

IndiaMart InterMESH Ltd

IndiaMart InterMesh (IndiaMart) is an online marketplace and a B2B classifieds platform connecting buyers to suppliers. The company enables the discovery of products across ~50 industry categories. IndiaMart provides lead-generation services to sellers listed on its platform and earns revenue through subscription fee paid by the sellers. As of FY19, the company had 0.55cr sellers listed on its platform with products across 97,000 categories. The number of suppliers using paid services has increased from 72,000 in FY2016 to 130,000 in FY2019.

Positives: (1) IndiaMart's revenue registered 29% CAGR over FY2014-19 to ₹507cr; (2) It is a robust two-way discovery marketplace connecting buyers and suppliers; (3) Number of paid subscription suppliers grew at healthy CAGR of 21% over FY2016-19 to 1,30,000; (4) The company is well diversified across Industries (~50) and Geographies & categories (97,000).

Investment concerns: (1) Despite being the first mover, IndiaMart has not been able to monetize the full benefit, given that it has turned profitable only in FY2018; (2) IndiaMart has to completely depend on adding new subscriptions, as it does not get any fee from deal value; (3) The entry of large player (Google) having huge database poses a threat for company's growth; (4) Over the last 4-5 years, a couple of new ventures have come up in the online marketplace space like Ninjacart (connects farmers to retailers), Power2SME (an online wholesale raw material buying platform for SMEs) and recently entered Udan. We believe IndiaMart will face competition in the respective fields where these have presence.

Outlook & Valuation: At the upper end of the price band, IndiaMart demands PE multiple of 33x of FY19 EPS (post adjustment on account of FVTPL expense). Considering the investment concerns, we believe investors should wait for price discovery before taking any investment decision. **Hence, we have NEUTRAL view on the issue.**

Key Financial

Y/E March (₹ cr)	FY16	FY17	FY18	FY19
Net Sales	254	318	411	507
% chg	44	25	29	24
Net Profit	(119)	(64)	55	20
EBITDA (%)	(45)	(17)	11	16
EPS (Rs)	(41)	(22)	19	30
P/E (x)	-	-	51	33
RoE (%)	-	-	-	13
ROA (%)	-	-	10	2
EV/EBITDA	-	-	60	26
EV/Sale	10	9	7	4

Company Source: RHP, Angel Research; Note: Valuation ratios based at upper end of the price band. FY19 PE is after adjusted for Adj of Fin asset Loss FVTPL

NEUTRAL

Issue Open: June 24, 2019

Issue Close: June 26, 2019

Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹28.59cr

Offer for Sale: **0.48cr Shares

Fresh issue: ₹cr

Post Eq. Paid up Capital: ₹28.59cr

Issue size (amount): *₹472cr - **476 cr

Price Band: ₹970-973

Lot Size: 15 shares and in multiple thereafter

Post-issue implied mkt. cap: *₹2,790cr - **₹2,799cr

Promoters holding Pre-Issue: 58%

Promoters holding Post-Issue: 53%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75% of issue
Non-Institutional	15% of issue
Retail	10% of issue

Post Issue Shareholding Pattern

Promoters	53%
Others	47%

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Company background

The company was incorporated as “IndiaMART InterMESH Limited” on September 13, 1999. The company was promoted by Dinesh Chandra Agarwal and Brijesh Agrawal. Prior to incorporating the company, Dinesh Chandra Agarwal, the Managing Director and one of the Promoters, was engaged in the business of operating the website www.indiamart.com through InterMESH Systems, a sole proprietorship firm. Pursuant to an agreement dated January 01, 2000, the company acquired the assets and liabilities (including the website www.indiamart.com) from Dinesh Chandra Agarwal.

IndiaMart is an online B2B classifieds platform which enables the discovery of products across ~50 industry categories. IndiaMart provides lead-generation services to sellers listed on its platform and earns revenue through subscription fee paid by the sellers on a pay-per-lead basis. As of FY2018, the company had 0.47cr sellers listed on its platform with products across 97,000 categories. The number of suppliers using paid services has increased from 72,000 in FY2016 to 108,000 in FY2018. Of these paid suppliers, 50% subscribe to monthly packages and 15% subscribe to annual packages, the balance subscribe for other packages.

As of March 31, 2019, they had 8.27cr registered buyers, and 0.56cr supplier storefronts in India. These Indian supplier storefronts had listed 6.07cr products, of which 76% of goods comprised products and 24% were services.

Exhibit 1: Well diversified across industries

Industry Category	% of total Suppliers
Building Construction material, Equipment & Real estate	9%
Apparel, Clothing & garment	8%
Vegetables, Fruits, Grains, Dairy Products & Other FMCG	7%
Appliances Consumer Electronics & Household Appliances	4%
Medical, Pharma, Surgical & Healthcare	4%
Accessories Automobiles, Spare Parts and Accessories	3%
Institutes Educational & Professional Training Institutes	3%
Electrical Equipment and Supplies	3%
Information Technology and Telecommunication Services	3%
Trade Event Organizers, Management & Planners	3%
Travel, Tourism, Recreational & Other Hospitality Services	3%
Architectural & Designing Services	2%
Solutions Computers, Software, IT Support & Solutions	2%

Issue Details

IndiaMart is coming up with IPO size of ₹476cr and it only constitutes offer for sale (OFS). OFS largely would offer partial exit to early investor such as Intel Capital (Mauritius), Amadeus IV DPF Limited, Accion Frontier Inclusion Mauritius.

IPO to reserve 10,000 share for employee and will be eligible for Discount of Rs.97/-Per share.

Exhibit 2: Pre & post promoter and investor holding

Particular	Pre Holding %	Post Holding%
Promoter		
Dinesh Chandra Agarwal	32.97	30.00
Brijesh Agrawal	22.34	20.33
Investor		
Intel Capital (Mauritius), Limited –	13.39	4.39
Amadeus IV DPF Limited	3.95	3.06
Accion Frontier Inclusion Mauritius	3.95	2.30
Praveen Kumar Goel	0.37	0.28
Surat Singh Bhati	0.35	0.18

Exhibit 3: Pre and post-IPO shareholding pattern

	No of shares (Pre-issue)	%	No of shares (Post-issue)	%
Promoter	1,65,67,200	58	1,51,37,091	53
Public	1,21,97,980	42	1,36,28,089	47
	2,87,65,180	100	2,87,65,180	100

Source: RHP, Angel Research; Note: Calculated on upper price band

Objects of the offer

- To achieve the benefits of listing the equity shares on the Exchanges and to carry out offer for sale of equity shares.

Key Management Personnel

Dinesh Chandra Agarwal is the Promoter and Managing Director of the company. He has experience in the fields of internet, networking & systems development and consulting. Mr.Dinesh has worked with Hindustan Management and Technical Services Private Limited, HCL America Inc., HCL Limited, HCL Hewlett-Packard Limited, Centre for Development of Telematics (C-Dot) and CMC Limited.

Brijesh Agrawal is the Promoter and Whole-time Director of the company. He has experience in the fields of internet, business management and supply chain. He has been a Director on the Board since incorporation of the company.

Prateek Chandra is the Chief Financial Officer of the company, appointed with effect from February 16, 2015.

Dinesh Gulati is the Chief Operating Officer of the company and has been associated with the company since March 12, 2012.

Consolidated income statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19
Revenue	254	318	411	507
% chg		25	29	24
Total Expenditure	370	372	364	425
Raw Material		21	23	24
Personnel	181	210	195	230
Others Expenses	189	142	146	172
EBITDA	(115)	(54)	47	82
% chg		(53)	(186)	77
(% of Net Sales)	(45)	(17)	11	16.2
Depreciation & Amortization	4	5	3	4
EBIT	(119)	(59)	44	78
% chg		(50)	(174)	79
(% of Net Sales)	(47)	(19)	11	15
Interest & other Charges	1	-		
Other Income	5	2	3	4
Extraordinary Items				
Adj of Fin asset Gain FVTPL		12	16	37
Adj of Fin asset Loss FVTPL		(19)	(123)	(65)
Share in profit of Associates				
Recurring PBT	(115)	(64)	(60)	54
% chg		(44)	(6)	(190)
Tax	4	0	(115)	34
PAT (reported)	(119)	(64)	55	20
% chg		(46)	(185)	(63)
(% of Net Sales)	(32)	(17)	15	5
Basic & Fully Diluted EPS (Rs)	(41)	(22)	19	7

Exhibit 4: Consolidated balance sheet

Y/E March (₹ cr)	FY16	FY17	FY18	FY19
SOURCES OF FUNDS				
Equity Share Capital	75	9	10	29
Reserves & Surplus	(153)	(399)	(331)	131
Shareholders' Funds	(77)	(390)	(321)	160
Minority Interest	0	0	0	-
Total Loans	-	247	373	0
Other Liab & Prov	80	123	172	239
Current Liability	188	241	319	421
Deferred Revenue	226	325	424	586
Total Liabilities	191	221	543	821
APPLICATION OF FUNDS				
Net Block	9	7	7	8
Capital Work-in-Progress	1	1	1	1
Current Assets	164	207	384	721
Investments	125	136	311	607
Inventories	-	-	-	-
Sundry Debtors	0	1	1	1
Cash	19	41	47	78
Loans & Advances	18	5	10	17
Other Assets	2	24	15	18
Other Non Current Asset	17	5	150	90
Total Assets	191	221	543	821

Consolidated cash flow

Y/E March (₹cr)	FY17	FY18	FY19
Profit before tax	(64)	(60)	54
Depreciation	4	2	4
Change in Working Capital	53	130	168
Interest / Dividend (Net)	(2)	(3)	(3)
Direct taxes paid	(1)	(1)	(5)
Others	(10.2)	(110.8)	(37.2)
Cash Flow from Operations	(1)	179	255
(Inc.)/ Dec. in Fixed Assets	(3)	(2)	(5)
(Inc.)/ Dec. in Investments	(5)	(163)	(271)
Cash Flow from Investing	(8)	(165)	(276)
Issue of Equity	7	15	14
Inc./(Dec.) in loans	-	-	-
Others	-	-	0.3
Cash Flow from Financing	7	15	14
Inc./(Dec.) in Cash	(1)	29	(7)
Opening Cash balances	19	18	47
Closing Cash balances	18	47	40

Exhibit 5: Key Ratio

Y/E March	FY16	FY17	FY18	FY19
Valuation Ratio (x)				
P/E (on FDEPS)	-	-	51	140
P/E (Adj FY19)	-	-	51	33
P/BV	-	-	-	18
Dividend yield (%)	-	-	-	-
EV/Sales	10.4	9.0	6.9	4.2
EV/EBITDA	-	-	60	26
EV / Total Assets	14	13	5	3
Per Share Data (₹)				
EPS (Basic)	(41)	(22)	19	7
EPS (Adj FY19)	(41)	(22)	19	30
Cash EPS	(40)	(21)	20	8
DPS	-	-	-	-
Book Value	(27)	(136)	(112)	56
Returns (%)				
ROA	-	-	10.1	2.4
ROE				12.5
Turnover ratios (x)				
Asset Turnover (Gross Block)	28	42	56	60
Inventory / Sales (days)	-	-	-	-
Receivables (days)	0	1	1	0
Payables (days)	325	374	377	422
Working capital cycle (ex-cash) (days)	(325)	(373)	(377)	(421)

Valuation ratios based at upper end of the price band. *adjusted for Fin asset Loss FVTPL

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