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January 23, 2023

To,

BSE Limited	**National Stock Exchange of India Limited**
(BSE: 542726)	(NSE: INDIAMART)

Subject: Transcript of Earnings Conference Call on financial results and developments for the quarter ended December 31, 2022

Dear Sir/Ma'am,

Pursuant to Regulation 30(6) read with Part A of Schedule III of the Listing Regulations, we wish to inform that the Transcript of Earnings Conference Call for Analysts and Investors held on January 20, 2023, with respect to the financial performance of the Company for Q3 FY2023, is enclosed herewith. The copy of transcript is also available on the Company's website at https://investor.indiamart.com/FinancialResultsStatements.aspx.

Kindly take note of the same.

Yours faithfully,
For IndiaMART InterMESH Limited

MANOJ BHARGAVA
Digitally signed by MANOJ BHARGAVA
Date: 2023.01.23 19:01:14 +05'30'

(Manoj Bhargava)
Group General Counsel,
Company Secretary & Compliance Officer
Membership No: F5164

Encl: As above.

Webinar Transcript

Event: IndiaMART Q3 FY2023 Earnings Webinar

Event Date/Time: January 20, 2023 at 16:00 hrs

CORPORATE PARTICIPANTS:

Mr. Dinesh Chandra Agarwal – Chief Executive Officer

Mr. Brijesh Kumar Agrawal – Whole-Time Director

Mr. Prateek Chandra – Chief Financial Officer

Mr. Kushal Maheshwari – Head of Treasury and Investor Relations

Kushal Maheshwari: Good afternoon, ladies and gentlemen. I'm Kushal Maheshwari, Head of Investor Relations and on behalf of IndiaMART InterMESH Limited, I welcome you all to the company's Q3 FY 2023 earnings webinar. As a reminder, all participants lines will be in the listen-only mode. And then will be an opportunity for you to ask questions after the presentation concludes. Joining us today from the management side, we have Mr. Dinesh Agarwal, Chief Executive Officer; Mr. Brijesh Agrawal, Whole Time Director; Mr. Prateek Chandra, Chief Financial Officer. Before we begin, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer slide number 3 of the earnings presentation for the detailed disclaimer. Now, I would like to hand over the call to Mr. Dinesh Agarwal for his opening remarks. Thank you, and over to you, Dinesh.

Dinesh Chandra Agarwal: Thank you, Kushal. Good evening everyone, and welcome to IndiaMART's Q3 FY 2023 earnings webinar. First of all, a very, very Happy New Year to all of you. We have already circulated our earnings presentation, which is available on our website as well as the stock exchanges' website. I'm sure you would have gone through the same. And I would be happy to take any questions afterwards. I'm pleased to report that IndiaMART has delivered a consolidated collections from customers of Rs. 283 crores, a 28% year-on-year growth and deferred revenue of Rs. 1,015 crores, representing a year-on-year growth of 29%. The growth was primarily driven by 24% increase in the number of paying subscription suppliers and addition of the Accounting Software Services segment that we acquired in the first quarter of this financial year. Continued growth momentum in the paying subscriber is largely driven by recovery across the industries and demand for the digital transformation due to accelerated internet adoption that we have seen over the last two, three years. Total traffic on the platform and the resulting unique business enquiries remained stable at Rs. 250 million and Rs. 22 million, respectively. Our 90-day repeat by were standing at approximately 53%, represents the continued trust on the platform. On the people front, as we continue to build organization, we have added approximately 300-plus employees across sales, service, product and technology in this particular quarter. As the team build up is more or less commensurate with our scale up operation, we expect further increase in the employee base to be more or less in line with the growth in the number of customers. Overall, we ended the quarter on an optimistic note and expect to continue to build upon the growth momentum. The growth reflects customers' confidence in our value proposition. We will continue to invest in further strengthening the value proposition in line with our strategy. Now, I will hand over the call to Brijesh to update about the accounting business, especially Busy Infotech. Thank you, and over to you, Brijesh.

Brijesh Kumar Agrawal: Good afternoon, everyone. In this quarter, Busy has delivered a billing of Rs. 12.4 crores, revenue from operations of Rs. 10.4 crores this quarter and deferred revenue and advances of Rs. 24.1 crores. The EBITDA for this period stood at Rs. 1.6 crores with margins of 16%. And the PAT for the quarter was at about Rs. 2 crores. In this particular quarter, we have also generated positive cash flows of Rs. 4.3 crores. I would like to reiterate that all these numbers that we see here are numbers that has come post shifting towards IND AS in this financial year post our acquisition. Until last year, this reporting was done on basis of GAAP. However, from next quarter onwards, we will be able to give you comparable numbers as we will complete one full year of operations. During this quarter, we also sold 5,000 new licenses, and that takes the overall licenses sold to 323 K till date. We are nearing completion of hiring of our sales team across India. As I've shared with you last quarter that was a priority for us post stabilizing the operations. And we have also now started working on growing the partner network, especially to improve our penetration in the underpenetrated geographies across India. The overall performance of the business is in line with our expectations, and we are confident that our objective of doubling the growth rate of the business should be met in this financial year. With this, I'll hand over the call to Prateek so that he can discuss about the financial performance.

Prateek Chandra: Thank you, Brijesh, and good afternoon, everyone. I will take you through the financial performance for the quarter ending December 2022. Consolidated revenue from operations was Rs. 251 crores in the quarter, registering a growth of 34% year-on-year. Deferred revenue during the quarter stands at Rs. 1,015 crores, an increase of about 29% YoY basis. As these figures includes Accounting Services segment, which we acquired in quarter one of this year, on a like-to-like basis, standalone collection from customers, revenue from operations and deferred revenue were at Rs. 273 crores, Rs. 240 crores and Rs. 991 crores, representing a year-on-year growth of 24%, 28%, and 25%, respectively. As communicated in the previous quarters, the company continued to invest behind growth, primarily in manpower across sales, servicing, product and technology. During the quarter, we have added 325 new employees, taking the total employee headcount to 4,413. Consolidated EBITDA for the quarter stood at 28%. Consolidated other income for the quarter stood at Rs. 102 crores. The increase is primarily on account of one-time realized and unrealized gain of Rs. 67 crores on measurement and sale of investment in other entities, primarily ProcMart, wherein our investee company has raised primary capital from institutional investors at a good valuation. Net profit for the quarter was Rs. 113 crores with a margin of 32%. Cash generated from operations during the quarter was Rs. 115 crores. This includes Rs. 17 crores received as refund of tax paid for the financial year 2019-20. Excluding this refund, normalized cash generated from operations would have been Rs. 98 crores, representing 35% of collections from customers during the quarter. Cash and investment balance during the quarter stood at Rs. 2,108 crores. Thank you very much. We look forward to answering the questions.

Question-and-Answer Session

Operator: We'll now begin the Q&A session. If you wish to ask a question to the panel, kindly raise your hand and allow camera and microphone access or you may type your question in the chat menu. Please restrict to two questions, so that we'll be able to address question from all the participants. We'll wait for a couple of seconds while the question queue assembles. First question is from the line of Vivekanand from AMBIT Capital. Vivekanand, please go ahead.

Vivekanand: Yes, hi. Thank you so much for the opportunity. I have two questions. So, the first one is on the operating metrics like traffic, enquiries and the likes. So, what we see is that for the last several quarters, this number -- I mean, I agree that it has increased versus pre-COVID levels, but it has stagnated at a certain level for the last several quarters. So, my first question is to understand this better. What's really happening here? Is it an indication that the demand environment is very muted? Or is it so that we are seeing more competition? I'd like to understand this better. Second question is with respect to the -- related to the first one, which is the collections growth. We have managed to sustain collections growth at a rate higher than our long-term 20% guidance. Just wanted to understand the confidence that you have in growing your collections at the same pace, perhaps next quarter at fiscal '24? Thank you.

Dinesh Chandra Agarwal: Let me first answer the second part of the question. Because you can see the number of customers acquired or added in the last three - four quarters have been significantly higher than our historical net customer additions, and obviously, that is starting to result in to approximately a 25% kind of a collection growth. As the base effect takes starts to take place, and as the percentage wise number of net customer addition, which is about 8,000 that we have guided, we have been guiding, I think this will trend towards that 20% long-term. So that's the second part of the question. On the traffic and inquiries. So, if we look at the traffic, you are right, there has been a significant increase from pre-COVID. And that significant increase, a lot of that was due to shortages that happened during that COVID time, whether it was medical or whether it was other related stuff. And now I guess, those have slowly and slowly tapered down, while the traffic is still maintained at elevated levels, that is coming from the other parts. You may be right that there may be some here and there economical and inflationary pressure that might have some muted demand. But that's not really visible if you see the traffic even until the last quarter -- September quarter was Rs. 260 million. And it's just this particular quarter in the holiday season, too many holidays in this particular quarter, so we're showing a little bit of a downward trend. But I'm sure that this will continue to be maintained at Rs. 260 million or so. Thank you very much.

Vivekanand: This is really helpful. Just one small follow-up. Am I right in inferring that the exports market is very sluggish at present given the global prevalent factors. And Dineshji, if you could just comment on the impact of that on our business, if any? Thank you.

Dinesh Chandra Agarwal: So, we are typically a domestic B2B marketplace and 95% of our business happens -- 90%, 95% of our business happens for the domestic market. Even the buyer side traffic, if you go and see on some of the external websites, which give you less than 10% of the traffic comes from international places. So, we would not be the right party to comment on the export-related business. In general, last entire decade, we haven't been very bullish on the export. But FY '21, I think there was specifically some spurt on the export. So, it is still to be seen what long-term impacts or medium-term impact would come on the export.

Vivekanand: Thank you. I'll rejoin the queue.

Operator: Thank you, Vivekanand. Next in queue is Abhishek Bhandari from Nomura Capital. Abhishek, please go ahead with your question.

Abhishek Bhandari: Hello sir. Can you hear me?

Dinesh Chandra Agarwal: Yes.

Abhishek Bhandari: Yes sir. Thank you and Happy New Year to everyone. Sir, I just had two questions. One, first is on your other income. There is a very abnormal high number on the other income in the consolidated numbers, almost Rs. 100 crores plus. I could not understand the maths behind that, because the cash balance, what we have is only around Rs. 2,100 crores. So, if you could please help me with that.

Prateek Chandra: Yes, Prateek here. Hi, Abhishek. So, as I discussed, the other income was per Rs. 102 crores in this quarter. It has two components. One is our treasury income, which is a return on the cash and bank balance we maintain. And second is the gains on the strategic investments or any fair value gains that we get on that. So in this particular quarter, there has been an one-time realization and realized gain of Rs. 67 crores coming on account of the sale of investments and measurement in other entities in our investments, primarily ProcMart, wherein they have raised a primary capital from the institutional investors at a very good valuation. So roughly around Rs. 50 crores gain out of the Rs. 67 crores is coming on account of that investment. And the remaining Rs. 17 crores is on account the other investments that we have.

Abhishek Bhandari: Okay. Have we sold the entire stake in this company?

Prateek Chandra: No, we still own 19.5% in this company.

Abhishek Bhandari: Okay. Thank you, sir. The second question is on the competitive intensity. So, you know your peer, which focuses more on the B2C classified business has been talking about aggression on the B2B side with their field staff and hiring plans. If you could share, are you seeing any rise or any threat from any competition of yours, particularly on the classified business? I'm not asking about the transaction, B2B?

Dinesh Chandra Agarwal: No, I don't think we are seeing any, we are hearing anything from our customers or our sales team. And it's been almost -- more than a year or so ever since that B2B thing happened. But no murmurs anywhere from the customer or anywhere from the sales team.

Abhishek Bhandari: Thank you sir. And sir, my last question is, we added around 6,200 - 6,300 paying subscribers this quarter. Are you happy with this run rate?

Dinesh Chandra Agarwal: No. As I've been guiding that we will, on a longer-term basis look forward to 8,000 plus customer addition per quarter, which is about 33,000 - 32,000 in a year. And this particular quarter, it was a one-off because there was Dussehra, Diwali in the same month. So, there was so many less number of working days, otherwise, I'm still confident that we'll still do more than 8,000 in March quarter for sure.

Abhishek Bhandari: Thank you sir. And all the best for this year.

Dinesh Chandra Agarwal: Thank you very much.

Operator: Thank you. Next in queue we have Anmol Garg from DAM Capital. Anmol, please go ahead with your question.

Anmol Garg: Hi, am I audible?

Dinesh Chandra Agarwal: Yes, you are audible. Please go ahead.

Anmol Garg: Yeah. So, a couple of questions. Firstly, on the margins levers. So, we have been building for some time on the margin levers, particularly the operating leverage to play out. So when do you think that the operating leverage will start to play out in the business? So that is one. And secondly, I wanted to ask is the assumptions right that the current supplier additions that we are doing is more on a monthly basis. And in the past, what we have seen is that these monthly suppliers do get upgraded over the quarters. So are you expecting a good amount of ARPU increase as well in the coming quarters as well?

Dinesh Chandra Agarwal: So first part of the question is that margin so as I said, out of these 36 months of COVID, the first 18 months we did not do any investment, whether it is manpower or whether it is -- so because there were too many uncertainties. This is only from around the same quarter last year that we started making aggressive investments back in market. And I think rightly so. So currently, the manpower expenses has gone up on two counts: one, we started to hire more people; and two, the average salaries have shot up considerably in the last two years. So that is showing up in the unrealistic margins that was there 44%, 45% during the Corona time. If you look, we are now back to that 28%, 29% margin bracket pre-COVID. And now the -- if you look at the cash flow from operation versus the collections, the cash flow from operations, removing some of the one-time tax refund is about Rs. 90 - Rs. 95 crores on a like-to-like basis, which is started to trend in the cash margin slightly towards upwards of 30%, as I have been guiding on a long-term target of about 33% or so. So, I think we are fine on that side. But it will probably take one or two more quarters before it can start to expand. The second part was monthly to, yeah. So, as we have been telling about one-third customer come on the annual subscription and two-third customers come from the monthly subscription. The monthly subscription customers have much higher churn, annual subscription customers have a lower churn. And from monthly customers we typically upgrade over a period of time to Annual and Gold. So, when they move up to the Annual mode in the Silver annual or Silver multi-year, the ARPU does not increase much. However, when they move up further to the Gold and Platinum, then that's when the ARPU starts to increase. Currently, since the number of customers at the bottom of pyramid is going too much up, so the ARPU increase, you will not see in the overall customer base. Whatever ARPU that you are seeing increased is that you are seeing in the top 1% and top 10% customer base. So in the near-term, as long as we increase the customer base by 20%, you will not see the overall ARPU increase. But as we start to change the mix of the customers in a slightly longer period of time, then you can expect a CAGR based ARPU increase of 4%, 5%, 6% that we have seen in the past also.

Anmol Garg: Sure, thanks, Dinesh. So just one follow-up on that. That the number of customers that we are adding right now, so has the mix changed that more than two-third are being added on a monthly basis as compared to earlier where two-third were added -- being added on a monthly basis?

Dinesh Chandra Agarwal: So pre-COVID versus now, I think, we are same. Because during the COVID most of the churn happened in that monthly customer. And we also did not prefer too many monthly customer coming and going in that time, because we could not have signed the NACH form, et cetera. So during the COVID time, most of the customer either were acquired on the annual mode or churned out of the customer base. So the monthly customer base had fallen significantly by the end of FY '21 and even in the middle of FY '22. So I think we have built up back again. And now I think the mix is back to the same level as the pre-COVID level.

Anmol Garg: Sure, thanks. Thanks for the answers. I will join back in there.

Operator: Thank you, Anmol. Next in queue, we have Nikhil from Nuvama. Please go ahead with your question, Nikhil.

Nikhil Choudhary: Okay, hello. Can you hear me?

Dinesh Chandra Agarwal: Yes, please. Yes, Nikhil, we can hear you.

Nikhil Choudhary: So, I want to understand the statement in terms of disconnect between revenue growth and employee growth. Revenue growth has been in the last couple of quarters really good. But if you see in terms of employee reach and since first quarter of FY '22 when we started hiring aggressively, employee count growth has been much higher. Just comparison like fourth quarter of '22 to fourth quarter of '21, employee count was up 44%. And even the outsourcing costs has been up from 8%, 9% run rate to 14%. So basically, what I want to understand is the employee productivity or revenue per employee is definitely high from recent historical trends, so are you looking to increase it back to the recent trends we have seen or this is steady state, given we are still hiring?

Prateek Chandra: Okay. So Nikhil, if I could understand your question right, your question is more on the employee growth numbers and outsourcing. In the last two, three quarters, the growth numbers in the employee is much more than our revenue growth. And second is growth on the outsource sales cost.

Nikhil Choudhary: Yes. So basically, number in the last six quarters has increased much faster than revenue growth. And also the outsource cost as a percentage of revenue has increased from 8%, 9% to now approximately 13%, 14%.

Dinesh Chandra Agarwal: Yes, so do not compare them with the -- during the COVID era. As I said, if you compare them with during the COVID era it will not be the right thing. Compare that with the pre-COVID era, first quarter of FY '20 or last quarter of FY '20.

Prateek Chandra: Yes. So Nikhil, outsource sales cost is essentially the cost of the customer addition. So, you can look at the number of customers that we have added, that could justify maybe the reason the outsourced sales cost growing in line with that. In the terms of employees, as Dinesh also said in his opening remarks, that in the last four quarters, we were actually doing the catch up of the growth in the employees that we haven't done in the last two years. So going forward, now we are almost done with that. So going forward, we expect our employees to increase in line with the customer growth volume. This year has been an aberration because this year has been a more catch-up on the investments that we haven't done in the previous two years.

Dinesh Chandra Agarwal: If you see this slide, the dark blue graph remains at that 55%, 56% now. So for the last three quarters, it has actually stabilized and the revenue growth has caught up with the employee growth.

Nikhil Choudhary: Understood, one more question on Busy, we are seeing decline in the current quarter as well as margin decline in the last couple of quarters, just wanted to understand is there any seasonality or there is some organic element as well or how should Busy will trend in Quarter 4 from seasonality and organic growth perspective.

Brijesh Kumar Agrawal: So Nikhil as we have shared that we would be investing behind building the sales team all across India, so that we are present in markets where we are underpenetrated opportunities. So the decline in the margins you see is from building the team upfront which will result into growth in revenues over the next 2- 3 quarters itself. So it is the only principle why you see the decline there overall, as I mentioned, the business that we've seen in the last nine months vis-a-vis the nine months of the previous year, we are in line with our target of doubling the growth rate. So we are fairly happy and comfortable with that.

Nikhil Choudhary: Understood, thank you so much and good luck.

Operator: Thank you, Nikhil. Next question is from the line of Swapnil from JM Financial.

Swapnil Potdukhe: Hi, can you hear me?

Prateek Chandra: Yes, Swapnil. Go ahead.

Swapnil Potdukhe: Yes, thanks. So I had two or three questions. First, on the traffic and business enquiries trades like. Like as we discussed earlier, the trends have not really changed in the last few quarters. Now is it possible that you would be compelled to spend towards A&P if those trends do not change in the next few quarters? That's my first question. And the second question is like we were expecting some integration benefits with Busy. I assume that those benefits are not getting captured right now. So can you give some indication as to when we would see those benefits coming in? That's number two. And number three is with respect to the cash on the books. What are your plans to use that Rs. 2,100 crore of cash that is sitting on our books. How do you plan to utilize there? Thanks.

Dinesh Chandra Agarwal: From the traffic side, I've already answered that currently, there has been 30%, 40% gain from the pre-COVID levels. And in terms of the buyer and supplier side, number of enquiry and everything, I think we are still comfortable. If things require over the next -- I mean, not in this financial year for sure, if things require, we have last done the advertising in FY '16. I think it's been seven years. And so we will -- if at all, we have been guiding that, if at all we will do, we will do the brand advertising. But I don't think it will be mostly to do with the traffic or something. It will be more on the brand recall side. On the cash, I think we have been doing two things, mostly either returning money back to the shareholders as per the dividend or buyback or doing investments into M&A. And we will continue to do both the things going forward as well. Our last few years of cash returned to the shareholders has been Rs. 33 crores and Rs. 46 crores except the FY '21 when there was a COVID time. And I think that is about one-third of the profit pool. And this year, Rs. 130 crores. So I think that will continue to happen. And on the rest of it, the last couple of years we have invested into Busy. We have acquired Livekeeping and also invested into Vyapar. About Rs. 660 crores, we have invested in the accounting segment. And in case we find any other opportunity suitable then we'll do that. Otherwise, we'll return the cash.

Brijesh Kumar Agrawal: And on the question of integration with Busy, as we had guided last quarter also, this year is a year where we wanted to smoothen the whole transition of the management that has happened and get better control on the operations of the business. We are actively discussing internally on ways and means of doing it. But this is something that we would be able to start working upon from next financial year only.

Swapnil Potdukhe: Sure, thanks for taking those questions.

Operator: Thank you, Swapnil. Next in queue, we have Mukul Garg from Motilal Oswal. Please go ahead with your question, Mukul.

Mukul Garg: Yes, look Dinesh, I just wanted to follow-up on the previous question regarding the employee growth. It's still a bit confused on how we should look at it. Can you just help us with the right way we should kind of look at the employee growth? Should we look at the revenue per employee, collection per employee? Or is there another metric we should kind of think about when we kind of view, how the employee growth will happen over the next year or two? And how operating leverage can play out in the business based on the current employee base? Because if I look at the revenue per employee or even collection per employee you are back to early days of FY '21. And while you obviously had a massive operating leverage gain in the subsequent quarters, but now it has all reverted back. So, should it be the case that your employee growth now onwards be in line with your revenue growth? Or should revenue growth actually lead employee growth generating operating leverage?

Dinesh Chandra Agarwal: Yes. So, there are two ways to look at it. One is look at the employees, sales and service employees as a function of the number of total customers -- total paying customers. Approximately for every 66 customers, including the lease level service and customer care person, and including their management overheads, management spend, that works out to be something like that, 65 - 66 customer, one employee. So from that perspective, we see we were quite low on the number of sales and service employees, because we did not backfill during the COVID even if there were attrition. And now the customer base has suddenly grown. So I think we have done the ramp-up and we started doing this ramp up about four, five quarters ago. And I think we are probably towards the fag end of the catch-up being done, maybe another quarter, 100 - 200 people, we are still less. That's the one is there. And then on, you can probably expect the number of employees to grow in line with number of customers or collections for some time. And if we do not get a shock of like last year in terms of the rerating of employee salary by about 25%, 30%, then I think we should start to see the operating leverage again, as we have seen in the past from 71% in FY '16 to 52% in FY '20. FY '21 and '22 are aberration because we really did not invest behind employees or anything. So from 52%, we are a little bit 4% ahead, but I think we should be able to catch up that in the next two, three quarters.

Mukul Garg: Sure. So just to get it right, you are saying on an ongoing basis, between 100 to 140 salesperson would be required assuming 7,000 to 9,000 customer addition per quarter. And as this kind of plays out, assuming again that you don't get another supply side shock in FY '24 and given the trajectory of your deferred revenue, how should we view the operating margin next year?

Dinesh Chandra Agarwal: So I think the way I look at it is the collection from customers and cash flow from operation on a like-to-like basis. On that side, if you see the collection from the cash margin had gone down to about 28% and 30%, this 42% is not like-to-like basis because there is a onetime gain of tax refund of about Rs. 15 crores to Rs. 18 crores -- Rs. 17 crores to be precise. If I reduce that, I think we are now close to 35% cash margin, and that should reflect in the revenue to EBITDA over a period of time.

Mukul Garg: Great, thanks for taking my questions. I'll get back into the queue.

Operator: Thank you, Mukul. Next in queue, we have Manish Gupta from Solidarity Advisors. Hi, Manish. Please go ahead with your question.

Manish Gupta: Okay, I had three questions. The first question is, could you talk a little bit about attrition in the number of paid suppliers? So if the target is to add about 8,000, I guess that is a net supplier addition target. Can you talk a little bit about in the first nine months of this year, what is the gross addition? And how many have attrited? That's the first question.

Dinesh Chandra Agarwal: No, Manish, we do not give out the gross addition and churn numbers specifically, we give out the net addition as well as the general guideline on churn. As we have said that Gold and Platinum, they continue to be churn less than 1% per month. However, on the Silver, annual and multi-year because we have started to acquire customers majorly in the last four, five quarters, their renewals are started to come from last quarter or so. First year churn is higher. Second year churn is lower. Third year churn is even further lower. So, they are on an average if the customer mix remains same, it remains about 2% per month or it goes as high as about 3% per month. On the Silver monthly, again, in the early six months, the churns are higher and later on the churns reduced. So here also as the number of customer has grown up significantly, the churns are little bit higher on the early years, and that is exactly when we were doing 9,000 -

10,000 customer addition I was guiding about 8,000, and I continue to guide about 8,000. So I think that answers all the part of your questions.

Manish Gupta: Yeah. My second question is, could you talk a little bit about how big you think Busy could be in 10 years? How do you see the size of the opportunity? Where is your market share? It's been over a year now since we acquired the company. So for long-term investors, how do they think about how big Busy could be and the rest of your accounting portfolio in about 10 years?

Brijesh Kumar Agrawal: So when we look at the overall accounting space itself, and we look at existing players that are there and the total volume of sales that they do right now, the overall revenues of all of these companies put together is between Rs. 1,000 crores to Rs. 2,000 crores range, right and that's the current scenario. Our expectation on the accounting piece is that it's the improved focus of government on tax compliance, making GST more friendly for businesses. We see that over a period of time, the overall usage of accounting software by businesses will continue to have a good CAGR growth in double-digits over the next 5 to 10 years' period. And therefore, if we look at that kind of a momentum, one, we feel confident that the accounting space in itself will go ahead and may actually become something which is of billion dollar in revenues or more. Second, when we look at the average revenue per customer in the whole industry today, versus the value that is derived by the customer, the ARPUs are very, very low as compared to the value. We will see an improvement in the ARPU also over the next decade, because as a lot of customers will start to adopt cloud solutions, which will be at a much higher cost vis-à-vis the desktop software products that are available. Secondly, there is an increased adoption of mobile apps by these users allowing for improving the ARPUs. So that is another, let's say key driver of this billion dollar plus opportunity that we will see here in India. So we are confident that both on the side of new customers adopting accounting software's as well as ARPU that is generated from each of these accounting software customers, both will actually grow and making this a billion dollar plus opportunity. It depends on how well we really go ahead and execute our plans and what share of this revenue are we able to get for ourselves.

Manish Gupta: Okay. Thank you.

Operator: Thank you, Manish. Next in queue, we have Sarang Sanil from RW Investment. Hi Sarang, please go ahead with your question.

Sarang Sanil: Hello, am I audible?

Brijesh Kumar Agrawal: Yes sir. Please go ahead.

Sarang Sanil: Hi, sir. Thank you for the opportunity. I have a couple of questions relating to the engagement metrics and then operation related question. So first of all, what is this algo change you've been talking for couple of quarters, which is affecting the unique business enquiries of IndiaMART? And also, we can see the number of registered buyers are up 15% YoY. But the active buyers count, which is essentially the material number which we should be looking at, this has been stagnant over a couple of quarters now? Why is this so?

Dinesh Chandra Agarwal: Let me ask the answer the second part of the question, which is the active buyers. So active buyer, if you look at year-on-year basis, pre-COVID it used to be 29 million - 30 million active buyers, which has now gone up to 37 million - 38 million buyers. So it has actually increased by about 30%, in line with traffic. Why are they not coming back again and again? Why our repeat rates remain at 53% - 55%? Is that the healthy rate? Is the 80% repeat rate is the healthy rate, that's the product market rate that we continue to work upon. On the B2B side, we believe that once a quarterly repeat on an average of a large base like this is a good number if it is upwards of 50%. We are not making any changes in the algorithm to decrease unique business enquiries. We are only making changes in the number of business enquiries that are formed from the unique business enquiry to be delivered to multiple suppliers. So that number used to be about 5.1% in FY '17 we found that either our matchmaking was not good enough or the supplier responsiveness was not enough and we needed to introduce almost six, seven supplier per buyer in order for a buyer to receive three odd and relevant replies. We found that now with the behavioral-based data that we have collected and started collecting post FY '19 because of the mobile adoption of the sellers, has given us enough pointers that we are now able to do much more accurate matchmaking between a supplier and a buyer. And number two, the suppliers' responsiveness have also gone up significantly, especially post-COVID that people have adopted to internet, and they have seen the power of internet during the lockdown. So that gave us the opportunity to reduce certain competition and reduce certain wastage. So that is where I think we believe that we should now be able to do with five odd supplier per buyer, which is what we continue to do. Some changes we do on a monthly basis, that is why you are seeing some fluctuation from 5.2 to 5.3 to 5.5, but our target is to go to 5.0.

Sarang Sanil: Okay, sir. That makes sense. And one operations related question is that, you had mentioned on the media that margins have bottomed out. But in Q4, would we still see a pressure on margins coming from the increased headcount and also higher collection that happened during the quarter? Thank you.

Dinesh Chandra Agarwal: Yeah. So when you say margins are bottomed out, you should see quarter as compared to the previous year same quarter, because there is a seasonality in our collection and cost. The first quarter collection is lower. The last quarter collections are higher so or you should look at the cash margin side. So I think the cash margin has probably -- if you look at the cash flow from operation without the tax refund, it would come down to about Rs. 95 crores or so. And that is probably where I can see that the margins have bottomed out.

Sarang Sanil: Okay sir. So we can expect Q4 to have EBITDA margins less than 28%, right, because of higher collection...?

Dinesh Chandra Agarwal: Yes. You should expect 2%, 3% lower. Historically, that has been the trend.

Sarang Sanil: Okay sir. Thank you and all the best.

Operator: Thank you Sarang. Next in queue, we have Kushagra from Old Bridge Capital. Hi Kushagra, please go ahead with your question.

Kushagra: Hi, thanks for the opportunity. A few questions. First, to start with just a follow-up on what the earlier participant asked. So I just want to understand this two line items registered buyer and active buyer. So there was a 5 million jump in the registered buyers, right? And there has been recent absolute increase in the registered buyers for the first nine months as well, but your active buyers have not budged at all. So does this imply that there is an equal amount of leakage in the active buyers or how should we understand the change in these two particular line items?

Dinesh Chandra Agarwal: Yes, that's exactly what it says that there has been leakage in terms of people who came. Because, in general, what happens when every now and then a lot of non-B2B buyers or occasional buyers also end up coming to IndiaMART and put posting certain query, which is who do not become a regular, permanent kind of a buyer. On a B2B buyer side, I think there is a lesser churn, but on an occasional one-time, somebody building a house or somebody looking for a service or a product one-time, there is a churn. So this actually points to the buyer side churn.

Kushagra: Okay. So if that's the case, I mean, on a 9-month basis, you have almost added 15 million registered buyers, right? And I mean, if I consider that as a churn that almost means 40%, 45% of the active buys have churned, right? And you sort of say that 53% of your buyers are repeat buyers.

Dinesh Chandra Agarwal: Yeah. So about 55% is repeat, then 45% is churn, right?

Kushagra: The churn, okay. Got it. Second question is on that line item of outsourced cost. So just trying to understand if correct me if I'm wrong, is this sort of correct to assume that this Rs. 32 crores of quarterly run rate, which you have as outsourced cost, largely represents the sales handling part through which you sort of expect to add 8,000 to 9,000 paid suppliers. Is that right? And if that's the case, how much capacity is sitting in that Rs. 32 crore line item. Or Rs. 8,000 crores to Rs. 9,000 crores just like working on the full potential?

Dinesh Chandra Agarwal: Outsource sales cost, yes, you are right that outsource sales cost, primarily is new sales acquisition cost, whether it is tele-sales or whether it is this. Now the second question is, is the productivity at a full force level? You can say that we have made 100 plus channel partners in the last 18 months or so. And many of those people are yet to deliver better productivity. However, most of the channel sales side, we only take the first six months handholding, and then they become on the per sale basis. So it is quite variable after six months of the channel handholding. On the pure in-house sales, there, yes, the productivity matter, but there we are not adding too many people. I think we had 1,000 odd people there.

Kushagra: Okay. So basically, if that's the case, does this also imply that that Rs. 32 crores represent quarterly run rate represents Rs. 8,000 - Rs. 9,000 of paid supplier addition. And hence, the customer acquisition cost for you guys comes to around almost Rs. 35,000, Rs. 37,000 right, which is almost like 80%, 85% of your ARPUs. So considering the churn, effectively not much money is made for probably the first two years. And thereafter, as and when these customers -- you mine those customers, the large part of the OCF is made from those existing paid suppliers and within that effectively the top 10% of the paid suppliers?

Dinesh Chandra Agarwal: Yes, of course. So the top 10% contribute about 46% of the revenue and almost 80% of the profits.

Prateek Chandra: Yes. And also Kushagra just to add, when you look at the quarterly addition of 8,000 to 9,000 customer, this is actually net of churn customer. So when you look at from an LTV standpoint, essentially after incurring that particular cost which you said, we are getting a customer who is paying me perpetually, because you've already factored in churn in the cost there. So that's the only correction to your hypothesis, rest is fine.

Kushagra: Okay. Got it. Sir, last two questions. One, data question with respect to top 10% customers and top 1% customers. So how much of that revenues from those customers come from buying leads, which is basically they generally buy leads over and above their assigned package, which forms part of their ARPU, which forms part of their revenues. A broad range will be helpful.

Dinesh Chandra Agarwal: Yes, Kushagra that's a good indicator. Whenever somebody starts to buy lead additional to the package that they have taken, that's a good indicator that it's time to upgrade them. So 90%, 95%, 98% of the people typically will have the right package where they will get lead cost at a much more reasonable, because that comes bundled versus buying additional leads.

Kushagra: Sorry, so for the next year, if they sort of go for the renewal, based on the leads they have bought, it's already packaged in their offering, is it?

Dinesh Chandra Agarwal: No. I mean, even in the middle of the year, suppose somebody has taken within Platinum, a Star Supplier package. Suppose we have three packages, Star Supplier, Leading Supplier and Industrial Leadership package. Now a Star Supplier package comes with between 3 - 5 weekly and 50 to 100. So between Star Supplier, it's a three per week per day and four per day in the leading supplier. So if we see that in the Star Supplier is running at the full capacity of its lead consumption behavior, then we try and approach him to say that there might be more leads and you are better off upgrading to a leading supplier package. So most of the people end up upgrading, because there they get a certainty of lead as well as the visibility as well as the direct inbound traffic. Very few people actually purchase leads in the retail manner.

Kushagra: Okay, okay. Got it. Understood. And last one from my side. So basically, you generally have commented in the past that you evaluate your investments up to one year and then you sort of see what to do with it, either go ahead and invest more or probably take some more time. So on that, just trying to understand any update on the acquisitions, especially those two - three, Fleetx, Industry Buying and Bizom, apart from the accounting ones where you are sort of invested more. So any plans to offer them with your existing plans or any more rounds of funding to happen? And with respect to Industry Buying, any progress or learnings from that investment, because this is almost your second highest investment after accounting. So yes, those were the questions from my side.

Dinesh Chandra Agarwal: Yes. So I think Bizom, we continue to remain very positive, because Bizom is a scaled up business. In the FY '22, the revenues were closer to Rs. 50 crores or so. And they are almost operate at a minus 10% EBITDA kind of level. So Bizom we have done, I think, third investment now? Third investment now. On the other scaled up opportunities is the Fleetx where they have last time they had raised, they are still sitting on a good amount of cash. Yes, they are investing also heavily and their revenue is also growing well. Other than that, Vyapar is one, which also has raised enough capital in the last round and continued to grow well. So these are the three, four slightly scaled up opportunities which are there. On the Industry Buying, MonotaRO until last year, because they acquired -- when they acquired Industry Buying, they -- immediately COVID happened and they could not really come and do make much help in the -- now they have started to come, and we have started to visit MonotaRO facility and do some cross learning. So on the MonotaRO side, I think it's an e-commerce business and it remains a cash guzzler. And that is exactly why we wanted a limited exposure to that. And someone who has the global knowledge on this and has scaled up this opportunity in some other locations and profitability. So we believe that it will take some time, and it will probably require some more investments every year or so, but not as heavy as the other e-commerce platforms are the kind we did in the Tolexo times. So I think they are better than that. But in terms of growth, they are also finding it difficult. All other ones are very, very small and are still less than a year kind of investment.

Kushagra: Got it. Thanks a lot and all the best guys.

Operator: Thank you, Kushagra. Next in queue, we have Rahul Jain from Dolat Capital. Rahul, please go ahead with your question.

Rahul Jain: Can you share some of the initiatives that the company has taken to ensure that there is a reduction in churn rates over time and also improvement in upscaling of subscriber from Silver plan to much more lucrative Gold, Platinum plans. And can you share any metrics with existing this trend if you're already doing it?

Dinesh Chandra Agarwal: Yes. So let me answer first the second part of the question. If you see the ARPU over a five-year period. You will see that the ARPU had grown from 33,000 to 45,000 - 46,000 and now trending at a similar level. So ARPU has grown at 5% CAGR. This ARPU is not only at the bottom of the pyramid, this typically comes from the top 10% customer, which is the upgrade from Silver monthly to Silver annual, multi-year to Gold to Platinum. And also we have been disclosing top 10% customers revenue for the last so many quarters, if you see that has grown from 40% of the revenue to almost 46% of the revenue and their ARPU has also grown from 180 K to now 226 K it's a top 10% customer. While the customer base has also grown from 15,000 last year -- last to last year to 20,000 now. So if you compare it with FY '18 or FY '19, we have grown from 10,000 top 10% customer to now 20,000 top 10% customer with 175,000 ARPU to now 225,000 ARPU. So on the churn side, that is the main product market fit that we continue to work upon. And that is the main job that we continue to do. And their one thing is the number of buyers that you can bring and the quality of buy lead or the RFQs that you can generate and the most efficient matchmaking that you can do. So if you see the matchmaking slide, we apply the supplier behavior to do the better searches. So what we do is, I know, I've given this example in the past also. Suppose there are two furniture manufacturers and if you look at their brochure, they will typically have everything from sofa to chair to tables to. But if I look at their RFQ consumption behavior or lead manager behavior, then we will know that they are specifically interested in a particular product, not though they belong to a particular industry called furniture, but the one supplier A is probably more into office chair, where supplier B is probably more into sofa sets. So we know exactly out of the 20 items which are listed, who is the specialist of what. And similarly, we know that if this supplier is based in Delhi, which all places he has affinity to supply. Similarly, the price points that he is looking at and the quantities that he is interested in. So these are the things that we do so that the effort is reduced for the buyer and seller in terms of finding the right supplier or a right buyer. And that is the main thing that we continue to do on reducing the churn.

Rahul Jain: Right. Sir, just one or two incremental thoughts to this question. Sir, while you attributed that the ARPUs is one metric to measure entire item, completely agree that. ARPU is one way to look at it. But I'm sure lot of your Platinum customers are born Platinum because they are a very big brand. And I don't think they would have gone to a Silver to Gold to Platinum journey, but many of them would have been born Platinum on day 1. So it's not completely addressed that aspect, but I understand that there's not many ways to look at it. And so other ways to probably get some local list is either if you could share some cohort analysis over time that how many of your total user in year one to year five has seen a journey in terms of churn versus upgrade over a period of time. And if you keep sharing that on a five-year basis in your Annual Report.

Dinesh Chandra Agarwal: You are 100% right that some of the enterprise customers may be directly born as a Platinum customer, but they are very handful in numbers just 200, 300 in numbers. Whereas, when we are saying top 10% customer, we are talking 20,000 customer, and I'm sure 19,000 of them were born as a Silver and then went to Gold and then went to the Platinum. So 95%

of the customer go through that same journey of Silver to Gold to Platinum. And we take a lot of pride in our upselling systems that we have created over a period of time. Many of the people have appreciated that this is a very sophisticated system. Maybe sometimes you are here, we will like to explain it more.

Rahul Jain: I'm sure. I've been a user and I can see that how relevant it is, not today but for so many years. But somehow the behavior of supplier on our platform is not reflecting, because, A, I see the price point is very cheap, which could not be a reason for lot of people to sustain on the platform. And then we also see that how matchmaking, how perfect it is, even as a consumer when we try to search something as a buyer. But I mean, this very high churn rate somehow is not reflecting the true potential, that's what my reading is.

Dinesh Chandra Agarwal: Yes, you are right. The Silver monthly and Silver annual customer continue to be a problem to be solved better. Despite such a low ARPU, there is a very, very high churn. However, once they upgrade to Gold and Platinum, I think their stickiness improves to almost 90%, and their ARPU also goes upwards of Rs. 2 lakh. So you are right, at Rs. 3,000 a month, why there is so much of churn, and we are yet to find a better solution there.

Operator: Thank you, Rahul. With this, we come to the end of Q&A session. Now I hand over the call to management for their closing remarks.

Dinesh Chandra Agarwal: Thank you, ladies and gentlemen, for joining our conference call for quarter three FY '23. We have tried to address your queries in the time available. But if you still have any queries, please feel free to contact our Investor Relations team. Last quarter is the great quarter for most of Indians. So, wish us luck and wish you luck. Thank you very much. Bye.

Operator: Thank you, everyone. On behalf of IndiaMART, we now conclude this webinar. Thank you.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
2.