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July 27, 2022

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 June 30, 2022

Dear Sir/Ma'am,

In furtherance to our letter dated July 15, 2022, please find enclosed the Transcript of Earnings Conference Call held on Friday, July 22, 2022 at 16:00 hours IST to discuss financial results and developments for the quarter ended June 30, 2022.

The said transcript along with audio/video recordings are 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)
Group General Counsel,
Company Secretary & Compliance Officer
Membership No: F5164

Encl: As above.

Webinar Transcript

Event: IndiaMART Q1 FY2023 Earnings Webinar

Event Date/Time: July 22, 2022 at 16:00 hrs

CORPORATE PARTICIPANTS:

Mr. Dinesh Chandra Agarwal – Managing Director and 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

Ravi Gothwal: Good evening, Ladies and Gentleman, I am Ravi Gothwal from Churchgate Partners, and on behalf of IndiaMART InterMESH Ltd, I would like to welcome you all to the company's Q1 FY23 Earnings Webinar. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask question once the presentation concludes.

Joining us today from the management side we have Mr. Dinesh Agarwal, Managing Director and Chief Executive Officer, Mr. Brijesh Agrawal, Wholetime Director, Mr. Prateek Chandra, Chief Financial Officer, and Mr. Kushal Maheshwari, Head of Treasury and Investor Relations. Before we begin, I would like to remind you that some of the statements made in today's webinar may be forward looking in nature and may involve risk and uncertainties. Kindly refer to slide number three 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, sir.

Dinesh Agarwal: Good evening, everybody and welcome to IndiaMART's Q1 FY23 Earnings Webinar. We have already circulated our presentation, which is available on our website as well as the website of the stock exchanges. I am sure you would have gone through the presentation and I would be happy to take any questions afterwards.

I am pleased to report that IndiaMART has delivered a consolidated collection from customers of Rs. 254 crores and Revenue from Operations of Rs. 225 crores this quarter. Consolidated Deferred revenue increased to Rs. 961 crores and paying subscription suppliers increased to 179 K representing a net addition of about 10,000 in this quarter. These numbers also include Rs. 10.5 crores revenue, and Rs. 25 crores of Deferred revenue from BUSY Infotech services, as the acquisition has been completed in this particular quarter.

In IndiaMART business, growth in the Revenue, Collections and Deferred Revenue was primarily driven by improving macro-economy, as well as the result of recent growth investments we have made in product, sales & servicing and building the organisation. We will continue to make the investments as needed to maintain the growth momentum.

Total traffic on the platform and resulting unique business inquiries remained stable at 257 million and 22 million respectively. Our 90 day repeat buyers stands at approximately 54%, which represents the continued trust on the platform. Total business inquiries delivered is 115 million for the quarter. As we discussed in the previous earnings call, the reduction in the total business inquiry is an outcome of certain algorithmic changes to increase the efficiency for matchmaking and improve the relevancy of RFQ being delivered to the users.

During the quarter we have completed the 100% acquisition of BUSY Infotech and 51% of the Finlite Technologies, resulting into the addition of accounting software segment, in addition to the existing IndiaMART web services business. We have done segmental reporting also from now on, and I'm extremely positive about the scaling of this particular segment over the years leading to the augmentation of new revenue streams.

Overall, I believe we have started off the new fiscal year on a positive note on all performance indicators and we will remain committed to enhance our value proposition and deliver value to the customers which will help consolidate our leadership position in the industry.

Now, I will hand over the call to Mr. Brijesh to discuss a little bit more details about BUSY Infotech. Thank you and over to you.

Brijesh Agrawal: Good Afternoon everyone. The BUSY transaction was consummated on 6th of April and since then, BUSY is a Wholly-owned subsidiary of IndiaMART and being a subsidiary, we shifted the accounting standards from IFRS to Ind-AS for reporting the financial from this quarter onwards.

In this quarter, we delivered a billing of Rs. 13 crores and a Revenue from operations of Rs. 10.5 crores. Please note that because of this change to Ind-AS, Revenue and P&L numbers may not be compatible with the previous periods.

Busy sold about 9,000 new licences in this quarter, taking the overall licences sold to about 3.11 lakhs. This being the first quarter post acquisition, our focus in Q1 essentially was to assimilate people, partners, and bringing the financial systems at par with the reporting standards that we follow here at IndiaMART. I think we've made very good progress on all of these three columns. Now over the next two quarters, we would start focusing on expanding the team, expanding the partner network, and improve our penetration in those areas where it is still very under penetrated.

We hope that in the next two quarters when the focus gets on these elements, we should be able to continue to build on the growth momentum that we've achieved in Q1.

Now with this, I'll hand over the call to Prateek so that he can discuss the financial performance.

Prateek Chandra: Good evening, everyone. I will take you through the financial performance for the quarter ended June 2022.

Consolidated Revenue from operations was Rs. 225 crores in this quarter, a growth of 24% year on year, primarily due to 23% increase in paying subscription suppliers, as well as addition of Rs 10.5 crores from the accounting software segment. On the like-to-like basis, standalone collections from customers, Revenue from operations and Deferred Revenue were at Rs 241 crores, Rs. 213 crores and Rs. 935 crores, representing a year-on-year growth of 42%, 18% and 31% respectively.

The company continued making growth investments in increasing manpower across functions, leading to an additional 163 new employees in this quarter, taking total employee headcount to 3,835. Consolidated EBITDA for the quarter stood at 29%.

We recorded significant decline in other income from Rs. 30 crores previous quarter to Rs. 1 crore this quarter, primarily due to mark-to-market losses on treasury portfolio, owing to significant increase in bond yields during the quarter. As most of our treasury investments are in high grade securities, and have been done with the perspective of holding for two to three years, we believe that this notional loss will reverse the next few quarters. As a result, Net Profit for the quarter stood at Rs. 47 crores with a margin of 21%.

Cash generated from operations during the quarter was Rs. 75 crores. During the quarter, in addition to cash generated from operations, we has utilised cash in making payments for Busy and Finlite acquisitions as well as completing Rs. 100 crores share buyback and resultant tax and expense of Rs 25 crores. As a result, Consolidated cash balance stood at that Rs. 1,882 crores as of 30th of June 2022.

Thank you very much. We are now ready to take any questions.

Ravi Gothwal: We will now begin the Q&A session. Please allow camera and microphone access. If you wish to ask a question once the presentation is available on your screen. You may type your question in the discussion panel and we will revert to you if any question remains unanswered. Please restrict to two questions so that we may be able to address questions from all the participants. We will wait for a couple of seconds while the question queue assembles.

First question is from the line of Vivekanand from Ambit capital. Please go ahead.

Vivekanand: Thanks for the opportunity. My first question is, could you help us understand your distribution model now? How much of the new customer addition is happening via channel partners versus your own employees? And why is the outsourced sales costs still rising despite a QoQ decline in collections? Second question is on the competition. We are seeing competition from two areas: One is the newage B2B marketplaces like Moglix or even a large corporate group like MNP, Grasim. And secondly, the government is talking about its own ONDC marketplace. So, Dinesh Ji, just wanted to understand is it fair to assess that IndiaMART is focused mostly on SMEs at both ends, such as buyers and suppliers whereas most of the peers are focused on large enterprise buyers?

Dinesh Agarwal: On the new channel vs self, I think the channel has been developed over a period of 18 months or so, and we continue to invest behind channel development. Currently, I think new subscriber acquisition is slowly approaching towards half in half. So, half of them are coming from the people who are completely managed by IndiaMART, they are still on a different third party payrolls and the second part is the channel, so half is coming from the channel. On your question, why the channel cost is still increasing versus the collection from the last quarter. So, collection from the last Q4 quarter, most of our collection comes from existing customers, however, the channel is deployed to for the new customer acquisition. So, if you see channel cost will probably start to stabilise in some quarters, but for now I think channel costs will remain elevated. On competition segment, to some extent you are right, that we are more of a marketplace, we are more of a network effect business where buyer and supplier both comes and many of the names that you took are typically focusing on trading of goods rather than matchmaking and network effect so, to that extent, we are very different however, after matchmaking also, the buyers and suppliers transact with each other. So, from that perspective, we are similar and none of them are actually solving full discovery issue. So, currently, if you look at whether it is price discovery, product discovery model, supply discovery, none of them are working on solving the full issue. With 7.2 million suppliers, 86 million products, we get a wide variety of the products and suppliers on IndiaMART platform. So, in that respect, I think we continue to perform better year-on-year over any other platform that you can see.

Vivekanand: This is very helpful sir, just a small follow up. So, one is on the you know your own employees acquiring new customers versus channel partners. So last, I remember I think you had said that around 500 of your own employees were also acquiring customers. Is that number similar or is that come down now? Secondly, on the explanation you gave on competition just wanted your thoughts on the government's ONDC marketplace because that comes up for discussion very often.

Dinesh Agarwal: On the bright side 500 people are in customer acquisition they are in sales & supervision and then there are managers who are overseeing the channel, there are managers who are overseeing the branches. So, those are the people on the IndiaMART payroll and rest everybody is on channel and other third party.

On the ONDC, it is something as a concept evolving and very early and as and when more clarity will emerge, we will try and see where we can collaborate and where to compete. But I think it will be more of a collaboration if at all it becomes positive. So, and it is mostly for B2C consumers and for B2B consumers I think because it's still maybe five years away after they become successful on B2C side.

Ravi Gothwal: So next question is from the line of Pranav from Edelweiss. Pranav, please go ahead.

Pranav: Hi, thanks for the opportunity. My first question is regarding the cost or, you know, the cost, we typically used to see some decline in Q1 from Q4, but this quarter, there was an increase. So how should we see in the next couple of quarters cost going up? So that's my first question. And secondly, if I look at two factors, one is the unique business inquiries and traffic that has sort of plateaued and sort of started declining, can you give me some more colour on, you know, what is happening? If there are any cuts, which are actually leading to decline or how's the underlying traffic becoming?

Dinesh Agarwal: So, let me address the second part and then Prateek will answer the first part. On the traffic and unique business enquiries they have stabilized, I don't think 1-2% decline will matter and on the vendor side what had happened is a lot of stress items were in demand during the covid times. Thankfully, whether it is mask with the sanitizer with medical equipment, a lot of that demand has weaned away. Thus, the other part is that especially in the month of April, post Quarter 4, there has been a huge price rise in various commodities, and that probably led to some tapering off demands and this is very seasonal I guess, we should not have any much worry on both sides, we should be fine on the buyer side. From the pre-Covid levels, we are up for almost 33 to 40% on the buyer side. If we can maintain these for next couple of quarters and then start to grow slowly at 10 to 20% per annum that should be fine. Prateek, you want to add about the cost.

Prateek Chandra: Pranav as I have already spoken about, we continue to invest behind growth and therefore, we have also added manpower in this quarter. So, almost 163 new employees have been added because of which if you see the total manpower cost has moved up other than that the cost have been going up largely in line with the customer additions where we require more employees for hosting of the new customers volume. Let me just repeat my answer on your question on the cost, what I was explaining about the cost was the last quarter we had a total cost of Rs. 144 crores increased from Rs. 93 crores quarter before, of which almost Rs. 4 Crore is on account of addition of accounting and software vertical. And the other is because of the normal increase in the manpower of those 150 odd people. We continue to make these investments and continue to add employees which will be needed for the growth in the business. On the overall basis, we expect our margins to remain stable at 20% to 30% for the next two or three quarters, similar to every time we continue to be in growth phase.

Pranav: Okay and I also wanted to ask a bit about Busy. So, you know, Busy has shown good margins. So how should we see the growth of business going forward? And have you started seeing any benefit, you know, because of the integration, cross selling etc, you know, which will aid growth.

Brijesh Agrawal: So, Pranav as I mentioned the focus in Q1 for us has been that, given that acquisition causes anxiety amongst people, amongst the partner networks, and we also need to go ahead and strengthen the basic financial systems, our focus essentially has been on doing that well. And as I said, it come out with fairly well, we should be able to, you know, start focusing on building up the sales team in Q2, and then start to build up on the partner network in Q3, and I think these two quarters Q2 and Q3 put together, should give us a very good view on how the business will move going forward. We should be able to come back to you with a lot more clarity once we've sailed through this initial period where it is important to ensure that the acquisition and this whole transition actually happens.

Ravi Gothwal: Thank you Pranav. next question is from the line of Abhishek Banerjee, you can go ahead now.

Abhishek Banerjee: I couldn't hear your explanation on the cost side. Are you saying that manpower cost and outsourced sales cost are going to be in the same, I mean, are they going to be continuing the same trajectory going ahead?

Prateek Chandra: So what I said was that the manpower costs and the outsourcing both of them will grow in line with our overall customer base. What we are anticipating is that as we are continuing to invest in this growth for the next two, three quarters, and after that it will start showing some stabilisation.

Abhishek Banerjee: Okay. So, for the next two-three quarters they should remain alleviated and then it will be in line with the revenues.

Dinesh Agarwal: Yeah, if you are comparing them with the previous year, then obviously yes, they will remain alleviated. But if you are comparing them from Q1 level, I think as the revenue growth is now, on a standalone basis at IndiaMART is about 5%-6% QoQ. I would say that similar increase you should assume in the manpower cost and outsourced cost, so that we will maintain about similar 30% EBITDA margin.

Abhishek Banerjee: Got it. So, do you share any numbers on average order values for you're paying customers? Because I saw a slide on ARPU, can you share any metrics of the ROI that a paying subscriber is making on your platform?

Dinesh Agarwal: Yeah, I think many quarters ago I have shared some data around this. Average order value because IndiaMART is a horizontal platform is very difficult to say average because there is clothing, there are machinery and there are grains and there is raw material. However, whatever little information that we get from our own survey, we get to see anywhere between 500 dollar to 1,000 dollar average order value. Our own payment platform Pay-with-IndiaMART where people use that for smaller orders because for larger orders they typically do not use the payment gateway system, there we see an average value of about 25,000 rupees. However, the larger orders are not processed through the Pay-with-IndiaMART platform. As against this, in certain reports I had read that average order value on Amazon is about 13-14 dollars versus the average order on Udaan was about 60 to 75 dollars, our average order value is almost 10x of that. In terms of ROI, ROI is calculated based upon number of inquiries per customer and the conversion and the average order value for that industry, all together will define the overall ROI for the customer. Generally, we have seen that in the last four or five years our number of inquiries have gone multi-fold up as compared to the number of customers, inquiries per customer is already at a quite healthy number and that is why we are also trying to work more on the relevancy side, so that the relevancy led improvement can happen, in different-different industry segment the order value will be different and typically, customers are able to convert anywhere between 5% to 10% of the inquiries that they receive.

Ravi Gothwal: Moving on then the next question of Anmol Garg, please go ahead with your question. Please unmute your line here.

Anmol Garg: Hi, just had couple of questions. Firstly, we added some 226 employees in product and tech this quarter, will it be entirely related to busy Infotech or we have also increased the intensity of our tech hiring. That's one, and secondly wanted to have a view on margins that we are giving an estimate of adding 8,000 to 9,000 paid suppliers every quarter. So just wanted to understand that our sales and employee cost will increase in that manner, however, can we expect any advertisement revenue also coming through into the company to increase our traffic share? And can that impact our margins as well in the next year or going ahead as well? So these are the two questions from my side.

Dinesh Agarwal: At first talking about the product and technology employees. In the last few years, we haven't hired any product and technology and we have given offers to the campus in different time last year, and people had started to join as a trainee from January and most of the people completed their examination and became permanent in this particular quarter. And that's why you're seeing a step function jump in the employee count, so we have actually beefed up our product and tech team, knowing that the market is going to be tough for product and tech, we need more people we have expanded multi fold into different products as you can see our CRM has become quite mainstream. And we are also trying to do experiments around various more engagement features on the relevance improvement, category-based improvement as well as going trying to experiment more on the payment and product side. On the busy also I think 180 total employees have been added, 181 as of 30th June but the entire piece we are trying to explain here is the count of people that have joined IndiaMart and that is the not on account of people at Busy.

The second question was around margins. So, as we guided that margin will remain in the range of 30 odd percent. As we are adding these new customers, these new customers are added at the lowest ARPU in the entry level, as these customers move up in the value chain over the years that will improve demand. So as the customer moves up becomes older and then the margins improved. And you can see the top 10% Customers ARPU is around 220k and top 1% customers ARPU is around 790k. However, the overall ARPU is about 47k While the silver monthly ARPU has been around 2,500 per month which is about 30,000 on annual basis.

Anmol Garg: So, just a follow up on that, just wanted to understand that can we expect IndiaMART to spend more on advertisement as well in coming years?

Dinesh Agarwal: As we have always guided, if at all, we decide to do any advertisement, it will be to the tune of you know Rs. 30-40 crore per annum. However, we feel that last couple of years, there are more buyers than sellers on platform, we are trying to build more supply on the platform, more responsive supply. So I think, in current year or so, we don't plan to spend anything on the brand building advertising for buyer acquisition. Our 100% buyer acquisition remains organic and we believe that it will remain so, for the next year or so. If at all, there are any advertising plan will let you know in advance.

Ravi Gothwal: Next question is from the line of Ratik Gupta Guardian Asset Management. Ratik please go ahead.

Ratik: Hi, Good evening. So, my first question is on the supplier front. So, although we are seeing a 10,000 increase in the supply front for this quarter, so do we have a number if we have lost any?

Dinesh Agarwal: If you're asking about the churn, we give the churn numbers quite frequently in every call, in the top gold and platinum customers, the churn remains less than 10% per annum, in the silver annual segment, the churn becomes about 20 to 25% per annum, and in the silver monthly segment, churn is about 5% per month.

Ratik: Okay, and my second question is, on the current scenario, what we see is that the focus has been towards the manufacturing sector and the product sector. So, are we looking forward to move towards the service sector as well as IndiaMART service?

Dinesh Agarwal: On a large macro side, dividing that into manufacturing, I think we many, many service providers are our customers also. We go by small category by categories, from business services, construction services, that kind of it and I think we continue to expand into more and more categories to monetize better, and we will continue to do that. But are we going to go into B2C services? I don't think so. We will continue to remain B2B services.

Ratik: Not specifically to B2B or B2C? Sir, I'm talking about the services the service segments sector as we are focused towards the manufacturing sector like industrial plants machinery or the construction or the machinery parts, are we focusing on the service segments as well? The supposedly IT services or the financial services segment?

Dinesh Agarwal: Yeah, not much on IT services and financial services, but you will see many, many software companies, you will see many callcentre companies, you will also see many consultants, you will see many chartered accountants and logistics service providers, transportation that kind of services.

Ravi Gothwal: Next question is from the line of Amit Chandra, HDFC securities. Amit, please go ahead.

Amit Chandra: Yes sir. So, my first question is on the on the customer addition that is mostly on the monthly subscribers. So, what percentage of the monthly subscribers get converted to maybe a long-term engagement with us. So, if you can provide some colours on that, whether how many of them that we add, like remain with us, because you have mentioned that churn is coming down. So, what kind of impact is going to have on our ARPU over a longer period of time. And also, in terms of the addition that if I see the incremental ARPU that is obviously on the lower side, so obviously, are we providing some kind of discounts to get suppliers on our platform or the pricing remains the same.

Dinesh Agarwal: So for the first one, on the long term ARPU growth, typically we try to take anywhere between 5% to 6% CAGR ARPU growth and that has been the past and will remain similar. First of all about 2/3 of customers come in the monthly mode and 1/3 of the customer from the annual mode and from the silver customers, many customers upgrade to the gold and platinum over a period of time. Approximately 20% of the customers typically upgrade in a year's time. So, if you look at the cohort wise, some maybe upgrade in second or third month and so on approximately 20% in upsell into yearly and that is how ARPU increases over a period of time. Currently the additions are going to happen on the silver side, so in the near term, ARPU will remain flat or even could be even muted for some time. But over a long period of time, they will increase by way of certain upgrades. Are we giving discounts? I think on the silver side, there are not much discounts, it's a fixed price product. When it comes to the platinum side, we definitely offer customised packages for larger customers.

Amit Chandra: So my next question is on the channel partners. So how the channel partner economics actually work in terms of commission's that were given to channel partners, because what I'm seeing is that as you mentioned that the cost will actually go up in line with the supplier addition. So, why is it that most of the sales that is coming or sales like I mean, in terms of customer additions that is coming, is mostly through the channel partner ecosystem or our in-house sales is also adding to this?

Dinesh Agarwal: Yeah, as I said earlier, that about 50% or more than 50% of the sales currently come from in house sales channel and our endeavour is to keep it at 50%-50% and the cost on the employee front will rise because our cumulative customer base is increasing and we need Client Servicing and renewal and upsell employees and those are 100% in house employees. We have not yet involved channel partners there but we will probably start to think about those, especially in the tier 3 towns. And how the commission works is very, much like standard DSA mechanism, which you see in the banking sector or which you see in the accounting sector. So, the Commission on the sales is to the channel partners is on per sale basis, and is arrived at based upon the historical cost .

Ravi Gothwal: We will move on to the next participant. Manish Gupta from Solidarity Advisors. Please go ahead, Manish.

Manish Gupta: Yes, thanks for the opportunity. I'm sorry, I'm coming back to a question other participants have also raised, you know, you made a statement, I hope I've understood that right, that employee cost will stay roughly proportionate to how your revenue increases. That's kind of you know, very counterintuitive, because of two reasons. One is, one would expect that there would be some productivity of the sales force over time. And secondly, you know, you do mention that people come in in the lower tier and then they upgrade to higher revenue per supplier as they move into the silver and the gold and the platinum programmes. So, it's very counterintuitive. Why your employee to revenue ratio just for the standalone business should not decline over time?

Dinesh Agarwal: So if you look at the current slide on screen, on a long term basis, the margins will improve, and they have been improving. It is only in last two years they have not been exceptionally high because we have been investing behind growth hence employee expense for the next two quarters it will grow in line with that after that it will stabilize.

Ravi Gothwal: So, we'll move on to the next participant, Amit from HDFC Securities, please go ahead with your question?

Amit Chandra: So on the cost part of questions, if I saw the adjusted EBITDA margins that you're given, that is excluding the ESOP cost, if I'm not wrong, and if I exclude the ESOP cost and if I exclude the acquisition impact, then the margins come to around 33%, right ? So what you're seeing here, is that the investments we're planning, and we're targeting 30% margin because the margins of like Busy are on the higher side right. So, typically it would have a positive impact on the margins. So, how do you see the cost aspect and also the ESOP cost? And what will the ESOP cost for full year, if you can give that and also on a standalone basis, how they will move and when it will be stable at these levels?

Prateek Chandra: Sure, so, one clarification when we said about 30% margin that was for EBITDA and not adjusted EBITDA. So, that was actually including the stock comp expense, regarding the ESOP prediction or as to how do we see this cost. So, this cost is primarily on account of the ESOP we gave in month of January. So, for first year, this cost will stay high and over next three quarters it will stay high. After that, depending upon the amortisation schedule it will come down and will stay at 7 Crore for next three quarters and then will come down.

Dinesh Agarwal: On the Busy side, Busy is very new and very small business as compared to the overall business and we will make investments in product, technology and sales. So, for Busy while you are seeing the current profitability as particular, I think our immediate target in Busy is not about margins, but about expanding the sales and making the product available on mobile and cloud and all those things. So, I would say that, that Rs. 5 Crore would not have a larger impact on the operating margin on the consolidated basis.

Amit Chandra: Now, so again on the on the busy side, sir. So, obviously, the rounded that we are showing it's indicating on Rs. 40 crores for full year, but when we acquired also the revenue was actually higher. So, are we are we seeing a YoY kind of a decline for Busy or there is some accounting changes that impacting that and how we are recognising the revenue for Busy and also in terms of longer term targets, how do you see the revenue growth for Busy and in terms of cross sale, how the opportunity is panning out?

Brijesh Agrawal: So, Amit two things. One, the earlier financials issued were based upon IFRS from this quarter onwards we have shifted to Ind-AS and therefore the whole policy of revenue recognition is now as per Ind-AS and not IFRS. So, on a like-to-like comparison basis, if you look at last year, the revenues were based upon the billing, the billing in Q1 is at Rs. 13 crores which means it will be at a run rate of about Rs. 52 crores, higher than the revenues which were there last year. Now, having said this, when we look at the focus that we are having on the Busy business, as I mentioned, the first focus is to make sure that the people and the partners continue to stick with the business and do not get alarmed by this change in management that has happened. We would be able to go ahead and start focusing on growth from Q2, Q3 onwards as we start to invest behind growing the team and growing the partner network.

We had had shared in the last quarter, three priorities in this financial year would be, one. to double the rate of growth from the erstwhile 10% to about 20-25% in this financial year, second, is to increase the overall number of new licences, which are being sold, you know, because that would be forming the foundation for accelerated growth in the years to come. And third would be to go ahead and invest behind building the team and improving the overall awareness of the product, so that we can ensure better penetration in markets all across India. So, these would be the three priorities for us.

Ravi Gothwal: Next question is from the line of Ajay Modi. Ajay, please go ahead.

Ajay: Prateek and Dinesh Ji, quick question. So are we saying that our quarterly employee plus outsourced manpower expense run rate is which is now roughly about Rs. 120 odd crores will go higher further? So that's my first question.

Prateek Chandra: Okay, so coming back to the question on the employee front, as we discussed right now that we will continue to add people. And as the people will get added, this cost will increase. However, as a percentage of revenues, it's likely to stay the same because the revenues will also grow further.

Ajay: Understood, but then Prateek and I think Dinesh Ji can come in here. So our expenses, which were largely flat, we did not do any large hiring, didn't increase team size back in 2020 and 2021, which we've started doing now, my question here is, shouldn't we be sweating these employees more, shouldn't the growth rate to be higher. I mean, for example, you just said that target is to 25% kind of higher IRR four or higher for busy, but for Rs. 40 Crore sales 25% is growth is about Rs. 10 crores which is way too small for a company of our size, right. So, what my understanding that I'm trying to seek here is what is stopping us from higher growth right now we are at 179,000 active users in the IndiaMART platform compared to 7.2 million storefronts, which is roughly about two or two and a half percent of paid to overall subscriber. So what is I mean we if we have money if we are spending if we are hiring, what is stopping us from saying that look, I will drop my ARPU slower and I will increase my subscriptions far, far, far higher. I mean, we are the market leader. So why are we not cleaning out this market completely?

Dinesh Agarwal: Let's look at the leading indicators of the growth. So there are two leading indicators of the growth, one, is the number of customers and the second is the collections. If you look at FY21, we neither added customers nor added any collection. So, if you look at the collection of FY21 versus FY20, it was a flat collection. And if you look at the number of paying subscriber it was a flat year, in the FY22 also, the first half was marred by COVID, it was only whatever growth has happened in the second half of the year. Now, if you look at the current trend, so we are trying to double our customer growth from 20,00 per annum, now, we are saying that we will go to about 35,000 per annum at about 8,000 to 9,000 customers per quarter. So, I think we are investing behind growth. Now, why can't we go even higher, that limits my ability to manage and people's or businesses' adoption of internet, I think we remain committed to a profitable growth business, as we said earlier, so, even before the pandemic, our revenue used to grow at predefined 30% cost seems to grow at 15% to 20%. And that's what resulted into margin expansion. I think for now, given that we have not done any investment in the last two years, currently the margins will remain flat at around 30%. However, as we achieve a higher trajectory, we will again start to focus on margins expansion.

Ajay: Understood, quickly Dinesh Ji. So, you said that why can't we go higher that limits your ability to manage, my question is that look for example, we acquired busy, busy as a revenue of what Rs. 40 crores I mean for doing a 25% growth Rs. 10 crores doesn't even move the needle for IndiaMART as a platform, specifically for Busy, I mean, at what point would we expect a little more aggressive growth here?

Brijesh Agrawal: As I mentioned, we will be able to come back with a much better view on the overall Busy business from next year onwards because we would have seen through this entire time of integration and assimilation of people and partners, and we will build visibility on acquisition and revenue growth going forward. Okay, I've already said this multiple times during the acquisition process, that in first year, my entire focus would be to make sure that we do not go berserk with this division. So, I think the most important factor is that this year let us focus on retaining the revenue, retaining the employee, retaining the partners, retaining the customers, understanding the business inside out, and then next year onwards, let's put the focus on growth.

Ajay: So, then if I were to ask you, what is a three or a five-year view with this business, I mean, what size can should it become not can, but what size should it become?

Dinesh Agarwal: I have given the long term, my own expectation that over a period of time over the next 10 years this can become a Rs. 500 crore business from Rs. 50 crore business.

Ravi Gothwal: Next question is from the line of Vivekanand. Do you have a follow up question?

Vivekanand: Yes, Ravi, I have two follow up. So, one is on the investments, there are several startups where IndiaMART stake is less than 20% like M1 exchange or Bizom. So, do you see an opportunity to increase your stake in these companies anytime soon? Also, in the next 12 to 18 months, how do you envisage the utilisation of cash, will there be any major new investments or material follow on rounds that you expect? Second question is on the shift to weekly salary payout? Is that having any bearing on attrition? Is there anything else to call out in terms of attrition? Thank you.

Dinesh Agarwal: So on the weekly salary, it has been received very well. And I believe that the kind of things that we are listening in the market about attrition, we are not that badly affected. But, you know, I don't think this can be the only reason for our attrition, so if we had a monthly salary, the attrition would have been 1% higher. So I think everything adds up to be attrition. On the minority investment side, you're right that we wanted most of the investments to be around 20%. In many cases, we probably found either it too early to go beyond 20% or the availability to expand further. And in Bizom over the time, we have increased the ownership, in Vyapaar, we started with less but now we are 25-26%, in Legistify also we started with 10-11%, now we are at 15%. So as and when we continue to assess businesses and as and when there are any new things we will continue to look for opportunities to increase our size. In 9 out of the 14 investments that you see here, are about 25% or more, specifically about M1 exchange, it's an RBI controlled and regulated entity and no single entity can take more than 10%, being a RBI controlled banking exchange, so we are only allowed to take up to 10% We already have 7.7% and when we will find the opportunity we will increase it to 9.9%

Vivekanand: Okay, thank you just one more follow up. Any updates on Vyapar and how the uptake has been or how you are thinking about it alongside Busy?

Dinesh Agarwal: Both operate in a very different segment. While Busy operates at more of a small and medium businesses, Vyapar operate mostly at a micro and small businesses, for Vyapar less than 50% of our customers are registered, for Busy I think more than 80% or 90% of customers are registered, if not mistaken and not only just registered, but I think with good turnover. So, Vyapar and busy are actually solving very different needs for very different customer segments. Busy probably has more to do with any kind of market whereas Vyapar is very self-sell accounting software or DIY accounting software.

Ravi Gothwal: Moving on to next participant Ajay Modi. Do you have a follow up question?

Ajay: Yeah. Dinesh Ji quick one, we have a very large exposure now to accounting we have Livekeeping, Realbooks Busy and Vyapar. Can you just throw some light on what is your long term thought process with all these and while I understand which pieces of the puzzle do they fit in? What are we looking at from a longer term? What is opportunity size that we're looking at?

Dinesh Agarwal: Opportunity size, if you look at today's market, about Rs. 2,000 crore is what the customer pays about Rs. 1,000 crores are what the company's revenues are, because most of the companies have been working on box licence model and on the transfer pricing model. So, from the customer side, I'm not talking SAP and others, only the small business accounting for tax, thats about Rs. 2000 crore rupees market and this market has grown rapidly after the GST, this market has actually tripled from being

Rs. 300 to Rs. 2,000 market and ever since then it has been growing and now with mobile and cloud we believe that this market can become a billion dollar market over the next 10 years or so, out of that if you look at major market share has been with Tally and Tally has been primarily an accountant led desktop only accounting software, our take is that, that is going to change Vyapar came from a mobile only and DIY accounting and now slowly and slowly started to offer a hybrid cloud onto desktop as well as mobile, Realbooks is a multi-branch, multi-location simultaneous accounting system, Busy though it has a historically box based, pure desktop model. But I think our vision is to convert that over a period of time into a mobile and multilocation cloud-based model. So we believe that this is a good fit. Anyway, it has all the good business models like stickiness, customer stickiness. It has a recurring revenue stream. Earlier it was in the name of AMC or upgrades. Now I think over a period of time as we have seen most of the software is moving into a recurring revenue system. I think we are looking at currently 1 million businesses within IndiaMART ecosystem using our software, Vyapar has been used by almost half a million people. Busy is being used by many, three lakh licences have been sold. Many, many people have two three firms being operated on the same licence. And similarly, Tally as per public resources, there are about 5 million users on Tally. I think this market is going to only grow. It's been there for almost two years now and this market is going to grow.

Ajay: But are we already seeing the kind of adoption here, as in from a export point of view? What you what you would have expected in terms of production? Are you seeing that already?

Dinesh Agarwal: So in Vyapar, when we first saw Vyapar, somewhere in the middle of 2019, it had less than 10,000 customers. Now just three years from then, in July 2022, there already have been 20,000 odd customers. So, they have added one lakh plus customers in three years.

Ravi Gothwal: I'll now read out a couple of questions from the discussion panel. So, first question is, do you charge commission as a percentage of sales from your platinum subscribers to understand the ARPU of these subscribers?

Dinesh Agarwal: No, we don't.

Ravi Gothwal: Okay, now, moving on to the next question, what is the registered supplier versus paid supplier ratio? And what is your current conversion rate from the free supplier to the paid supplier?

Dinesh Agarwal: About 1,70,000 customer are paid and there are about 70 lakh free customer. So, that makes about 2.5% of the customer base which is paid. If you look at worldwide classifieds, they typically have anywhere between 2% to 5% penetration, whether you look at any of these. In our case, being B2B, we look at GST data and out of the GST data about 12 million people there, there should be about more than a million possible customer base over a long period of time.

Ravi Gothwal: Okay. So, just a follow up sir on this, what would be the strategic focus area or how do you plan to improve this conversion, apart from advertising, but what are the key drivers to improve this conversion rate?

Dinesh Agarwal: We continue to expand, make it easier for people to do DIY as well as continue to expand our touch points, whether it is online, telephone based or community based. Now, we have expanded through channels also we will continue to do that. I would say one of the most important factors in this free to paid conversion is people's own ability to take out value from an internet-based business, there are within the same category, within the same geography, there are some people in the same geography, same industry are able to take out better value from IndiaMART and some people are not, because of the ways how they have adopted to Internet. And as more and more people are adopting more and more, businesses are adopting, that they will also want to improve over a period of time. We have seen it's been only five to seven years and mobile phone has become quite popular. I think it will continue to improve over a period of time.

Ravi Gothwal: Thank you very much sir. Now I would like to hand over the call to Dinesh ji for the closing remarks.

Dinesh Agarwal: Thank you very much for joining our Q1 FY 23 conference call. I'm sorry about the internet disturbance that we had, in case you have more queries, please feel free to reach out to our Investor Relations Department and they will be happy to answer your queries one on one. Thank you very much. Have a great day and have a great weekend.

Ravi Gothwal: Thank you all the participants on behalf of IndiaMART. We now conclude this webinar. You may disconnect your lines now. Thank you.

Notes:

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