



IPO DETAILS

| | |
|--------------------------|---|
| Issue Date | 24 th June-26 th June 2019 |
| Price Band | 970-973 per Share |
| Bid Lot | 15 & in multiple thereof |
| Face Value | Rs 10/Share |
| Listing | BSE, NSE |
| Offer For Sale | 4,887,862 Equity Shares |
| Employee Res | 10,000 Equity Shares |
| QIB Category | 3,658,397 Equity Shares |
| Non Institutional | 731,679 Equity Shares |
| Retail | 487,786 Equity Shares |
| Pre Issue Equity Shares | 28,774,820 Equity Shares |
| Post Issue Equity Shares | 28,774,820 Equity Shares |
| BRLM | ICICI Securities Ltd, Edelweiss Financial Services Ltd, Jefferies India Private Limited |
| Registrar | Link Intime India Private Ltd |

Research Analyst : Astha Jain

Company 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 in fiscal 2017, according to the KPMG Report. Company primarily operate through its product and supplier discovery marketplace, www.indiamart.com or “IndiaMART”. Company’s 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 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 the KPMG Report. As of March 31, 2019, IndiaMART provided 82.70 million registered buyers with access to 5.55 million supplier storefronts in India, which list 60.73 million products and services across 54 industries. “IndiaMART” has become an established and trusted pan India brand, primarily through word-of-mouth accounts of company’s suppliers’ and buyers’ experiences. For the year ended March 31, 2019, paid visits comprised of less than 0.19% of overall visits.

Company’s products and services are spread across India rather than relying on a single geography. 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, company’s marketplace offerings also generate traffic from second and third tier cities representing more than 1,000 cities in total. Potential buyers from varying geographies may therefore reliably use company’s platform to fulfill much of their required products and services for their businesses. The wide assortment of product and services spread across geographies makes company to further grow its marketplace by attracting buyers across geographies.

Valuation

The co is bringing the issue at p/e multiple of approx. 140 on FY19 eps basis while it is coming at EV/Sales multiple of 5x on FY19 basis at higher end of price band of Rs 970-973/share .Company’s strong network and brand recognition, drives leadership in the B2B marketplace in India. With company’s robust model of providing two-way discovery marketplace connecting buyers and sellers, company has turned around on EBIDTA level in FY19 as it was into operating losses in FY17 & FY18. According to a report, online addressability has led to businesses becoming increasingly discoverable online, which is leading to the B2B e-commerce market gaining traction. Further, given the ticket sizes associated with B2B/wholesale transactions, the opportunity for B2B e-commerce is even higher as compared to B2C e-commerce market.

Therefore, looking after strong sectoral outlook , going forward we believe that company will show strong financial performance .However at present level , pricing of issue looks little stretched .

Hence we recommend “ Long Term Subscribe” on issue .



Company Overview

Company 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 in fiscal 2017, according to the KPMG Report. Company refer to sellers of products and services listed on its IndiaMART marketplace as "suppliers", and suppliers that subscribe to paid services on IndiaMART as "paying subscription suppliers". Company refer to each visitor to IndiaMART, including, among others, each separate visitor from the same business entity or establishment, for whom company obtain basic identifying and contact information as its "registered buyer". Company primarily operate through its product and supplier discovery marketplace, www.indiamart.com or "IndiaMART". As of March 31, 2019, company had 82.70 million registered buyers and company had 5.55 million supplier storefronts in India. These Indian supplier storefronts had listed 60.73 million products as of March 31, 2019 of which 76% of goods comprised products and 24% were services. Company refer to an enquiry placed by buyers on IndiaMART through telephone, SMS, email or by posting an RFQ as a "business enquiry". Company count business enquiries received by a supplier, including each receipt of the same business enquiry by multiple suppliers, as a business enquiry delivered. Company's 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 provides a robust two-way discovery marketplace connecting buyers and suppliers. Buyers locate suppliers on company's marketplace, including both Indian small and medium enterprises, or "SMEs", and large corporates, by viewing a webpage containing the supplier's product and service listings, or a "supplier storefront", or by posting requests for quotes called "RFQs" or "BuyLeads". Company's marketplace offerings from which buyers can search for and view product and service listings cover a widespread range of industries spread across India, rather than relying on a single target industry or type of geography. As of March 31, 2019, company had organized its listings across 54 industries.

Investment Rationale

According to the KPMG Report, the growing B2C e-commerce market has led to a large number of sellers bringing their businesses online, which is leading to the B2B e-commerce market gaining traction as well. Given the ticket sizes associated with B2B and wholesale transactions, the opportunity for B2B e-commerce is even higher as compared to B2C e-commerce market, according to the KPMG Report. Company's online marketplace capitalizes on this opportunity by helping buyers gain access to a national pool of suppliers, comprehensive product and supplier information in a standardized format and greater transparency in prices. Company's online marketplace also provides suppliers with cost-effective ways to reach new buyers across geographies.

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 the KPMG Report. As of March 31, 2019, IndiaMART provided 82.70 million registered buyers with access to 5.55 million supplier storefronts in India, which list 60.73 million products and services across 54 industries. Company's "IndiaMART" has become an established and trusted pan India brand, primarily through word-of-mouth accounts of company's suppliers' and buyers' experiences. Company's proven IndiaMART platform attracts repeat buyers, leading to less dependence on paid traffic. For the year ended March 31, 2019, paid visits comprised of less than 0.19% of overall visits. The strength of company's IndiaMART brand in India and the vastness of its online marketplace is unmatched.

A total of 156.84 million business enquiries were delivered to IndiaMART suppliers in fiscal 2017 from its 39.37 million registered buyers, 289.98 million business enquires were delivered in fiscal 2018 from its 59.81 million registered buyers and 448.97 million business enquires were delivered in fiscal 2019 from its 82.70 million registered buyers. In addition, a number of leading corporate customers use company's platform for their procurement needs, which may not have been accessible to such suppliers. For example, as of March 31, 2019, users from 50 out of 50 large businesses that make up the CNX Nifty index, the NSE's benchmark index for the Indian equity market comprising the 50 largest companies by market capitalization, use company's platform.



Risk factors

Company is India's leading online marketplace for business goods and services, with approximately 60% market share of the online B2B classifieds space in India according to the KPMG Report. IndiaMART had an aggregate of 325.8 million, 552.6 million and 723.5 million visits in fiscals 2017, 2018 and 2019 respectively. Although company maintain a large market share and strong competitive position, the online commerce industry is highly competitive, and competition will intensify in the future. Company face competition from other Indian and foreign online B2B marketplaces that seek to provide services similar to company such as Tradeindia.com, Exporters India and Alibaba India which are some of the key competitors for IndiaMART. Company also compete indirectly with Internet search engines, traditional brick and mortar suppliers and online business-to consumer service providers. Company's indirect competitors include Google and Industry Buying.

Objects of Offer

The objects of the Offer are to achieve the benefit of listing the Equity Shares on the Stock Exchanges and for the sale of an aggregate of up to 4,887,862 Equity Shares by the Selling Shareholders. Listing will also provide a public market for the Equity shares in India. Company will not receive any proceeds from the Offer and the entire proceeds from the Offer will go to the Selling Shareholders, in proportion to the Equity Shares offered and sold by the respective Selling Shareholder in the Offer for Sale.

Financial Statement

(Rs Cr)

| Particulars | FY17 | FY18 | FY19 |
|---------------------------|---------|---------|---------|
| Total Income | 317.76 | 410.51 | 507.42 |
| Operating Exp | 391.45 | 486.74 | 490.34 |
| EBIDTA | -61.77 | -60.07 | 54.40 |
| EBIDTA Margin (%) | -61.77 | -60.07 | 54.40 |
| Other Income | -- | --- | -190.56 |
| Depreciation | 4.63 | 2.89 | 4.13 |
| EBIT | -64.14 | -60.10 | 53.92 |
| Interest | 0.00 | 0.00 | 0.00 |
| PBT | -64.14 | -60.10 | 53.92 |
| E/O Item | 0.00 | 0.00 | 0.00 |
| PBT After E/O Item | -64.14 | -60.10 | 53.92 |
| Sh of Profit in JV | 0.00 | 0.00 | 0.00 |
| PBT | -64.14 | -60.10 | 53.92 |
| Tax | 0.20 | -114.86 | 33.88 |
| PAT | -64.35 | 54.76 | 20.04 |
| Other Comp Inc | -0.56 | -0.92 | -0.74 |
| Adjusted PAT | -64.91 | 53.84 | 19.31 |
| NPM(%) | -19.69 | 12.62 | 3.54 |
| Eq Capital | 9.17 | 9.98 | 28.59 |
| Res & Surplus | -399.22 | -331.25 | 131.30 |
| Non Con Int | 0.03 | 0.05 | 0.00 |
| Net Worth | -390.02 | -321.22 | 159.89 |
| Eq Shares (In No) | 0.92 | 1.00 | 2.86 |
| EPS | -70.18 | 54.89 | 7.01 |
| ROE (%) | 16.64 | -16.76 | 12.08 |
| ROCE (%) | 16.45 | 18.71 | 33.73 |
| Book Value | -425.37 | -321.96 | 55.92 |

[For Disclosure & Disclaimer, click here](#)