

IndiaMART InterMESH LTD.

Nifty	10,957
Sensex	36,351

Issue Details	
Offer Price Band	₹970 – 973
Face Value	10
Shares Offered (in mn)	4.89
Name of the sellers	
Intel Capital (Mauritius), Limited	2.59
Amadeus Iv Dpf Limited	0.26
Accion Frontier Inclusion Mauritius	0.48
Dinesh Chandra Agarwal (Promoter)	0.85
Type	Offer for Sale
Listing (Stock Exchange)	NSE, BSE
Offer Open Date	Jun 24, 2019
Offer Close Date	Jun 26, 2019
Bid Lot	15 Shares

Shareholding Pattern (%)	Pre - Offer	Post Offer
Promoter & Promoter Group	58%	53%
Public	42%	47%

Investors should read the risk factors and more detailed information in the Prospectus and the application form before investing in the issue.

(₹ mn)

Financials	FY17	FY18	FY18
Op. Revenue	3178	4105	5075
Growth		29.2%	24%
Op. Profit	-544	466	823
Op. Profit (%)	-17	11	16
PAT	-643	548	200
PAT (%)	-20.2	13.3	4%

Source: RHP, Way2Wealth Inst. Equity

Company Background

IndiaMART (IML) is India's largest online B2B marketplace for business products and services with approximately 60% market share of the online B2B classifieds space in India. IML primarily operates in product and supplier discovery marketplace i.e. www.indiamart.com or "IndiaMART". IML earns revenues from the sale of subscription packages, from the sale of request for quote or "RFQ" credits, advertising from IndiaMART desktop, mobile optimised platforms and revenue from payment facilitation services. As of March 31, 2018, IML had 59.81mn registered buyers, and 4.72mn supplier storefronts in India. These Indian supplier store fronts had listed 50.13mn products, of which 75% of goods comprised products and 25% were services. IML will be India's first sole B2B e-commerce listing.

Objects Of The Issue

The objects of the offer are to achieve the benefit of listing the Equity Shares on the Stock Exchanges and sale of up to 4.89mn equity shares by the selling shareholders. The Company will not receive any proceeds from the Issue.

Strength

- **Network Effects** – Leading position creates strong network effects with a large buyer base.
- **Comprehensive, convenient and reliable platforms for buyers** – IndiaMART gives access to large number of verified suppliers, products and service from diverse industry.
- **Provides cost-effective platform** – IndiaMART allows businesses to create an online presence and share their business and contact details with potential buyers across India.
- **Leverage growth in mobile penetration** – Growth in mobile penetration in India and promotion of the use of its mobile website and app will consequently increase the number of active buyers and suppliers on the company's online marketplace.
- **Improve supplier engagement, services, retention and monetization** – Plans to maximize engagement with suppliers on IndiaMART, including Indian SMEs and large businesses, by continuing to make IndiaMART an advantageous platform for marketing their products and services
- **Continue investing in our mobile platforms and capabilities** – Intends to continue our investment in mobile platforms by further developing and integrating lead management system applications

Risk

- Competition from new and existing companies may reduce demand for IndiaMART services or cause us to lose visitor traffic.
- Unable to retain existing paying subscription suppliers or attract new paying subscription suppliers to IndiaMART.
- Further operating losses
- Any delay to adapt to new technological developments or industry trends.

Peer Comparison

	CMP	M.Cap (₹bn)	EBITDA Margin in %	EV/EBITDA in %
Just Dial	764	49.7	25.7%	21.41
Matrimony	594	13.52	15.8%	20.85

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Valuation And Investment Argument

IndiaMART has not been a profitable entity on a persistent basis, although its revenue has grown at a CAGR of ~32% from FY14 to FY18. We believe, valuation based on P/E multiple is difficult due to negative PAT level and we value IndiaMART on EV/EBITDA basis. Since there are no listed company with the same business model, we use other listed entities in the internet business like Justdial, and Matrimony. At the price band of ₹970-973, the asking valuation for IndiaMART is ~33x EV/EBITDA (FY19). **We believe the premium valuation of IndiaMART is not justified and inconsistency show at the operating level makes this IPO offer "AVOID".**

Financials

	(₹ mn)			
Income Statement	FY16	FY17	FY18	FY19
Income				
Revenue from operations	2,457.53	3,177.63	4,105.08	5,074.17
Net gain on financial assets measured at FVTPL	37.17	119.14	161.63	373.20
Other income	15.39	22.59	28.55	36.52
Total Income	2,510.09	3,319.36	4,295.26	5,483.89
Expenses				
Employee benefits expense	1,819.22	2,096.74	1,948.57	2,299.83
Depreciation and amortization expense	36.82	46.32	28.85	41.27
Net loss on financial liability designated at FVTPL	70.9	192.79	1,228.62	652.63
Other expenses	1,894.28	1,624.95	1,690.19	1,950.93
Total expenses	3,821.22	3,960.80	4,896.23	4,944.66
Restated Loss before tax	-1,311.13	-641.44	-600.97	539.23
Income tax expense				
Current tax	4.55	2.02	1.81	1.32
Deferred tax credit	0	0	-1,150.37	337.47
Total tax expense	4.55	2.02	-1,148.56	338.79
Profit / (Loss) for the year	-1,315.68	-643.46	547.59	200.44
EBITDA	-1,255.97	-544.06	466	823
EBITDA Margin in %	-51%	-17%	11%	16%

	(₹ mn)			
Balance Sheet	FY16	FY17	FY18	FY19
Non-Current Assets				
Property, plant and equipment	98.23	74.8	72.86	84.80
Capital work in progress	1.77	1.77	1.77	1.77
Intangible assets	8.26	12.33	7.8	5.81
Financial Assets				
Investments	-	-	-	-
Loans	0.33	1.76	0.92	1.22
Bank deposits	113.52	-	302.2	-
Others financial assets	34.28	39.74	35.27	35.60
Deferred tax assets (net)	-	-	1,155.57	858.08
Other non-current assets	12.66	11.79	6.78	7.34
Total non-current assets	269.05	142.19	1,583.17	994.62
Current assets				
Financial assets				
Investments	1,286.30	1,362.62	3,110.70	6,074.45
Trade receivables	2.41	5.31	6.79	5.71
Cash and cash equivalents	187.47	176.59	467.11	401.96
Bank deposits	-	229.96	-	375.48
Loans	9.62	14.5	63.2	16.77
Others financial assets	18.09	36.47	41.44	157.80
Current tax assets	73.17	83.07	91.15	105.54
Other current assets	100.35	158.35	63.57	75.22
Total current assets	1,677.41	2,066.87	3,843.96	7,212.93
Total assets (A+B)	1,946.46	2,209.06	5,427.13	8,207.55
Equity				
Equity share capital	91.69	91.69	99.77	285.92
Other equity	-3,362.42	-3,992.15	-3,312.46	1,312.96
Equity attributable to equity holders of the parent	-3,270.73	-3,900.46	-3,212.69	1,598.88
Non-controlling interests	0.09	0.27	0.46	-
Total equity	-3,270.64	-3,900.19	-3,212.23	1,598.88
Liabilities				
Non-current liabilities				
Financial liabilities				
(i) Share buyback obligation	2,195.18	2,460.90	3,729.30	-
Other financial liabilities	6.66	5.36	2.62	2.84
Provisions	4.88	17.31	59.31	96.00
Deferred revenue	921.96	1,213.32	1,660.91	2,297.91
Total non-current liabilities	3,128.68	3,696.89	5,452.14	2,396.75
Current liabilities				
Financial liabilities				
(i) Trade payables	376.35	302.4	418.92	450.03
(ii) Other financial liabilities	0.17	0.17	0.18	0.48
Provisions	34.9	39.57	47.94	53.28
Current tax liabilities (net)	0.1	-	-	-
Deferred revenue	1,438.74	1,718.45	2,259.23	3,561.9
Other current liabilities	238.16	351.77	460.95	146.22
Total current liabilities	2,088.42	2,412.36	3,187.22	4,211.92
Total liabilities	5,217.10	6,109.25	8,639.36	6,608.67
Total equity and liabilities	1,946.46	2,209.06	5,427.13	8,207.55

Cash Flow	FY16	FY17	FY18	FY19
Cash flow from operating activities:				
Loss before tax (as restated)	-1,311.13	-641.44	-600.97	539.23
Adjustments to reconcile profit before tax to net cash flow:				
Depreciation of Property, plant and equipment	32.21	42.68	23.91	37.67
Amortisation of Intangible assets	4.61	3.64	4.94	3.60
Other Income	-15.39	-22.59	-28.02	(29.65)
Fair value change in investment in mutual funds	-13.51	-100.11	-89.09	(321.86)
Fair value change in share buyback obligation	70.9	192.79	1,228.62	652.63
(Gain)/loss on disposal of property, plant and equipment	-	0.03	-0.53	(0.08)
Share-based payment expense	10.28	19.51	36.83	94.62
(Gain)/loss on disposal of mutual fund investments	-23.81	-19.03	-72.54	(51.34)
Allowances for doubtful debts and advances/Gain from Business Transfer	-	5	-	(6.0)
Operating loss/(profit) before working capital changes	-1,245.84	-519.52	503.15	918.83
Movement in working capital :				
(Increase)/decrease in trade receivables	1.89	-2.89	-1.48	0.27
(Increase)/decrease in other financial assets	-21.75	-35.13	-48.38	2.14
(Increase)/decrease in other assets	-68.25	-57.19	99.83	(12.18)
Increase/(decrease) in other financial liabilities	-3.61	-1.3	-2.73	0.53
Increase/(decrease) in trade payables	108.62	-73.96	116.52	31.12
Increase in other liabilities	701.88	684.68	1,097.54	1,631.75
Increase/(decrease) in provisions	-9.59	11.5	36.01	30.85
Cash generated from/ (used in) operations	-536.65	6.19	1,800.46	2,603.31
Income tax paid (net)	-18.62	-12.01	-9.9	(51.90)
Net cash from/(used in) operating activities (A)	-555.27	-5.82	1,790.56	2,551.41
Cash flow from investing activities				
Proceeds from sale of property, plant and equipment	-	0.02	1.06	0.53
Purchase of property, plant and equipment and other intangible assets	-74.17	-27.01	-22.92	(51.70)
Proceeds from sale of mutual fund investments	-2,359.09	-1,599.56	-3,241.70	(5,199.11)
Interest received Investments in bank deposits	1,741.26	1,642.41	1,655.25	2,608.56
Interest Received (maturity of more than three months)	15.39	22.59	28.02	26.16
Investments in bank deposit	-5.5	-116.44	-72.24	(73.28)
Net cash from/(used in) investing activities (B)	-682.11	-77.99	-1,652.53	(2,758.04)
Cash flow from financing activities				
Proceeds from issues of preference shares under share buyback obligation	1,326.00	72.93	39.78	-
Proceeds from issues of equity shares on exercise of ESOP	-	-	112.71	(143.98)
Interest paid/Acquisition of non-controlling interest	-0.03	-	-	(2.50)
Repayment of short-term borrowings	-0.57	-	-	-
Net cash from/(used in) financing activities (C)	1325.4	72.93	152.49	141.48
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	88.02	-10.88	290.52	(65.15)
Cash and cash equivalents at the beginning of the year	99.45	187.47	176.59	467.11
Cash and cash equivalents at end of the year	187.47	176.59	467.11	401.96

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Disclosure of Interest Statement in IndiaMart InterMesh Ltd. as on June 24, 2019

Name of the Security	IndiaMart InterMesh Ltd.
Name of the analyst	Tausif Shaikh
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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