prior quarters, you had collections growing fast despite your net adds being under pressure. And this quarter, it seems like your collections growth appears to be more impacted by upgrades perhaps getting affected due to persistent churn being elevated.

Dinesh Chandra Agarwal: Asking the same question again and again

Vivekanand Subbaraman: No, no. I mean it is very perplexing to us, because all of us had a certain view of this business. The earnings multiple that we assign to the business is based on certain trajectory. It has turned out very differently.

Dinesh Chandra Agarwal: Okay.

Vivekanand Subbaraman: Thank you and all the best.

Moderator: Thanks, Vivekanand. Next question is from the line of Swapnil from JM Financials. Hi, Swapnil, please go ahead with your question.

Swapnil Potdukhe: Hi, thanks for the opportunity. My question is pertaining to the previous participant question where you mentioned that 5% collections growth could be a one-off and there could be some improvement going ahead. I would want to go back in history and ask you, and because we have limited history since FY '20, right, on a quarterly basis, and this is the slowest growth, since your listing ex of COVID. Have you experienced a similar growth trajectory in the past? And have you been able to reverse that trajectory? And how long did it take for you? If you can give some precedence of similar growth rates in the past, barring maybe 2008 crisis, I mean, when the economy was stable?

Dinesh Chandra Agarwal: We'll come back to you on that. Please go ahead with your next question. I'll come back at the end, because this is a very interesting question, and I definitely want to answer that.

Swapnil Potdukhe: Sure. So, the next question would be on your churn rates. If you can just break it down the way you have been doing of late on a category basis. If you could help us like how that has moved this quarter? Has there been any increase in churn rates, especially in the upper-tier categories?

Dinesh Chandra Agarwal: No. I think we have rather improved. So, Q4 is generally very good on the gross as well as renewal. The Q1, last quarter, which was April, May, June we came down to about 1,600 net customer ad. This quarter, it is about 2,400.

One day here and there could make a difference of maybe 200, 300. So, on a very fractional basis, I think we have improved. But that number is not significant enough to talk about until we see permanent two, three quarters in a row improvement on that. So, the churn continues to be stubborn, but maybe a few basis points, it has improved.

Swapnil Potdukhe: Will it be possible for you to give it in absolute percentage terms?

Dinesh Chandra Agarwal: I've been giving you the same numbers. So, on the platinum and gold, we continue to be healthy approximately at 1%; on the silver annual, about 4%; on the silver monthly, about 6% to 7%.

Swapnil Potdukhe: Got it. And the other question is with respect to your traffic growth. Now obviously, different metrics have played differently this quarter. Unique business enquiries appear to be okay. But then if you look at the total business enquiries delivered, they are down 7%.

Then your overall traffic growth itself is flattish. I mean how should we read this?

Dinesh Chandra Agarwal: So, I've answered this earlier also. So, one is this traffic growth. Over the time, we have realised that the way traffic is being calculated in the era of web components and a lot of web crawling happening and search engines and ChatGPT and others, I think the web traffic to differentiate from the real user traffic, that accuracy number is going down and down. I mean while we try to represent as much as possible the real user number, but the number of bots and the number of scrapers has suddenly increased. That is why the reliance purely on the traffic number or purely on the registered user number is very difficult. That's why, if you remember, about a couple of years ago, we started to report this active buyer in the last 12 months so as to give you more realistic picture, what is the real people who are making enquiries. Similarly, the unique business enquiry. On the business enquiries delivered side, I have always been saying that we continue to make changes. Earlier, we used to share a buyer's detail with almost like six suppliers on an average. While we tried to reduce that towards 5, 5.5, now we believe that since the churn is very stubborn, maybe there is a room for reduction of the competition and reduction of the number of suppliers per buyer and that is why we are moving more towards 4 suppliers per buyer.

So, the number of business enquiries delivered will continue to decline in a shorter period of time. So, these are the four numbers that we give you, to be able to navigate what is right and what is wrong.

Swapnil Potdukhe: But to put it this way, while I get your logic why you're reducing your enquiries to a limited number of suppliers, will not that affect the actual enquiries that a typical supplier would get? I mean on an absolute basis

Dinesh Chandra Agarwal: In the short run it will, but it should improve his conversion. It should improve his effort to ROI. Currently what might be happening, and this is a hypothesis based upon certain people that we have met, they are saying that don't give us 100 enquiries, give us maybe 50, but give us the ones which are more relevant and more converting for me.

Swapnil Potdukhe: Got it. And any chance of your A&P spends going up now that we are facing challenges on collections as well as suppliers, both? Any remedial measures have you thought about that?

Dinesh Chandra Agarwal: Any chance of?

Swapnil Potdukhe: Increasing your A&P spends. Maybe that could be the one that could help you.

Dinesh Chandra Agarwal: Yeah, we are working on that. As soon as we are ready, we'll come back and let you know.

Swapnil Potdukhe: Got it. If you can just answer my first question, that will be helpful.

Dinesh Chandra Agarwal: It's not handy with me right now. I remember in FY '19, we were actually at about 12%, 15% odd growth rate. On a quarter-on-quarter, I think we have faced this challenge at least third or fourth time in the history. And this is probably one of the longest eight quarters that it has taken us to, because the size has also become bigger. But otherwise, we have always found ways and means. Maybe we'll take one step back to find way back because so many categories and such a large business and such a great future ahead of us.

If we won't grow, I mean, even Google should not grow, because strategically, we are almost a small replica in our own world for Google. So, from that perspective, I don't think finding the right niche is important, but I think we will recover, and we are quite confident of recovering.

So, in FY '17, our collections over FY '16 was only 13%. And I don't have the real quarter-on-quarter data. But I think if the overall year was 13%, I'm sure there was one quarter, which was single-digit growth percentage. Similarly, sometime around, FY '20 was 10% growth rate, whereas only last 15 days of the FY '20 were pandemic oriented.

While even the quarter-on-quarter, I do remember that third quarter of FY '19 was also similarly single-digit quarter. So, I think we have faced this. And even if I remember the entire FY '12 and FY '13, we were less than and that time, we were still trying to find the product market fit. So, we will recover for sure.

Swapnil Potdukhe: Thanks for giving that detailed answer. Thank you. All the best.

Moderator: Thanks Swapnil. Next question is from the line of Sachin from Bank of America. Hi, Sachin, please go ahead with your question.

Sachin: Thank you management. Two questions. First, I wanted to understand a bit more on margins. Given that perhaps there is no near-term visibility on churn control, the net adds remain low. And on back of operational leverage, cost control, clearly, we're seeing quarter-after-quarter EBITDA margins moving up. So, is it fair to assume that margin should stabilise at 38%, 39% in the foreseeable future till we see all these issues getting resolved?

Dinesh Chandra Agarwal: Yeah, we have been telling, I think these are more to do with the timing. Jitin, can you highlight?

Jitin Diwan: Thanks, Sachin. So, as you rightly mentioned that margins are elevated for the last two quarters. Because of the slowdown in growth, we are not able to add much of net adds and this quarter collection is also on the lower side and that's how it is looking elevated. So, once we go back to adding customers and collection will also picks up, we will be back to our normal margins.

Having said that, sustainable margin, what you said, we believe that it should be in the range of 34%, 35% and not 37%, 38%. So next quarter also, we will have our salary appraisals, which will have impact on margins as well.

Sachin: Okay. But let me flip that question around a bit. I mean during COVID, your margins were as high as 50%, 52%. What stops the margins only at 36%, 38%? Why can't be at 40%, 45% in the near term? And even the normalised margins, I mean, the way cost control is happening, why should it be at 34% and not higher than that?

Dinesh Chandra Agarwal: We always say that one should take the collection to cash flow margin and that would be the long-term trending margin for the revenue to EBITDA. It cannot be different, so collection to cash flow has been trending between 35% to 40%. This particular quarter, collection to cash flow is hardly 33% or so. So, collection to cash flow is the leading indicator of the margin.

What you see currently here, the revenue coming from the past, while the cost is current, the revenue is at 18%, while the collection is at 5%. Even during the COVID, I had been telling everybody that this is the worst ever quarter, but everybody said margins are doubling. And in COVID, a lot of costs were also cut down, because rent was reduced by half, no transportation, no hiring, so they were like that. But these are not the times where we are going to cut cost to sustain the margin.

So, as I said, we would be happy to report margins at around 33%, plus/minus 1%. But in the interim, while we try to find the growth lever, until and unless we find the healthy growth lever, there is no point of spending money. So that is what I'm saying. If we find the handle on churn, I think we will go whole hog aggressive on the gross addition as well and that will increase our cost a bit then. So, since we are not able to find handle on churn, we are also going slow on the gross.

Sachin: Thank you. Very clear. And my second question is actually on some of the points you said as answer to this question or to some of the earlier participants. In one of the statements, perhaps you said that until we fix these issues structurally. So just wanted to understand, what needs to be done from a management perspective to fix these issues structurally?

Dinesh Chandra Agarwal: So, one is the execution side, which is the people and process side. The other could be product expectation and product outcome side. What is it that will bring the buyers back again and again? What is it that will improve the word of mouth? What is it that will improve the enquiry to conversion for suppliers? What is it that will improve the fulfilment for buyers? And that is something on which we found the product market fit in FY '18 and then from then on, we have been doing minor, minor tweaks.

There may be possibilities that while doing the minor, minor tweaks, there could be something that we missed probably. And one of the things that we realise is that we have been always working on increasing supplier responsiveness and which is so high today that it may be acting against the buyer's interest or against the supplier's own interest in terms of his getting enquiry, but he's not getting conversion.

And we have heard this by going to multiple suppliers that enquiries are there, but I think it is difficult to mature the enquiries. Buyers are also saying that the suppliers are there, but probably it is difficult to decide which supplier to settle with, so this is one of the things. And that structural finding is sometimes in front of your eyes, but you just keep struggling to find the right one.

Sachin: That point I understand and thank you. And wish you all the best.

Avijit Vikram: So now we'll take a question from the chat box. The question is from Mr. Dhiren Barvadiya. So how do you see exports-oriented suppliers and buyers for adding growth to business as China Plus One theme comes to fruition? What are our plans to capitalise on these trends?

Dinesh Chandra Agarwal: Thank you very much. So just for the context, IndiaMART was an export/import business to business marketplace, since 1999 until 2009. And 80% of our focus used to be exports. Sometime during 2007, '08, '09, we realised that India has become uncompetitive or less competitive in the world market as against China.

And we would probably like to focus on the domestic market. It took us some time between 2009 and 2013, '14 to find the product-market fit for the domestic buyers and sellers. Ever since, we have not been focusing on the export market. Only in 2020, post the COVID pandemic hit, we found that still there is nobody else who is serving the export market well. And so, we started with a small initiative called IndiaMART Verified Exporter programme. And that has done well. But do I see a TAM of hundreds of thousands of crores there? I still do not see such a large TAM. I mean if you really compare the growth in the export market, that still has been single-digit CAGR over the last 10-odd years or 15-odd years.

So, while there is an opportunity to build maybe Rs. 100 crores, Rs. 200 crores, Rs. 300 crores business and out of that, maybe we are already doing Rs. 50 crores, Rs. 60 crores, Rs. 70 crores of business but will that become a Rs. 500 crores or Rs. 1,500 crores business? That is not something that we see immediately.

So, I hope that answers your question that we now have an export offering ever since late 2020 or early 2021, and it is probably upwards of Rs. 50 crores and below Rs. 100 crores of revenue contribution to our business, but will it grow as rapidly as the domestic business, I'm not too sure.

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

Nikhil Choudhary: Thanks for the opportunity. Just want to understand the collection number a little better. So, collection growth for us was 5% Y-o-Y this time. And while you are attributing it to lower subscriber addition, even the total subscriber grew 4% Y-o-Y, right?

So, subscriber is not the only reason, which impacted collection. Correct me if I'm wrong because at least what we can sense is that revenue per paying supplier must have gone down as well for collection to be at 5%. So, can you give colour what happened behind the scenes? And why, let's say, revenue per paying supplier has gone down at such a pace in between the two quarters?

Dinesh Chandra Agarwal: Yeah. If you see the slide 31, so let's understand the difference in collection and revenue. So, if you see the revenue side, revenue is 4% growth in paying supplier and 14% growth in average revenue per supplier. Total revenue is 18% growth. So, there is no calculation difference. On the collection side, 4% growth in customer and only 1% growth in average collection per customer, which is resulting into 5%.

Nikhil Choudhary: Yes. So why there is decline in average collection per customer? Any reason for that?

Dinesh Chandra Agarwal: I mean as I said, we have been growing at about 15-odd percent in the past, despite the fact that the number of paying suppliers have been growing at 5-odd percent. In this particular quarter, we believe that there could be execution challenges in the pockets. We do not know if this is something that we can say that the average collection per customer will continue to remain muted. We will see if we can recover that back in the current quarter or next quarter. If that is not the case, then we can assume that this is a structural problem.

Nikhil Choudhary: Sure. Second thing, given the churn continue to remain elevated and since last many quarters, you have highlighted some of the initiatives you are taking. Any update, anything which has changed on ground, or we should assume this remains the case even in coming quarter?

Dinesh Chandra Agarwal: So coming quarter, I don't think you will see a significant change. Because the changes that we have done around two, three quarters, four quarters ago, they have not yet resulted into anything significant.

So, I think newer initiatives that we are trying to take on reducing the buyer-seller side competition as well as maybe putting some additional checks on spending our time, money and energy in terms of acquiring the customers, which are the more vintage customers or more evolved set of customers, that will take another two quarters or so to say if there is any significant happening on that. Other than that, I do not have any other information to share with you.

Nikhil Choudhary: Sure. The last one is on unique business enquiry, 14% jump. I think first decent jump after many quarters. So, any colour what is leading to the uptick in Q2?

Dinesh Chandra Agarwal: I would say that there has been some effect, if you would have noticed, we have started to collect enquiries also using WhatsApp on our mobile website. So that has given us maybe 1% or 2%. So, the conversion from the traffic to unique buyer, that has improved a little. We used to call the buyers whenever there was a half-intent or a dropped-intent buyer, that process also we have moved towards to WhatsApp and RCS.

That has lower cost and higher ROI. So that has resulted into some of this. But this is too small a number to say because otherwise, if you really see, it used to be in the range of 25 million, 26 million and moved to 28 million. Whether it will remain 27 million or 28 million, but I'm sure at least 1 million per quarter growth has come because of the WhatsApp-led implementation.

Nikhil Choudhary: Sure, understood. That's it from my side. Thank you.

Avijit Vikram: So, we have another question from the chat box. The question is from Mr. Jigar Shah. We are seeing Justdial being very aggressive in customer acquisition. Also, we see more activity by TradeIndia, your initial competitor. Is competitive intensity hurting our growth?

Dinesh Chandra Agarwal: On the Justdial side, I think if you really see the number of customers declined during the COVID time and the recovery, I think they declined for a long period of time during both the COVID period, while we kind of remain more or less flattish during the entire COVID period. Only for the first quarter, we declined.
So, I think they recovered that post COVID. While at IndiaMART, we moved from 1.5 lakh suppliers to almost 2 lakh suppliers quickly. And in the last five, six quarters, we are now stagnating. I would say they woke up a little late. Whether they will face the similar challenge that time will tell. But we're happy with whatever we have been doing and wish all the best to Justdial for their own endeavour.

We haven't heard much about TradeIndia. TradeIndia remains our distantly respected competition, whether it is Exporters India or TradeIndia, but no significant change that we have observed from them.

Moderator: Next question is from the line of Kushagra from Old Bridge Capital. Hi, Kushagra, please go ahead with your question.

Kushagra Bhattar: Hi. Just two questions. Sorry to hub on the collections again. I'm just trying to understand your response in a better way. So, given that gold and platinum are 70% to 80% of the collections, so the lower growth in collections actually has to come from lower growth in collections from the same gold and platinum customers, right?

So, I'm trying to understand one of the reasons, which you laid out was more of a one-off and you mentioned some lapses in the sales execution. So maybe if you can give some more light as to what those lapses were and what are you trying to do about it so that they don't happen again. Yes, that's my first question.

Dinesh Chandra Agarwal: So, as I said, in terms of improvement of sales efficiency to improve the collections, on the shorter term, some of those things were, we were not able to fill in the vacancies, some of them are related to even the churn, movement that we are having from silver to gold to platinum. I think the gold side, the lower part of the gold, which we call the Trustseal customer, there, I think we are having certain set of challenges.

I would still say that please wait for next quarter or so to be able to really say that what execution challenges have we been able to fix because this 5% growth rate that is coming, some of that could also be the regional decentralisation that we have been working on.

We now have a regional structure, which is reporting to the central structure with each vertical of acquisition and customer support and the key client division, but none of that should have resulted into such a sharp drop. 5% growth coming from the customer and 10% growth coming from the collection; together they should have been anywhere plus/minus 15%. This 5% is definitely not acceptable, but we would only know if this is one-off because the number of months that we have had is only two months so far.

Kushagra Bhattar: Sure, all right. Second question is on a different note, basically, you generally don't call out this metric, but do you sort of track your revenues or the money you're able to realise per unique business enquiry? Like if we do the rough math, basically, it shows that it has trended up. But given all these challenges, where do you think the money which you're able to realise per unique business enquiry is headed in the future?

Like is there a threat how much you can monetise or how much you can make per unique business enquiry going forward for all the challenges, which you have laid out and which we have been facing in the last seven, eight quarters? Yes, that was my second question.

Dinesh Chandra Agarwal: So, I think on the monetisation side, the day we decide that now we have to maximise the monetisation for every category, for every location, for every enquiry. Currently, we have been operating largely as a horizontal marketplace with flattish pricing across the category, across the location, across the quantities.

The only thing that we have implemented in the last year and the half is all the newer sales in the platinum segment is being sold in two-tier pricing with the normal and premium, where the premium has been assigned to certain 2%, 3% of the categories and the top-tier cities. I think there is enough room for a B2B marketplace or for a B2C marketplace once it comes to maximise the revenue per enquiry in different segments.

So, if you really look at 1688 example, between 2005 and '15, their customer base grew from almost 100,000 to close to a million. And between '15 and '25, their ARPUs have grown considerably. But I don't think we at IndiaMART have reached that level of saturation that we need to optimise on every location, every category. I think we are still in a growth phase, and we will continue to do that.

Just like in Google, if you look at the ad words, every category, you can do a bidding and do a demand-supply based matchmaking, whereas in the beginning on the Amazon, whenever a new category is introduced, is introduced at a flat pricing of 5% or so. But over the time, when the competition heats up, you try to maximise the return per category or sales per category.

And then on top of that, you make revenue from advertisement. So, I don't think the monetisation is per unique business enquiry is a problem. I think the top of the mind recall and the Net Promoter Score of buyer and seller, that is the key metric for us in the midlife of IndiaMART.

Kushagra Bhattar: Got it, got it. Thank you and all the best.

Avijit Vikram: So, we have another question from the chat box. The question is from Mr. Amrish Kakkar. Can you share what is the current thinking on the strategic investments, either in terms of adding as a service or potential sales, specifically for existing integrated services like Livekeeping, can you provide some colour on what the plan is?

Dinesh Chandra Agarwal: Prateek, do you want to answer that accounting as a segment?

Prateek Chandra: Yeah, Hi everyone. So, on the strategic investments, as we've stated that our core business proposition that was around the matchmakings and a little bit on the conversation side. And the business software enablement for the different SMEs becomes an integral part for the SME ecosystem. And in order to enhance the value proposition there, we've been trying to explore different, different software and invested in the different software.

Accounting being one wherein we have a very high conviction, and we have taken huge bets on the accounting segment, one investment is Busy and the other investment has been Livekeeping. So, it's been roughly around 2.5 years that since we made these investments. And both of these investments are moving in the right direction.

In the terms of Livekeeping specifically, when we acquired them, it was just a product that was just created. Over the years, we have worked on the scalability of the product. And now, it is being used by more than 10,000 plus customers in total. So, from zero to 10,000 customers is what we've been able to achieve. However, we still think that in the larger scheme of things, it still continues to be small. As and when it kind of continues to grow well and becomes a little scalable, we would explore a lot more synergistic opportunities with the IndiaMART, which would become visible.

Dinesh Chandra Agarwal: Yes. Currently, for Vyapar, Busy and Livekeeping, all three of them, we are currently using IndiaMART as a channel for sales lead generation. I think it is in the near future that we would start to do a reverse as well whereas Busy customers or Livekeeping customers can generate leads for IndiaMART as well.

On the Vyapar side, we have also integrated on the buyer side, where from within Vyapar, you can submit a buy lead or an RFQ to

IndiaMART for enquiry. Similarly, from Shopify, we have an app where you can submit an RFQ on IndiaMART. So, this gives a holistic view on Rs. 600 crores, Rs. 700 crores that we have invested in the accounting software side.

On the minority investment side, Prateek can also give you some colour where we are, I think if you read the annual report that was released in the last quarter, that has a good section on that. But Prateek can elaborate strategy on that side.

Prateek Chandra: On the sectors other than the accounting, we still kind of continue to explore. Certainly, if you look at, we've invested in the logistic SaaS that we had the three investments there. Distribution management, Bizom is another one that's been kind of doing well, been progressing well. EasyEcom had been more about the e-com universe of the suppliers who want to do e-commerce, enabling their order management system, their warehouse management systems is what EasyEcom does.

And M1xchange is the other one, which has been doing well on the invoice discounting side. So, these are again, if you see very, very different, different areas that we're trying to explore. As I said they continue to be small. As and when they grow bigger, we would see a much better synergies opportunity with them.

Dinesh Chandra Agarwal: I think four, five of them within last 2.5 years have raised multiple rounds of subsequent capital after raising money from IndiaMART as well. So, they continue to do well on that side as well.

Moderator: Next question is from the line of Anmol Garg from DAM Capital. Hi, Anmol, please go ahead with your question.

Anmol Garg: Hi. So, a couple of things from my end. Firstly, you have talked about that you're not seeing much competition from Justdial or TradeIndia, Exporters India. So, is there any other channel which is from where we are seeing larger competition for example, B2B e-commerce or Facebook per se?

Dinesh Chandra Agarwal: So, I don't think we have faced any bigger challenge or any bigger competition from any of the smaller Indian players that keep getting funded time-to-time. I'm sure each one of them are trying to solve very unique and very different problem for a specific industry or for a specific geography. And we continue to study them and see what we can learn from them, how we can partner with them. But as of now, we have not seen any particular customer who is mentioning that I left you because of XYZ competition.

On your other question, whether Meta or Facebook or Instagram or WhatsApp, similarly, whether Amazon or Flipkart or Zepto or Blinkit and thirdly, Google. These three continue to remain the bigger daddy under which we try to find our own niche. So, they are always a competition to anybody and everybody, all these three people. And we continue to find a niche, the kind of problem that they are not willing to or able to solve.

And B2B is one such thing that neither Amazon nor Google and nor Facebook as a company has solved in a longer period of time. And it is not only in India. Even worldwide, if you really see, very little they have been able to gain. So, I think they continue to be a threat and opportunity, whereas looking at their revenues, you can find that if their B2C revenue is so high, how can you do B2B. But if you really look at the other smaller ones, they're all trying to generate some business, but still there is nothing to worry about us as a competition.

Anmol Garg: Sure. Secondly, if I have to break up our paid supplier additions between gross additions and churn in this quarter, then would you say that on quarter-on-quarter basis, you have seen some improvement in gross addition or churn has reduced from that perspective?

Dinesh Chandra Agarwal: So, from the gross side, as I said, almost like seven, eight quarters, we have remained at 90%, 95% of the gross addition and I have not pressed the pedal, specifically, to meet short-term net customer requirement. My thing has been that try to improve the churn first before we go to 120% of our best ever gross addition. So, as I said last time also, we continue to remain at 90%, 95% of our gross addition. Whatever deterioration or improvement that you're seeing, it is purely because of churn.

Anmol Garg: Right. And as you have indicated that churn is more or less the same as the last couple of quarters, so from that perspective, for now, should we assume that the gross supplier additions would remain in the 2,000 odd range in terms of the additions on quarter-on-quarter basis?

Dinesh Chandra Agarwal: Net supplier addition, yes.

Anmol Garg: Net supplier addition.

Dinesh Chandra Agarwal: Yes. Currently, it doesn't look like we have broken out of that 2,000 to 3,000 range bound figure. If you really look at the last five, six quarters, it has remained range bound between 2,000 to 3,000. I would love to go past 5,000, but we have not been able to. And until and unless we go past 5,000 on a consistent basis, we will not be unnecessarily putting a lot of money in acquiring new customers to increase our gross addition.

Anmol Garg: Right. And one last thing from my end. So, if you can talk about ratio of enquiry to conversion for a supplier, then how has it changed over last few quarters? And just wanted to understand here the quality of enquiries that we are having right now.

Dinesh Chandra Agarwal: That varies significantly from customer-to-customer, industry-to-industry, location-to-location. Certain customers with very large order value, like large machines and large projects are happier with 1% or 2% conversion and certain customers, which are able to do even 20% conversion. So, I think that varies significantly across different industries and geographies.

I think the NPS that we measure, buyer fulfilment rates that we measure has remained at 40%, 45% of the buyers who respond back to our feedback. That is something as an indicator that it has plateaued over the last two, three years. It used to be 25-30% odd percent pre-COVID. It moved to 40 odd percent post-COVID and now trending at 45%. But in the last three years, it has not really made further improvement. And also, people's expectation might have changed. So, we can clearly say that the importance of conversion is very subjective to each industry and each particular customer.

Anmol Garg: Sure, understood. Thanks for taking my questions. That's it.

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

Dinesh Chandra Agarwal: Thank you very much, ladies and gentlemen, for joining our Q2 FY'25 conference call. We have tried to address your queries in the time available. But if you still have any questions, please feel free to contact us with our Investor Relations team, and we will try our level best to give you answers of whatever we could not answer today. Thank you. Have a nice weekend and happy Diwali to all of you.

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

Notes:

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