



## About Company



Incorporated in 1999, IndiaMART InterMESH Limited (IndiaMART) is an online B2B marketplace to deal with business products and services. It is an online platform for business buyers to connect with suppliers of the products and services. As on FY19, the company had 5.55 million supplier storefronts and 82.7 million registered buyers. The company has more than 60 million listed products of which 76% of goods comprised products and 24% were services.

The buyers can place business enquiry by visiting suppliers (both small and medium) online at this marketplace and explore the product and services listing offered by the suppliers. The company offers product and services across 54 industries and this marketplace is accessible through desktop and mobile platforms.

The company earns revenue primarily by selling the subscription packages which are available for a month, year and multi-year. This package offers the following benefits to the suppliers:

1. Listing of the supplier storefronts on online marketplace based on priority,
2. Access to lead management system,
3. Integrated access to a third party online payment gateway, and
4. Access to RFQs or buy leads

In addition, the company also generates revenue by advertising, sale of RFQ credits and payment facilitation service.

IndiaMART had an aggregate of 72.35 crore visits in FY2019 of which 55.03 crore comprised mobile traffic or 76% of total traffic. A total of 44.90 crore business enquiries were delivered to IndiaMART suppliers in FY2019 as against 29 crore business enquires were delivered in FY2018. During FY2019, they had 7.25 crore daily unique buyer requests, of which 55% were repeat buyers calculated on the basis of the past 90 days.

## Promoters

- Dinesh Chandra Agarwal
- Brijesh Agrawal

## Objective of the Offer

The objects of the Issue are:

- To achieve the benefit of listing the equity shares on the Stock Exchanges
- For the sale of an aggregate of up to 48,87,862 equity shares by the selling shareholders Company will not receive any proceeds from the Offer and all the proceeds shall go to the Selling Shareholders.

## Issue details

Price Band (in ₹ per share)	970-973
Fresh Issue (in ₹ Crore)	NA
Offer for Sale (Shares in lakhs)	48.88
Total Issue Size (in ₹ Crore)	474.03-475.49
Issue open date	24/06/2019
Issue close date	26/06/2019
Total number of shares (lakhs)	48.88
No. of shares for QIBs (75%) (lakhs)	36.58
No. of shares for NII (15%) (lakhs)	7.32
No. of shares for retail investors (35 %) (lakhs)	4.88
No. of shares for Employees (lakhs)	0.10
Employees Discount (in ₹ )	97.00
Minimum order quantity	15
Face value (in ₹ )	10.00
Effective price band for Retail investors	970-973
Amount for retail investors (1 lot)	14550 - 14595
Maximum number of shares for Retail investors at lower Band	195(13 Lots)
Maximum number of shares for Retail investors at upper band	195(13 Lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	189150-189735
Exchanges to be listed on	BSE, NSE



<b>Brief Financials *</b>			
<b>Particulars (Rs. Crore)</b>	<b>FY19</b>	<b>FY18</b>	<b>FY17</b>
Equity Share Capital	28.59	9.98	9.17
Net Worth	159.89	(321.22)	(390.02)
Revenue from operation	507.42	410.51	317.76
Profit before tax	53.92	(60.10)	(64.14)
Profit after tax	20.04	54.76	(64.35)
Basic EPS share (Rs)	7.75	28.60	(35.09)
NAV per Share (Rs)	55.92	(322.02)	(425.40)
P/E #	125.58	-	-
P/B #	17.40	-	-

\* Restated Consolidated (FV. Rs.10/-), # Calculated on upper price band (annualised)

## Industry Review

### Internet growth in India

With over 466 million internet users, India is the second largest online market, ranked only behind China. The number of internet subscribers in India is expected to increase from 446 million as on December 2017 to nearly 900 million by FY22 primarily driven by growth in wireless broadband services. Wireline broadband services are expected to grow at a comparatively gradual rate due to constraints around high initial investment in deployment of fixed line infrastructure and increased user preference to use internet on the go. India may see an early arrival of 5G services in tandem with global rollouts, unlike 2G, 3G and 4G services which were launched much later in India compared to global adoption of these technologies

### MSMEs Digital penetration to improve

As per the National Sample Survey (NSS), there were 63.39 million non-agriculture MSMEs in India engaged in different economic activities in 2015-16. The growth in internet penetration throughout India along with increased accessibility and affordability of smartphones, will act as a catalyst in helping SMEs adopt web based and mobile based technologies. The same is helping SMEs move their businesses online reaching out to a larger customer base, helping them expand their presence and being able to compete against larger enterprises. As per the KPMG Google report on 'Impact of internet and digitization of SMBs in India', just 32% of SMEs in India were digitally connected in 2017 and 17% used internet for business purposes. According to SME industry body, the number of digitally connected SMEs could rise to 50% in the next 4-5 years.

### The Indian Classifieds market

The Indian classifieds market is currently dominated by the offline mode, with a contribution of nearly 75% to the overall classifieds space in India. However, with the emerge of India as a mobile first nation post the launch of high speed 4G services, digital classifieds are expected to gain increasing significance for discovering businesses online.

The digital classifieds market in India is a combination of horizontal and vertical players. The horizontals offer listing across a host of goods and services, ranging from real estate, home services, pet care, used goods to medical suppliers. On the other hand, the vertical players focus on a single product/service category such as matrimonial, recruitment services etc. The digital classified market was estimated at INR 40.2 billion in FY2017, expected to grow at a CAGR of 14% over FY2017-F2022 to reach a size of INR 77.1 billion by FY2022.



Company Review

IndiaMART provides a robust two-way discovery marketplace connecting buyers and suppliers. Buyers locate suppliers on their marketplace, including both Indian small and medium enterprises (SMEs) and large corporates, by viewing a webpage containing the supplier’s product and service listings or supplier storefront or by posting RFQs or “BuyLeads”. As on FY2019, IndiaMART had organized their listings across 54 industries. On the back of robust business model, the company is able to generate required matchmaking for suppliers using behavioral data driven algorithmic matchmaking. IndiaMART has subscription based revenue model. The company has 5.4 million non-paying subscribers, 1.3 lakh paying subscribers (Silver, Gold and Platinum members) as on FY2019.

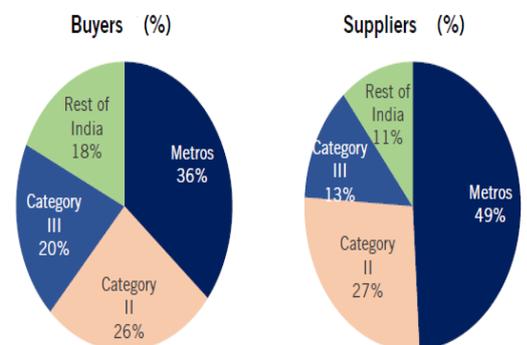
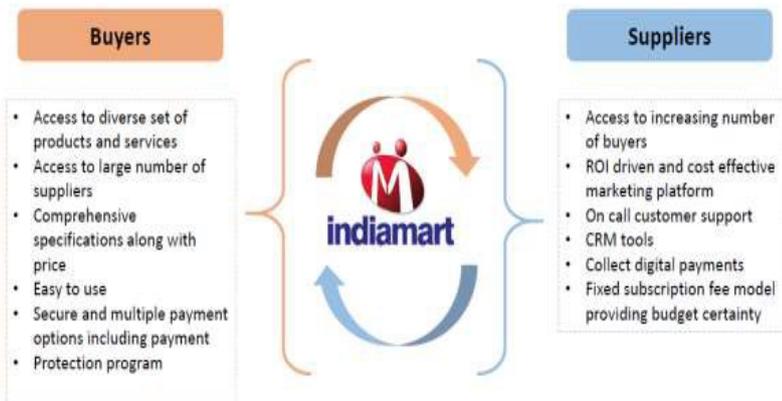
IndiaMART is the India’s largest online Business-to-Business (B2B) marketplace for business products and services with ~60% market share of the online B2B classifieds space in India in FY2017, as per KPMG report. IndiaMART primarily operates through their product and supplier discovery marketplace, www.indiamart.com. Their online marketplace provides a platform for mostly business buyers, to discover products and services and contact the suppliers of such business products and services. IndiaMART had an aggregate of 32.58 crore, 55.26 crore and 72.35 crore visits in FY2017, FY2018 and FY2019, respectively, of which 20.48 crore, 39.69 crore and 55.03 crore comprised mobile traffic, or 63%, 72% and 76% of total traffic respectively.

The company refers to sellers of products and services listed on their IndiaMART marketplace as “suppliers”, and suppliers that subscribe to paid services on IndiaMART as “paying subscription suppliers”. They refer to each visitor to IndiaMART, including, among others, each separate visitor from the same business entity or establishment, for whom they obtain basic identifying and contact information as their “registered buyer”. As on FY2019, they had 8.27 crore registered buyers, and they had 0.56 crore supplier storefronts in India. These Indian supplier storefronts had listed 6.07 crore products, of which 76% of goods comprised products and 24% were services. IndiaMART refer to an enquiry placed by buyers on IndiaMART through telephone, SMS, email or by posting the Requests for Quotes (RFQ) as a business enquiry. They count business enquiries received by a supplier, including each receipt of the same business enquiry by multiple suppliers, as a business enquiry delivered. A total of 44.90 crore business enquiries were delivered to IndiaMART suppliers in FY2019 against 29 crore business enquires were delivered in FY2018. During FY2018 & FY2019, there were 5.26 crore and 7.25 crore daily unique buyer requests, of which 52% and 55% were repeat buyers calculated on the basis of the past 90 days. The company has wide diversity of suppliers with top 10% of customers accounting only for 40% of the revenue.



Widespread Pan India Reach

	Metros	Category II	Category III
Categorization	Delhi NCR, Mumbai, Bangalore, Hyderabad, Kolkata, Ahmedabad, Pune and Chennai	Population > 500,000 excluding the cities covered under Metros	Population 100,000-500,000 excluding the cities covered under Metros and Category II
Number of cities	8	69	394



Source: Company, CBSL



**COMPETITIVE STRENGTHS:**

**Strong network effects and brand recognition**

IndiaMART is India's largest online B2B marketplaces for business products and services with approximately 60% market share of the online B2B classifieds space in India according to KPMG. The company has wide presence across pan India.

**Network Effects:** Its market leading position creates strong network effects as a large number of buyers on their online marketplace results in more enquiries for suppliers, which in turn attracts more suppliers to register, create supplier storefronts and list products and services, consequently attracting more buyers.

**Community Effects:** The large numbers of product and service listings on their marketplace, their focus on B2B commerce and targeted customer acquisition initiatives also create strong community effects as suppliers for one product or service category on their marketplace become buyers for products and services in the same or other categories, thereby increasing organic traffic to their marketplace.

**Comprehensive, convenient and reliable platforms for buyers**

The company's offerings are well suited to the needs of buyers and enable them to following receive comprehensive information on a variety of products and services, and communicate effectively with a large number of suppliers.

- Access to a large number of verified suppliers, products and services,
- Diverse industry and product and service categories,
- Diverse geographies,
- Precise and user-friendly search and reliable matchmaking service,
- Effective tools for communication.

**Robust mobile platform**

According to KPMG, mobile internet has been increasingly contributing to digital media advertising spends increasing from 53% in 2015 to 78% in 2017. The mobile website and app that IndiaMART developed are capable of handling the dynamic needs of their buyers and suppliers while remaining reliable, secure and scalable. Their mobile website and app together accounted for 76% of total traffic to IndiaMART in FY2019, compared to 63% as of March 31, 2017 and has generated 55.03 crore visits in FY2019

The IndiaMART mobile app had been installed 1.08 crore times and 76% of paid suppliers have been active on the app in the last 30 days in FY2019, and is available for Android and iOS devices. During FY2019, 2,89,563 users had rated the IndiaMART app 4.61 out of 5.0 on the Google Play store, the main Android app store.

**Risk Factors**

**Competition Risk:** Competition from new and existing companies may reduce demand for IndiaMART services or cause company to lose visitor traffic, market share or paying subscription suppliers, any of which could adversely affect business, financial condition and results of operations.

**Renewal Risk:** IndiaMART's business, financial condition, results of operations and cash flows could be materially and adversely affected if company is unable to retain existing paying subscription suppliers or attract new paying subscription suppliers to IndiaMART.

**Stress across SME sector:** The Company's majority of the operations depend upon SME sector. From last two years SME sector was going under stress, therefore it would be major risk for IndiaMART.

**Dependence on Technology:** The Company rely on telecommunications and information technology systems, networks and infrastructure to operate its business. Therefore any interruption or breakdown in such systems, networks or infrastructure or its technical systems could impair company's ability to effectively operate in marketplace or provide services.



### Peer Comparison

IndiaMART does not have an exact competitor among listed space.

Name of the Company	Revenue (Rs Crores)	Face Value	Basic EPS	NAV	P/E ^	P/B^	EV/ Sales	EV/ EBITDA	RONW
IndiaMART InterMESH Limited	507.42	10	7.75	55.92	125.58	17.40	4.13	25.48	12.5%

\*Based on the Restated Consolidated Financial Statement for the year ended March 31, 2019, ^ At upper price band of IPO price

### Our Views

IndiaMART has robust two-way business model and derives subscription based revenue from paid suppliers. The company faces competition in attracting and retaining suppliers and buyers from a number of competitors, both in India and internationally.

The company had EV/Sales and EV/EBITDA at 4.13x and 25.48x respectively for FY2019. We believe that the company is well positioned in the growing B2B digital platform business with unique business model and strong client base. One may subscribe for listing gains.

Sources: Company Website and Red Herring Prospectus



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