



SMC Ranking
 ★★☆☆☆ (2/5)

Issue Highlights

Industry	E-commerce
Offer for sale (Shares)	4,887,862
Fresh Issue (Shares)	0
Employee reservation	10,000
Net Offer to the Public	4,877,862
Issue Size (Rs. Cr.)	474-476
Price Band (Rs.)	970-973
Discount offered to Retail & Employee investors	97.00
Offer Date	24-Jun-19
Close Date	26-Jun-19
Face Value	10
Lot Size	15

Issue Composition

	In shares
Total Issue for Sale	4,887,862
QIB	3,658,397
NIB	731,679
Retail	487,786

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	57.58	54.61
QIB	0.00	12.71
NIB	42.42	30.94
Employee reservation	0.00	0.03
Retail	0.00	1.70
Total	100.00%	100.00%

*Calculated on the upper price band

Objects of the Issue

- To achieve the benefit of listing the equity shares on the Stock Exchanges and For the sale of an aggregate of up to 4,288,801 equity shares by the selling shareholders.

Book Running Lead Manager

- Edelweiss Capital Limited
- ICICI Securities Limited
- Jefferies India Private Limited

Name Of The Registrar Link Intime India Private Limited

About the Company

The company is the India's largest online B2B marketplace for business products and services with approximately 60% market share of the online B2B classifieds space in India in fiscal 2017. The company operates through its product and supplier discovery marketplace, www.indiamart.com or "IndiaMART". Its online marketplace provides a platform for mostly business buyers, to discover products and services and contact the suppliers of such business products and services. As of March 31, 2019, it had 8.2 crore registered buyers and it had 0.5 crores supplier storefronts in India. IndiaMART provides a robust two-way discovery marketplace connecting buyers and suppliers.

Strength

IndiaMART's strong network effects and brand recognition drives leadership in the B2B marketplace in India : As of March 31, 2019, IndiaMART provided 8.27 crore on registered buyers with access to 0.5 crore supplier storefronts in India, which list 6.0 crores products and services across 54 industries. "IndiaMART" has become an established and trusted pan India brand, primarily through word-of-mouth accounts of its suppliers' and buyers' experiences. Its strong brand recognition and market position creates positive effects on its business. The company believes that its vast and vibrant network of buyers and suppliers allows it to act as an enabler of scale in the Indian B2B e-commerce sector.

Comprehensive, convenient and reliable platforms for buyer: The company has access to a large number of verified suppliers, products and services. Access to its large database of suppliers and products also gives buyers the benefit of competitive and transparent prices. Besides, its products and services are spread across 54 industries rather than relying on a single target industry. The wide assortment of industry and product and service categories enables us to secure a diversified revenue stream, which in turn allows us to further grow its marketplace and provide a broad range of products and services for its buyers.

Diverse geographies: The Company's products and services are spread across India. Although 36% and 49% of buyers and suppliers are respectively derived from the top eight metro cities in India, namely Delhi NCR, Mumbai, Bengaluru, Hyderabad, Kolkata, Ahmedabad, Pune and Chennai. Its marketplace offerings also generate traffic from second and third tier cities representing more than 1,000 cities in total.

Efficient and effective marketing platform for suppliers: A total of 15.68 Crore business enquiries were delivered to IndiaMART suppliers in fiscal 2017 from its 4 Crore registered buyers, 29 Crore business enquires were delivered in fiscal 2018 from its 6 Crore registered buyers and 44.8 C Crore business enquires were delivered in fiscal 2019 from its 8.2 Crore registered buyers. The company also offers monthly pricing schemes for its subscription packages in addition to annual and multi-year subscription models. IndiaMART allows businesses to create an online presence and share their business and contact details with potential buyers across India. The IndiaMART premium number service allotted unique phone numbers to approximately 470,053 suppliers as of March 31, 2019, and connects calls directly to suppliers.

Deep understanding of online trade and commerce in India that drives innovative solutions: With approximately 19 years of experience in online trade and commerce, it believes that it has a deep understanding of the online commerce landscape and its participants. The company has continuously leveraged its experience and insights from its ecosystem of suppliers and buyers along with the strengths of its IndiaMART marketplace to introduce innovative solutions, including CMS, PNS, RFQs, LMS, payment services and algorithmic matchmaking. Its RFQs automated search engine connects buyer RFQs with relevant suppliers on IndiaMART, giving buyers quick and free access to suppliers and offering suppliers greater choice of, and affordable access to, buyers.

Robust mobile platform: Its mobile website and app together accounted for 72% and 76%, respectively, of total traffic to IndiaMART as of March 31, 2018 and March 31, 2019, compared to 63% as of March 31, 2017. Its IndiaMART mobile website and app is designed to optimize the buyers' experience in product, service and supplier discovery, and has generated 396.9 million visits during the year ended March 31, 2018 and 55 crore visits during the year ended March 31, 2019. As per the company, it continues to make investments in mobile web and app development by recruiting skilled workforce and to further enhance its user experience, provide innovative features to its buyers and suppliers and increase the speed and efficiency of its mobile platforms.

Strategy

Continue to focus on its non-paying and paying supplier acquisition and customer service efforts. The company plans to expand its supplier acquisition efforts, as well as focus on developing its direct sales force as part of its efforts to up-sell higher margin, higher value subscription packages to existing paying subscription suppliers with category and city-specific pricing models to help increase its sales and profitability. The company plan to increase the number of its telephone-based and online customer service employees and capabilities. Increasing its outsourced sales efforts compared to its physical sales footprint is expected to help to reduce its overall costs and increase its revenue.

Realize the scalability of its marketplace: The Company believes that its marketplace for discovery of products and services is highly scalable. As the company experiences continued growth, it has taken, and will continue taking steps to ensure that its existing technology and support infrastructure are capable of handling higher user volumes through greater adoption of automated systems and processes, including behaviour al data driven algorithmic matchmaking capabilities, and reliance on outsourced call centers and Internet based tools for free and paying customer acquisition, upselling and servicing. The company further plans to leverage scale of its marketplace in developing category or vertical specific features as and when demand of such category or vertical reaches a meaningful scale.

Leverage growth in mobile penetration: It has developed a mobile website and a mobile app for its IndiaMART platform, and it has experienced significant increases in buyers accessing its platform through its mobile website and app. For fiscal 2019, 76% of traffic came through its mobile website and app. It believes that leveraging increases in mobile penetration in India and promoting the use of its mobile website and app will consequently increase the number of active buyers and suppliers on its online marketplace.

Attract larger suppliers and leading brands while growing its core SME segment supplier base: While Indian small and medium enterprises initially comprised the core base of the supplier community on IndiaMART, larger corporates and leading brands are growing supplier segments on its platform. The company has increased the number of large corporates and leading brands, it expects its average revenue realization to grow from paying customers through its competitive pricing strategies. This also helps IndiaMART strengthen its credibility amongst small and medium enterprises.

Enhance its buyers' experience: The company continues to enhance its buyers' experience by concentrating on its mission to "make doing business easy". The company also aims to increase its buyers' satisfaction levels by improving the buyers' algorithmic matchmaking process with suppliers and ultimately the chances of fulfilling the buyers' needs through IndiaMART. Furthermore, the company seeks to develop and offer suitable payment solutions for its buyers in order to provide a complete and better buying experience through IndiaMART.

Improve supplier engagement, services, retention and monetization: The Company intends to increase retention and engagement of existing suppliers by improving its matchmaking algorithm which analyzes supplier data on its platform such as RFQ consumption and use of IndiaMART premium number service, payment facilitation services and lead management system, and by adding additional intelligent ranking methods to supplier search results. The company aims to improve accessibility to its platform through its low cost software as a service ("**SaaS**") offering. It believes that these efforts will help the company to retain its network of suppliers, which will in turn benefit and attract more buyers.

Continue investing in its mobile platforms and capabilities: The company intends to continue its investment in its mobile platforms by further developing and integrating lead management system applications, user interface and notifications, customer services provided through instant messaging, GPS location capabilities, voice search technologies and other personalization features in its IndiaMART app. It intends to further encourage the use of its mobile platforms by its suppliers and buyers through targeted marketing initiatives and offering innovative and effective solutions such as integrated voice search, and by encouraging buyers to use its mobile platform to upload their RFQs to IndiaMART.

Risk Factor

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

If fails to retain existing paying subscription suppliers on or attract new paying subscription suppliers : The business, financial condition, results of operations and cash flows could be materially and adversely affected if the company fails to retain existing paying subscription suppliers on or attract new paying subscription suppliers to IndiaMART.

Most of its revenue from Indian suppliers purchasing paid services on IndiaMART: The company earns most of its revenue from Indian suppliers purchasing paid services on IndiaMART. Factors that adversely affect such Indian suppliers could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

The growth of its business depends on the growth of mobile Internet penetration: The growth of its business depends on the growth of mobile Internet penetration and supporting infrastructure in India, and the steady emergence of mobile technology as a viable medium for transacting business.

Depend on third-party service providers for a significant portion of outsourced operational services: The Company depends on third-party service providers for a significant portion of outsourced operational services, and its business may be adversely affected if they fail to meet its requirements or face operational or system disruptions.

Peer Comparison

As per the company, the Company does not have any listed peer group companies in India.

Valuation

Considering the P/E valuation on the upper price band of Rs.973, EPS and P/E of FY2019 are Rs.6.97 and 139.68 multiple respectively and at a lower price band of Rs.970, P/E multiple is 139.25. Looking at the P/B ratio on the upper price band of Rs.973, book value and P/B of FY19 are Rs 55.57 and 17.51 multiple respectively and at a lower price band of Rs. 970 P/B multiple is 17.46. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

Industry Overview

India is the world's seventh-largest economy and has shown consistent growth, which compared favorably to GDP growth across other, developed economies. India is projected to be the fastest growing economy amongst the top 10 economies of the world by GDP, growing around 7-8 percent CAGR from 2018-2023. On the other hand, China and USA are expected to grow at slower rates of ~6 percent and ~2 percent respectively. 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. The number of wireless internet subscribers is projected to increase from 425 million as on December 2017 to 867 million by FY22 primarily driven by growth in the 4G subscriber base. 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 (19.67 million MSMEs were involved in manufacturing whereas 43.72 million MSMEs were involved in services, of which 23.04 million were involved in trade). The number of MSMEs in India has increased at a CAGR of 6.4% in the last 9 years from 36.18 million in 2006-07. These 63.39 million MSMEs employ around 111 million people spread across urban (55 percent) and rural (45 percent) India which represents around 40% of the working population of India. Digital continues to power ad spend growth and stands at INR 93 billion at the end of 2017 growing at 27 percent over 2016. It is forecasted to grow to INR 116 billion by 2018 and continue growing at around 30 percent for the next 2-3 years. The growth in the digital classifieds market from FY2017 to FY2022 is estimated to be driven by the growth in B2B, Automotive and Real Estate classifieds, with Horizontals also continuing to maintain robust growth. The B2B digital classified market is estimated to more than double from a size of INR 5.1 billion in FY'2017 to INR 11.9 billion by FY2022, a CAGR of 18.5%. This market size only consists of revenues from online B2B classified websites, which are involved in the listing, discovery and matchmaking of businesses on their platform. However, given the large market of online search in India, the same also represents a large potentially addressable market for online B2B classified platforms.

Outlook

IndiaMART's is a first mover in providing a platform for MSMEs as B2B online trading platform. Its strong network effects and brand recognition drives leadership in the B2B marketplace in India. On the flip side, the Company depends on third-party service providers for a significant portion of outsourced operational services, and its business may be adversely affected if they fail to meet its requirements or face operational or system disruptions. The issue appears aggressively priced. A long term investors may consider investment for the issue.

EVENT	INDICATIVE DATE (On or about)
FOR ALL BIDDERS	24-Apr-19
Bid/ Offer Closing Date	26-Apr-19
Finalisation of Basis of Allotment with the Designated Stock Ex.	On or about May 3, 19
Initiation of refunds for anchor investors/unblocking of funds	On or about May 6, 19
Credit of Equity Shares to demat accounts of Allottees	On or about May 7, 19
Commencement of trading of the Equity Shares on the Stock Ex.	On or about May 8, 19

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	12 Months Ended 31-Mar-19	12 Months Ended 31-Mar-18	12 Months Ended 31-Mar-17
Revenue from operations	507.42	410.51	317.76
Total expenditure	490.34	486.74	391.45
Operating Profit	17.08	-76.23	-73.68
OPM%	3.48	-15.66	-18.82
Other Income & Net gain on financial assets measured at FVTPL	40.97	19.02	14.17
PBDT	58.05	-57.21	-59.51
Depreciation	4.13	2.89	4.63
PBT	53.92	-60.10	-64.14
Tax	33.88	-114.86	0.20
Profit After Tax	20.04	54.76	-64.35

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	31-Mar-19	31-Mar-18	31-Mar-17
Non-current assets			
Property, plant and equipment	8.48	7.29	7.48
Capital work-in-progress	0.18	0.18	0.18
Intangible assets	0.58	0.78	1.23
Financial Assets			
Investments	0.00	0.00	0.00
Loan	0.12	0.09	0.18
Bank deposits	0.00	30.22	0.00
Others financial assets	3.56	3.53	3.97
Deferred tax assets (net)	85.808	115.56	0
Other non-current assets	0.734	0.678	1.179
Total non-current assets	99.46	158.32	14.22
Current assets			
Financial assets			
Investments	607.45	311.07	136.26
Trade receivables	0.57	0.68	0.53
Cash and cash equivalents	40.20	46.71	17.66
Bank balances other than (iii) above	37.548	0	22.996
Loans	1.677	6.32	1.45
Others financial assets	15.78	4.144	3.647
Current tax assets (net)	10.554	9.115	8.307
Other current assets	7.522	6.357	15.835
Total current assets	721.29	384.40	206.69
Total Assets	820.76	542.71	220.91
Non-current liabilities			
Financial liabilities			
(i) Share buyback obligation	0	372.93	246.09
(ii) Other financial liabilities	0.284	0.262	0.536
Provisions	9.6	5.931	1.731
Contract liabilities	229.79	166.09	121.33
Total non-current liabilities	239.68	545.21	369.69
Current liabilities			
Financial liabilities			
Trade payables	45.003	41.892	30.24
Other financial liabilities	0.048	0.018	0.017
Provisions	5.328	4.794	3.957
Contract liabilities	356.19	258.35	204.16
Other current liabilities	14.62	13.67	2.89
Total current liabilities	421.19	318.72	241.26
Total	660.87	863.94	610.95
NET Worth	159.89	-321.22	-390.05
Net worth represented by:			
Share capital	28.59	9.98	9.17
Other Equity	131.30	-331.25	-399.22
TOTAL NET Worth	159.89	-321.27	-390.05

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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