

IPO Note

21st June 2019

Company Overview

Indiamart InterMesh Limited (IIL) incorporated in 1999 is India's largest online B2B marketplaces for business products and services with approximately 60% market share of the online B2B classifieds space in India. Company provides 82.70mn registered buyers with access to 5.55 million supplier storefronts in India, which list 60.73mn products and services across 54 industries. It provides a robust two way discovery marketplace connecting buyers and suppliers. Buyers locate suppliers on its marketplace, including both Indian small and medium enterprise or "SMEs" and large corporates, through a webpage containing the suppliers product listings.

Objects of Issue

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and for the Offer for Sale. Further, IIL expects that listing of the Equity Shares will enhance its visibility and brand image and provide liquidity to the Shareholders. The listing will also provide a public market for the Equity Shares in India. IIL will not receive any proceeds from the Offer and all the proceeds will be received by the Selling Shareholders, in proportion to the Offered Shares sold by the respective Selling Shareholders as part of the Offer.

Investment Rationale

Attracting larger suppliers and leading brands through their growing core SME segment supplier base.

While Indian small and medium enterprises initially comprised the core base of the supplier community on IndiaMART, larger corporates and leading brands are a growing supplier segment on their platform.. Indiamart (IIL) seek to make an engaging and effective marketplace for the larger corporate and leading brand suppliers also by continuing to work with large businesses and understanding their purchasing and sourcing processes, they are well-positioned to continue to attract large companies to its platform suppliers as well as buyers. Thus attracting large businesses facilitates creation of a strong network effects .Specifically, a brand that is on boarded helps them in approaching additional brands or divisions of the same company, leading to deeper penetration within the suppliers group, in addition to attract other competitors in the similar industry.

Deep understanding of online trade and commerce in India that drives innovative solutions

With approximately 19 years of experience in online trade and commerce, Indiamart believes to be having a deep understanding of the online commerce landscape and its participants. They are continuously leverage their experience and insights from ecosystem of suppliers and buyers along with the strengths of company's marketplace to introduce innovative solutions, including CMS, PNS, RFQs, LMS, payment services and algorithmic matchmaking. Their multi-tenant seller CMS, was developed internally which helps suppliers to manage their product and service catalogs on IndiaMART. They have utilized data analytics to improve the understanding of the behavior of suppliers and buyers through RFQs - an automated search engine that connects buyer RFQs with relevant suppliers on IndiaMART, giving buyers quick and free access to suppliers and offering them greater choice. In addition, digital online payment facility was implemented last year which allowed buyers to make payments to supplier using multiple payment options.

Valuation and Outlook

IIL is India's largest online B2B market places for business products and services with approximately 60% market share. The company earns revenues from the sale of subscription packages, sale of request for quote or "RFQ" credits, advertising from India MART's digital platforms and payment facilitation services. On valuation front, at the upper end of the price band, IIL is valued at a P/E of 140x to its FY19 earnings which is aggressively priced, given intense competition from emerging players and new entrants. Considering the overall industry environment, we give an "Avoid" rating on this issue.

Issue Details

Offer Period	June 24th - 26th June 2019
Price Band	INR.970 to INR.973
Bid Lot	15
Listing	BSE&NSE
Issue Size (no. of shares in mn)	4.89
Issue Size (Rs. in bn)	4.75
Face Value	10

Issue Structure

QIB	75%
Retail	10%
HNI	15%
BRLM	ICICI Securities, Edelweiss, Jefferies
Registrar	Link Intime Pvt Ltd

Particulars Pre Issue % Post Issue %

Promoter	57.6	52.6
Public	42.4	47.0
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (Millions)

Particulars	FY17	FY18	FY19
Revenue from operations	3,178	4,106	5,074
Total revenue	3,178	4,106	5,074
Expenses			
Employee benefit expenses	2,097	1,949	2,300
Net loss on financial liability designated at FVTPL	193	1,229	653
Other expenses	1,625	1,690	1,951
Total Operating expenses	3,914	4,867	4,903
EBITDA	(737)	(762)	171
Depreciation and amortisation expense	46	29	41
Other income	142	190	410
PBT	(641)	(600)	539
Current tax	2	2	1
Deferred Tax charge	-	(1,150)	337
Total tax expenses	(643)	1,149	339
Profit for the Period/ Year	(643)	548	200
Diluted EPS	(22)	19	7

Source: Company, BP Equities Research

Cash Flow Statement (Millions)

Particulars	FY17	FY18	FY19
Cash Flow from operating activities	588	1,829	2,587
Cash flow from investing activities	602)	(1,703)	(2,825)
Cash flow from financing activities	73	152	144
Net increase/(decrease) in cash and cash equivalents	59	278	(94)
Cash and cash equivalents at the beginning of the period	115	174	452
Cash and cash equivalents at the end of the period	174	452	359

Source: Company, BP Equities Research

Balance Sheet (Millions)

Particulars	FY17	FY18	FY19
Assets			
Non Current Assets			
Property, plant and equipment	75	73	85
Capital work in progress	2	2	2
Intangible assets	12	8	6
Financial Assets			
(i) Loans	2	1	1
(ii) Bank deposits	-	302	-
(iii) Other financial assets	40	35	36
Deferred tax assets (net)	-	1,156	858
Other non-current assets	12	7	7
Total non-current assets	142	1,583	995
Current Assets			
Financial assets			
(i) Investments	1,363	3,111	6,074
(ii) Trade receivables	5	7	6
(iii) Cash and Cash Equivalents	407	467	777
(iv) Loans	15	63	17
(v) Other financial assets	36	41	158
Current tax assets (net)	83	91	106
Other current assets	158	64	75
Total current assets	2,067	3,844	7,213
Total Assets	2,209	5,427	8,208
Equities and liabilities			
Equity			
Share capital	92	100	286
Other equity	(3,992)	(3,312)	1,313
Non-controlling interests	0	0	-
Total Equity	(3,900)	(3,212)	1,599
Liabilities			
Non-current liabilities			
Financial liabilities	2,466	3,732	3
Provisions	17	59	96
Contract liabilities (Previous year: Deferred revenue)	1,213	1,661	2,298
Total non-current liabilities	3,697	5,452	2,397
Current liabilities			
(i) Trade payables	303	419	451
Provisions	40	48	53
Contract liabilities (Previous year: Deferred Revenue)	2,041	2,584	3,562
Other current liabilities	29	137	146
Total current liabilities	2,412	3,187	4,212
Total liabilities	6,109	8,639	6,609
Total equity and liabilities	2,209	5,427	8,208

Source: Company, BP Equities Research

Key Risks

- ⇒ Competition from new and existing companies may reduce demand for services or cause them to lose visitor traffic, market share or paying subscription suppliers, any of which could adversely affect their business, financial condition and results of operations.
- ⇒ Growth of business depends on the growth of mobile Internet penetration and supporting infrastructure in India, and the steady emergence of mobile technology as a viable medium for transacting business.
- ⇒ Company rely on telecommunications and information technology systems, networks and infrastructure to operate their business and any interruption or breakdown in such systems, networks or infrastructure or technical systems could impair the ability to effectively

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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