

IndiaMART InterMESH Limited

3rd Oct 2022

Digital launchpad for Indian Businesses

IndiaMART InterMESH (IndiaMART) is the largest online B2B marketplace for Indian business products and services and holds approximately 60% market share in the online B2B classified space. The Company operates on a strong network effect where more buyers attract more sellers and vice versa. IndiaMART is creating an ecosystem of web-based services that will empower businesses across the country. We initiate coverage on IndiaMART InterMESH Ltd. with a BUY rating and a target price of Rs. 5,174 based on 45x FY24E EPS.

Advantage of adequate capacity for the vast growth runway

Out of 60 Mn+ MSMEs in India, ~35% are already registered on IndiaMART as suppliers. Of these registered suppliers, only ~2.5% have subscribed to IndiaMART's paid service leaving a massive growth opportunity for IndiaMART. On the buyer side, the Company has already built suitable capacities which attract enormous traffic on its platform. This helps IndiaMART offer quality leads to its suppliers at the lowest cost in the industry and strengthen its network further. The Registered Buyer/Paid Supplier ratio stands at 224. Based on this capacity itself, the management has adopted an aggressive stance to go after seller acquisition. IndiaMART's strength and quality of its network will further improve as the Company adds business enablement services to its offerings.

Generates >90% profits in the industry signifying highest sustainability strength

IndiaMART is the only player in the B2B e-commerce industry that has managed to constantly operate its platform profitably. While most players (including players more mature than IndiaMART) are merely making any profits. This ability to generate constant profits and positive cash flows allows IndiaMART to sustain difficult times and turn aggressive when other players have to focus on survival. To reduce its attrition rate, IndiaMART doesn't charge higher fees from its matured customers. This strategy is contrary to how companies are chasing growth at the cost of profitability.

View & Valuation

Keeping in view IndiaMART's aggressive stance, rising internet penetration among Indian businesses, and the strength of IndiaMART's network, we believe that the Company will be able to add 35,000-40,000 paying suppliers each year to its bank and will keep growing its Average Revenue per Paying User (ARPU) at the rate of inflation which has historically been ~5-6%.

Operating margins will be under pressure in FY23E as the cost burden will significantly rise on account of the Company's decision to pursue growth. We believe these costs will be absorbed, and operating leverage will kick in from FY24E, which will lead to margin normalization at 30%+ and an expected EPS of Rs. 115. We initiate coverage of IndiaMART with a BUY rating and a target price of Rs. 5,174, resulting in ~16% upside from current levels.

BUY

CMP Rs. 4,452

TARGET Rs. 5,174 (+16.2%)

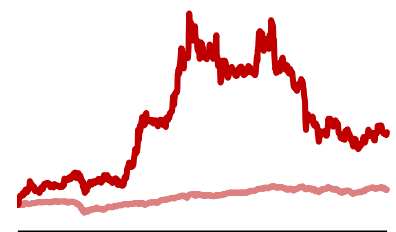
Company Data

MCAP (Rs. Mn)	1,36,296
O/S Shares (Mn)	31
52w High/Low	9,710 / 3,676
Face Value (in Rs.)	10
Liquidity (3M) (Rs. Mn)	673

Shareholding Pattern %

	Jun 22	Mar 22	Dec 21
Promoters	49.22	49.52	49.52
FIIIs	23.59	23.93	26.53
DIIIs	4.96	5.46	5.33
Non-Institutional	22.22	21.09	18.61

IndiaMART vs Nifty



Sep, 19 Sep, 20 Sep, 21 Sep, 22
 — IndiaMART — NIFTY

Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Mn)	FY22	FY23E	FY24E
Revenue	7,535	9,455	11,516
EBITDA	3,078	2,647	3,858
Net Profit	2,976	2,210	3,524
Total Assets	31,104	33,035	36,082
ROCE (%)	17%	11%	16%
ROE (%)	17%	11%	16%

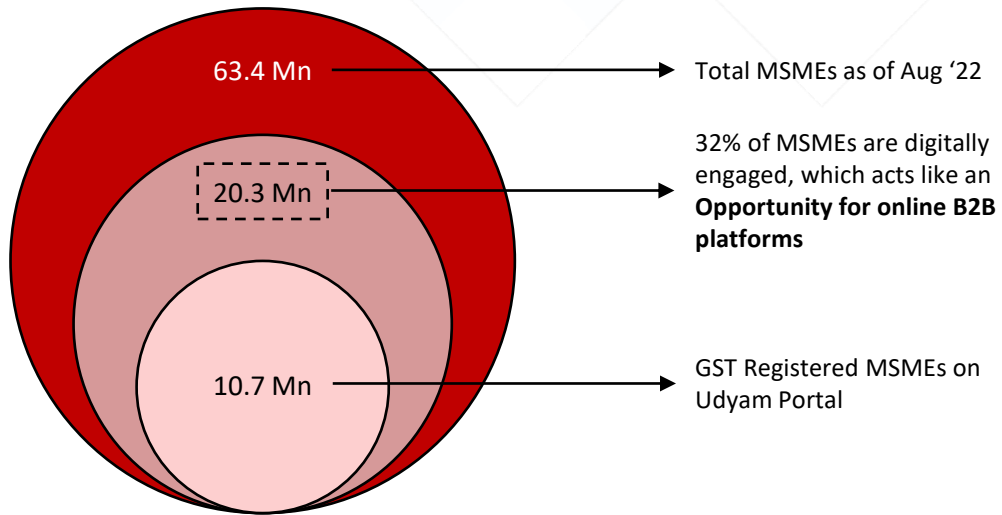
Source: Company, Keynote Capitals Ltd.

Chirag Maroo, Research Analyst
 Chirag@keynotecapitals.net

B2B E-commerce industry

B2B E-commerce platforms create an ecosystem that enables smoother transactions, procuring raw materials and industrial goods, and establishing a better connection between brands and small shop owners. The increasing B2C e-commerce market has made enterprises easily discoverable online, leading to B2B e-commerce market gaining size traction.

MSME segment contributes ~33% to India's total manufacturing output. Online B2B platforms have set themselves up in such a way that they can be helpful to MSMEs as well as large established businesses.



Source: msme.gov.in, Company, Keynote Capitals Ltd.

The Indian B2B digital classified market is estimated to be ~Rs 12Bn as of FY22 and has grown at a CAGR of ~18% in the last five years. The market is a combination of horizontal and vertical players.

Horizontal B2B e-commerce platforms grow by expanding into any industry, adjacent or not. For example, on one hand, a customer can find medicines on IndiaMART but can also find construction machinery. On the other side, Vertical businesses grow by expanding into the same or adjacent industries in the supply chain. For example, OfBusiness facilitates raw material procurement and credit for SMEs, focusing only on the manufacturing and infrastructure sectors.

Classification of the industry based on where a company plans to expand

Particulars	Horizontal expansion	Vertical expansion
Target market	Larger compared to vertical	Smaller compared to horizontal
Time frame	Comparatively matured	Comparatively younger model
Dominance	Can't dominate, can only be one of a giant	Industry domination is possible
Saturation	Will hit after a long time	Will hit before horizontal
Focus on	User acquisition	Customer retention
Applications	Any business/industry	Specialized / industry specific applications
Companies	IndiaMART, TradeIndia, Udaan, Moglix	OfBusiness, Zetwerk, IndustryBuying

Source: Company, Keynote Capitals Ltd.

IndiaMART InterMESH Ltd | Initiating Coverage Report

Like any other industry, players in the B2B industry generate revenue in multiple ways. Some businesses operate on a subscription model where they charge the seller for giving a buyer reference. In contrast, others either operate on a commission-based model where they charge a % commission of the amount of transaction taken place over the platform, or they operate as a reseller of goods or services produced by the seller.

Apart from this, the platforms also provide numerous value-added services to their customers, including logistics, payment gateways, CRM, invoicing, financing, etc., which helps them to generate additional revenue.

Classifying B2B E-Commerce industry based on revenue model of the platform

Models	Characteristics
Subscription-based platforms	<ul style="list-style-type: none"> • Online B2B classified provide a cost-effective and convenient channel for exchanging goods and services by connecting buyers and suppliers • Earns revenue by offering several subscription packages to sellers in exchange for increasing their visibility on the platform • Platforms also offer requirements posted by buyers as 'paid leads' to suppliers, which they get with their package or can purchase additionally • Also earns money by selling advertising space to sellers • Some players operating on this model are IndiaMART, TradeIndia, Exporters India, Alibaba India, etc.
Transaction-based platforms	<ul style="list-style-type: none"> • Like B2C platforms, where buyers can compare and purchase products offered by multiple sellers directly, but have features like bulk orders, quantity discounts, the ability to edit a purchase order online, quotations, etc. • Earns revenues by charging certain % of commission on every transaction • Also earn money by selling advertising space to Sellers • Given that the wholesale market is a low-margin business, this limits the ability to increase the percentage commission charged • Some players operating on this model are Industry Buying, Power2SME, OfBusiness, Moglix, etc.
Resale platforms	<ul style="list-style-type: none"> • Earns revenue through re-selling Inventory purchased beforehand from Sellers • Also earns money by selling advertising space to sellers • Has high working capital requirements as it shifts entire risk on to the platform rather than acting as an aggregator • NYKAA (Beauty & Personal care vertical) is one of the players operating on this model

Source: Company, Keynote Capitals Ltd.

IndiaMART InterMESH Ltd | Initiating Coverage Report

About IndiaMART InterMESH Limited

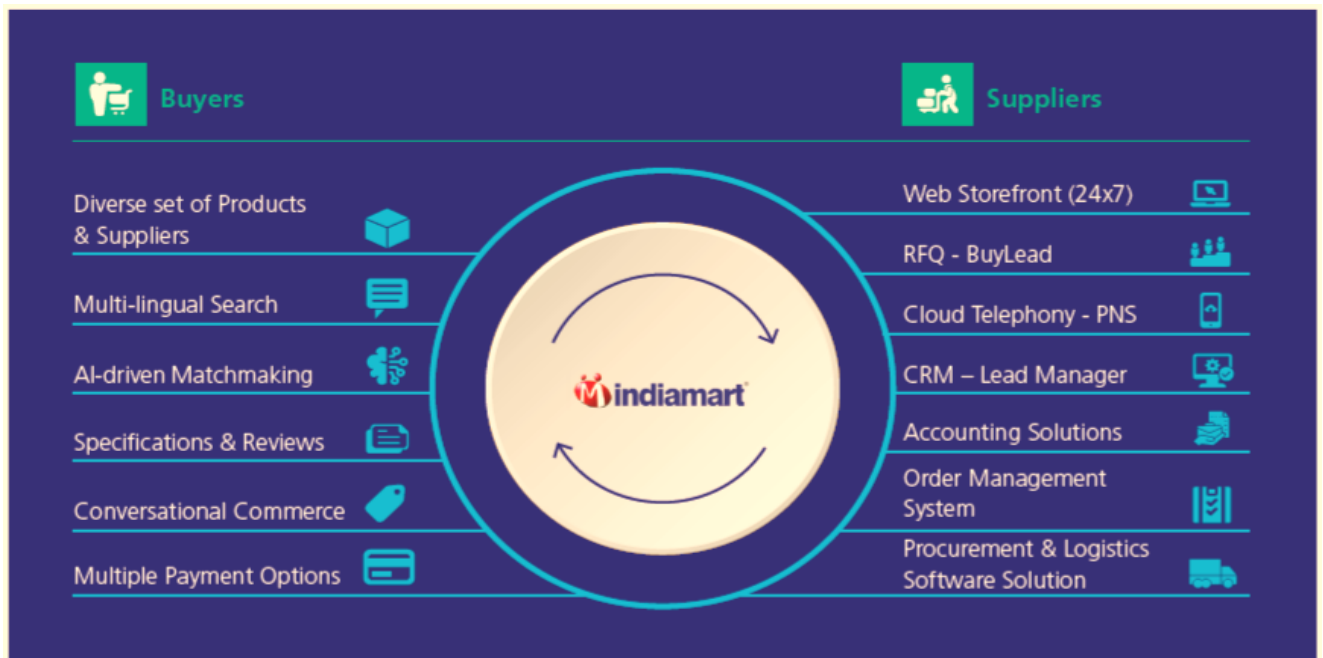
IndiaMART InterMESH (IndiaMART) commenced its business in 1996 as a small business for creating websites which later, in 1999, was re-established as an online directory for Indian exporters. Constant pivoting has resulted in IndiaMART becoming the largest online B2B marketplace for business products and services, with ~60% market share of India's online B2B classified space which has become the Company's core focus since 2008.

IndiaMART provides an effective and trusted platform to help businesses leverage the power of the internet to increase their market reach and conduct commerce. The users conduct their businesses online using various tools provided by IndiaMART, which include a CRM-Lead manager, chat messaging, unique phone numbers, and payment gateways, enabling buyers and sellers to engage efficiently.



Products and services listed on IndiaMART are well-diversified across 56 industries and 83 Mn products as of FY22. Primarily, the Company earns revenue by selling subscription packages that offers a wide range of benefits. Value-added services to suppliers increase as they shift to more premium packages. Apart from this, a small portion of the Company's revenue (~2%) comes through advertising on desktops and mobiles.

Ecosystem provided by IndiaMART



Source: Company, Keynote Capitals Ltd.

IndiaMART InterMESH Ltd | Initiating Coverage Report

The existence of a business depends on how well it solves problems

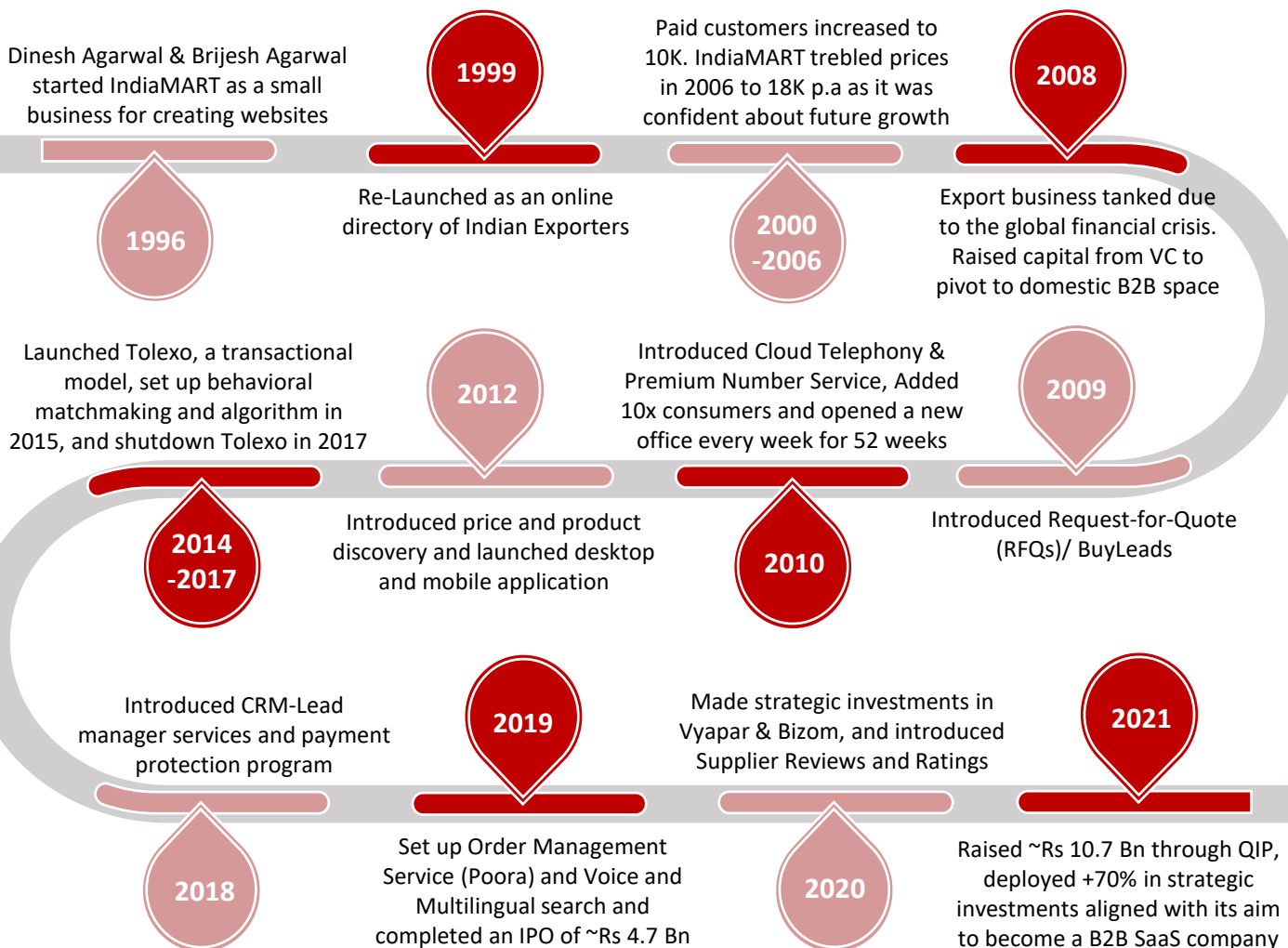
Long term existence of a business can only be ensured if a Company continues to solve problems for its customers. Higher the complexity, higher the willingness of a customer to pay.

To attract consumers, a product/service should fulfill two criteria, a) the product/service must be effective, and b) it must be reasonably priced.

IndiaMART solves two pivotal problems for businesses and consumers:

- 1. Counterparty discovery:** It helps to reduce search costs for the buyers to find trustworthy suppliers and for the suppliers to find potential buyers
- 2. Price discovery:** It helps the buyers discover the right price for the given product/service.

Evolution of IndiaMART



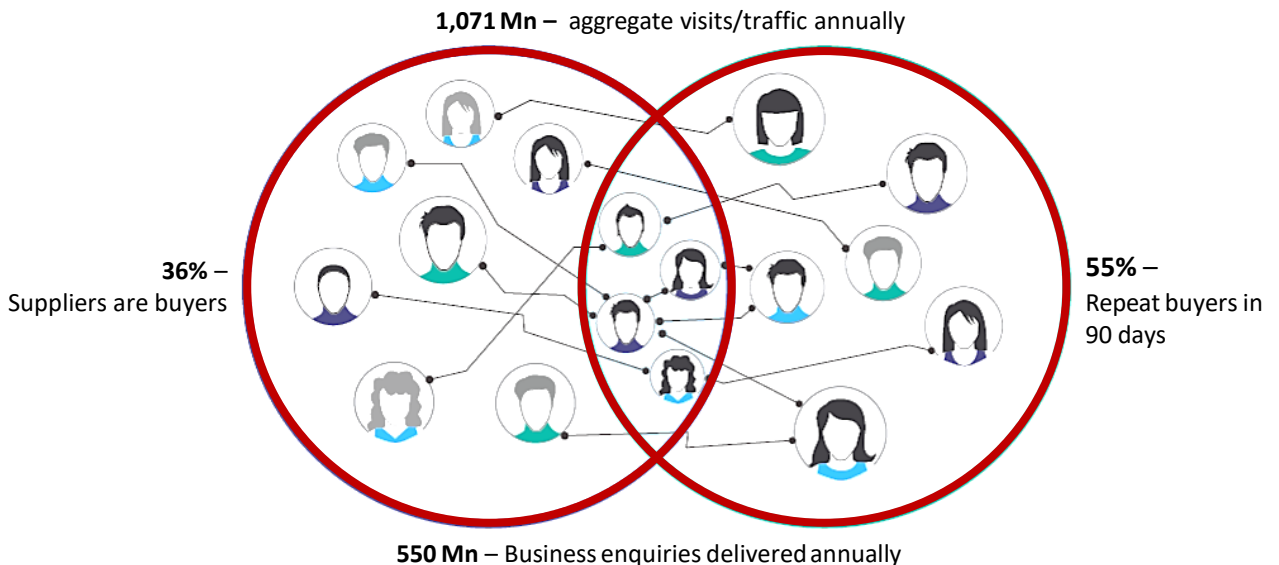
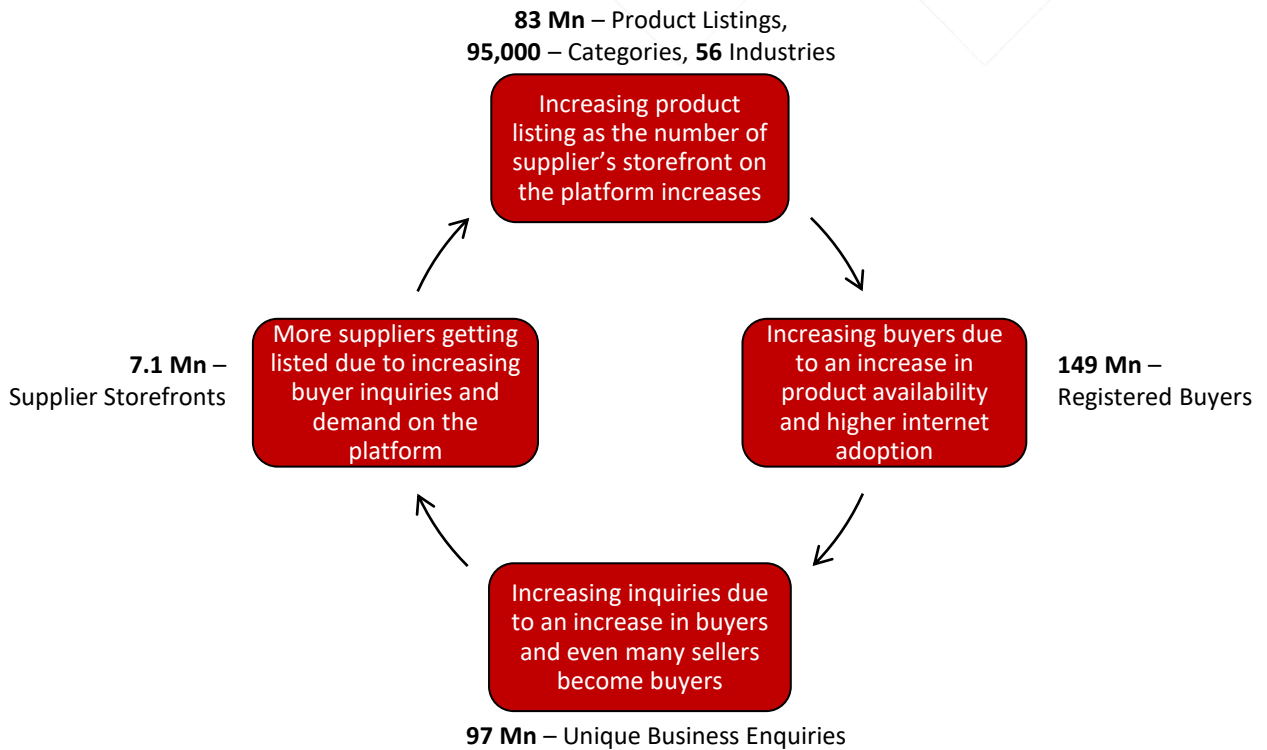
Source: Company, Keynote Capitals Ltd.

From 2020 onwards, IndiaMART embarked on its journey to become a B2B Software as a Service (SaaS) Company. In the future, IndiaMART is expected to have a whole bouquet of SaaS offering.

Network Effect driven self fuelling business model

The term ‘Network Effect’ describes the phenomenon in which a product/service becomes more valuable to existing users as more users join in.

IndiaMART has been a big beneficiary of the ‘Network Effect.’ A virtuous cycle kicks in as more buyers/sellers join the platform. This cycle does two things, a) it increases the number of new buyers and suppliers coming to the platform and the stickiness of both parties, and b) it decreases the customer acquisition costs as operating leverage kicks in. After being operational for over two decades, IndiaMART has created a massive self-fueling network, which is benefiting them immensely.



Note: The given data is as of FY22
Source: Company, Keynote Capitals Ltd.

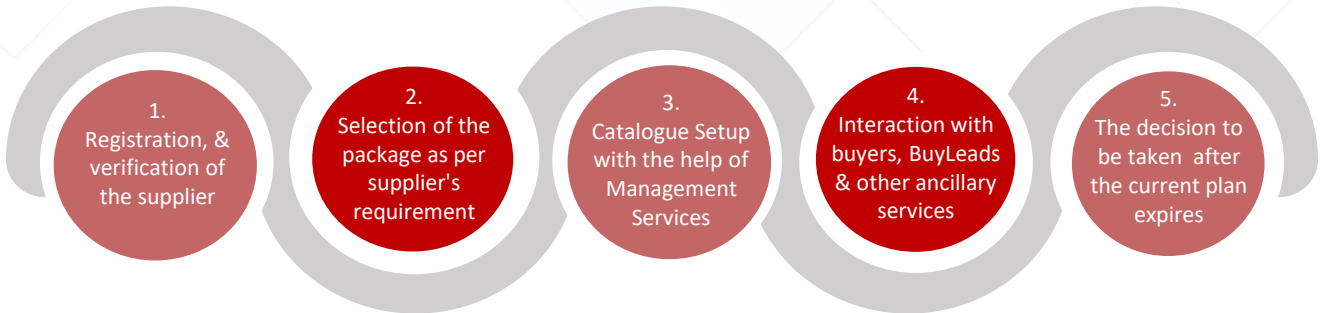
IndiaMART InterMESH Ltd | Initiating Coverage Report

Journey of a Supplier on IndiaMART

From listing on the platform to receiving payments, a supplier goes through several steps to find potential buyers and interact with them to conduct commerce via the internet on IndiaMART.

Suppliers are thoroughly assisted by the representatives of the Company to help them smoothly navigate through their journey on the platform.

Steps along the supplier's journey on IndiaMART

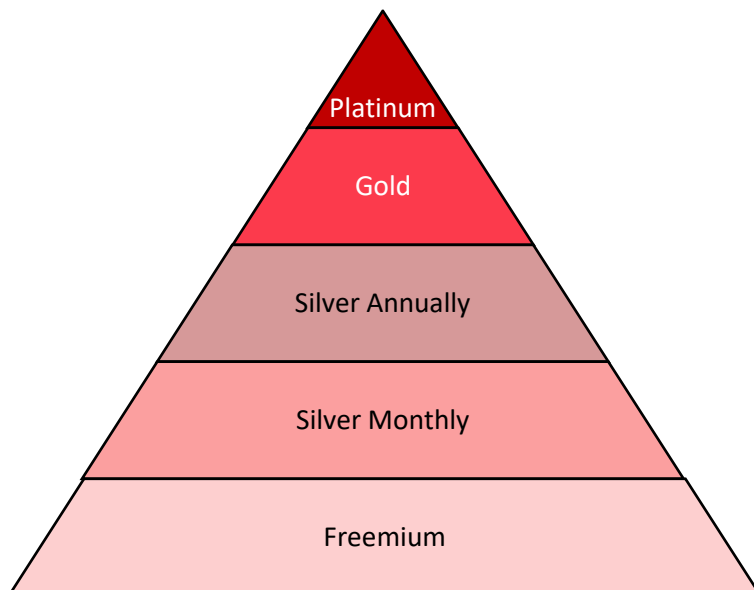


Source: Company, Keynote Capitals Ltd.

The supplier can either opt for the Freemium package, which is mostly free or select one of the premium packages. The Company offers basic and premium subscription models, including a predefined number of BuyLeads and other features depending on the package chosen by a supplier.

The subscription packages can be divided into Silver, Gold, and Platinum and are available for various periods (monthly, annually, or for multiple years). Longer-duration subscription packages are sold at discounts compared to shorter-duration packages.

Subscription packages



Weekly Leads	Daily Leads	Cost per Lead (Rs.)
50-100	3-4	20-40
20-30	2	16-24
10	1	15-28
7	1	50
-	-	-

Source: Company, Keynote Capitals Ltd.

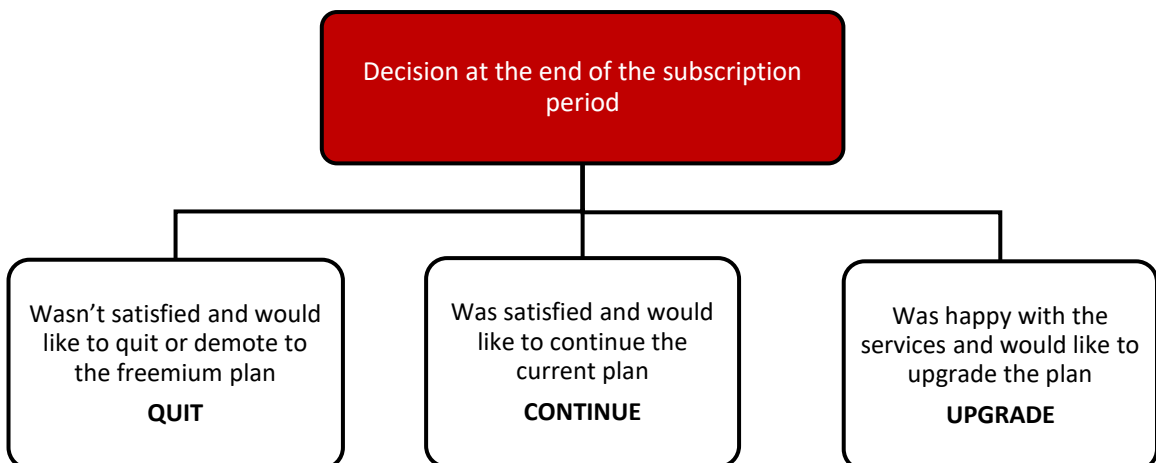
Package	1-Year Fees (Rs.)	2-Year Fees (Rs.)	3-Year Fees (Rs.)	Weekly Leads	Daily Leads	Services
Mini Dynamic Catalog (MDC)	25,000	-	58,000	10	1	Higher Listing, Payment Gateway
TrustSEAL + MDC	40,000	60,000	80,000	20	2	MDC + TrustSEAL Certificate
Maximiser	55,000	82,000	1,12,500	30	2	TrustSEAL+ Personal Domain and Mail ID
Star Supplier	90,000	-	2,16,000	50	3	Maximiser + Priority listing, city-wise + product wise Combinations
Leading Supplier	1,80,000	-	4,32,000	70	3	
Industry Leader	9,00,000	-	25,00,000	100		
Exporter Package	75,000 - 6,50,000			260 - 3,900		

*Note: MDC is Silver package, TrustSeal and Maximiser are Gold packages, and rest are part of Platinum package
Source: Company, Keynote Capitals Ltd.*

Freemium suppliers can maintain a presence on IndiaMART but must pay extra charges for availing of certain services. A Freemium supplier has to pay Rs. 200/per lead if he is willing to use one.

Even if the supplier wants to purchase higher value packages, they must be verified by IndiaMART as a 'TrustSEAL' supplier. TrustSEAL is an indicator of the trustworthiness of a supplier, which is earned by fulfilling certain conditions laid out by IndiaMART. IndiaMART verifies documents about the supplier's existence, legal status, statutory approvals, affiliations, and quality certifications before giving a 'TrustSEAL' title.

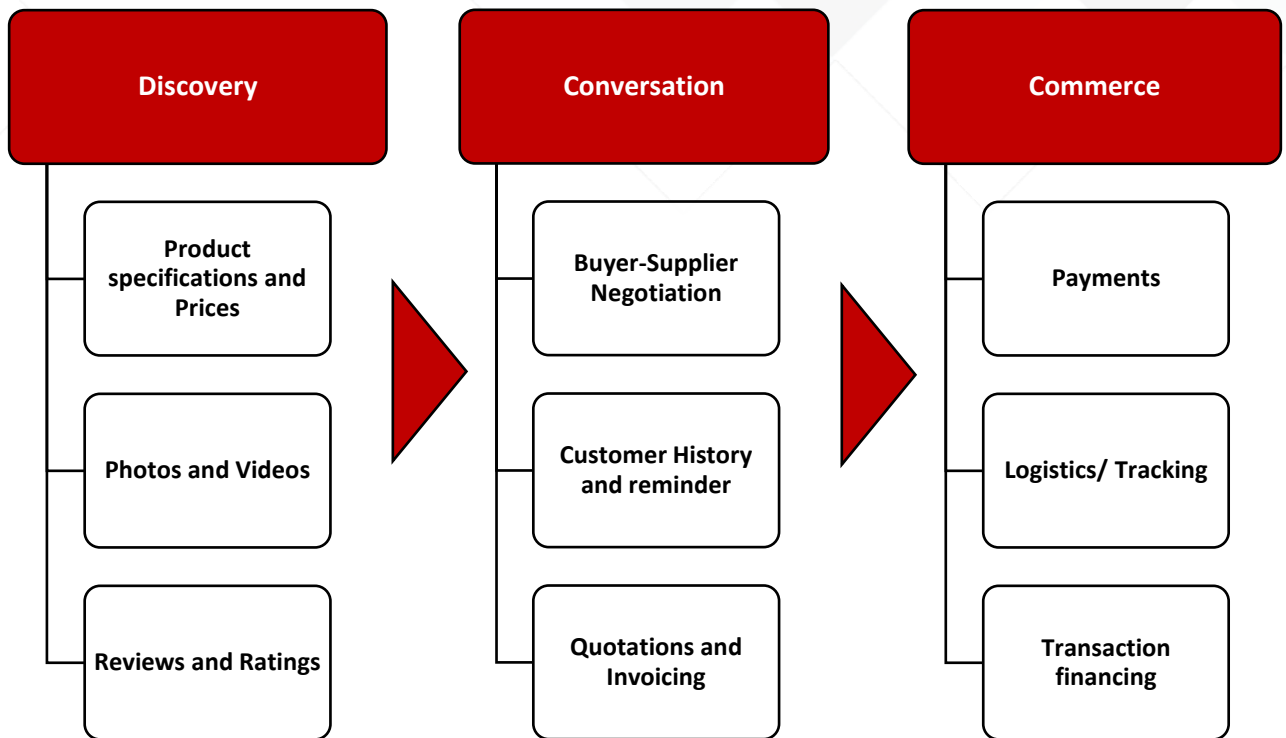
At the end of the subscription period, the supplier is left with three options to choose from. The decision of a supplier is determined based on the experience based on the quality of business generated from the platform during the subscription tenure.



Source: Company, Keynote Capitals Ltd.

IndiaMART offerings

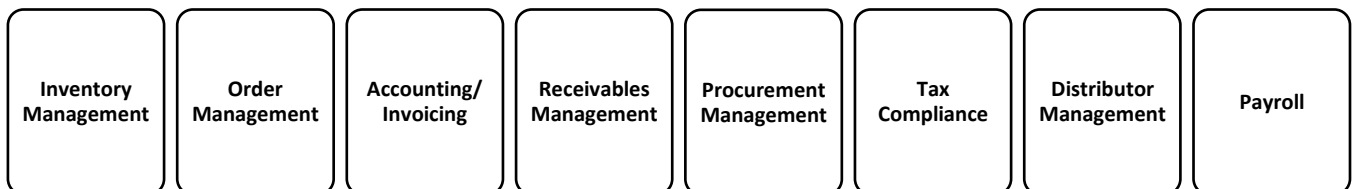
IndiaMART has developed processes and tools at various levels to help buyers and sellers smoothly navigate through their journey. From discovering the right buyer/supplier to completing a transaction after closing the payment and helping with logistics, IndiaMART plays an important role in facilitating commerce between numerous buyers and sellers.



Source: Company, Keynote Capitals Ltd.

Besides facilitating commerce, IndiaMART also provides essential value-added services that empower business owners to conduct business efficiently. These services include tax compliance, invoicing, payroll management, etc., enabling a business owner to focus on other important aspects and bring more business to the table by devoting the same amount of time.

Enablement of Business



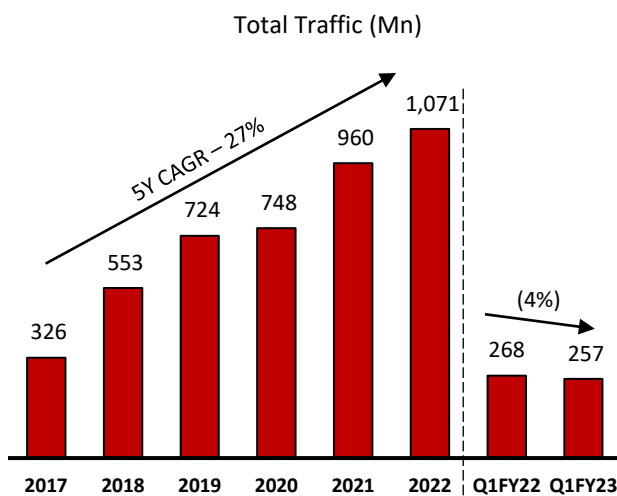
Source: Company, Keynote Capitals Ltd.

IndiaMART InterMESH Ltd | Initiating Coverage Report

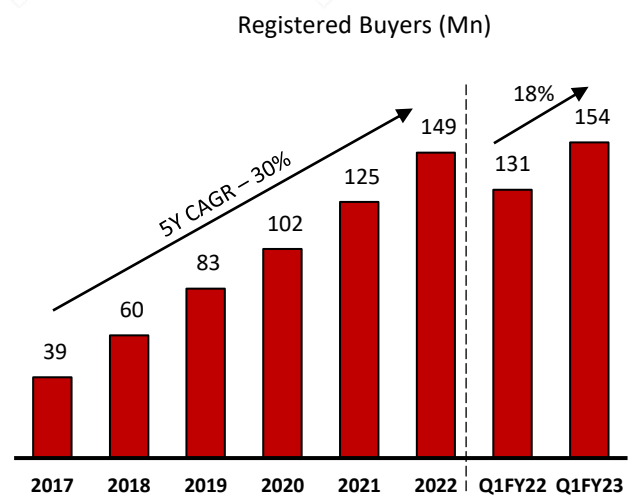
Credentials built over the years

IndiaMART has built a solid network, leading to exponential growth and significant traffic attraction. Traffic on IndiaMART's platform has compounded at a healthy rate of ~27% during FY17-FY22, which is in line with the revolution of internet penetration India has seen. ~80% of the traffic has come through IndiaMART's mobile application.

Also, the users that the platform has managed to attract is not 'fly-by-the-night'. Many of these visitors are potential buyers and eventually indulge in e-commerce on the platform. The Company has converted users into buyers at a compounded rate of ~30% over the last five years. Although buyers don't directly contribute to IndiaMART's revenue, they form a crucial part of the network on which the Company thrives.

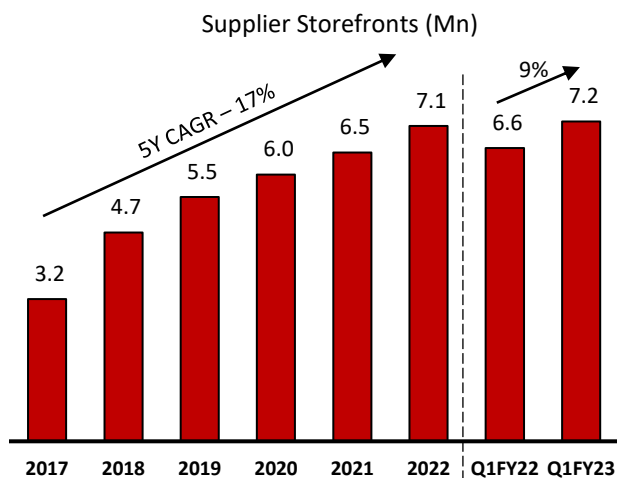


Source: Company, Keynote Capitals Ltd.

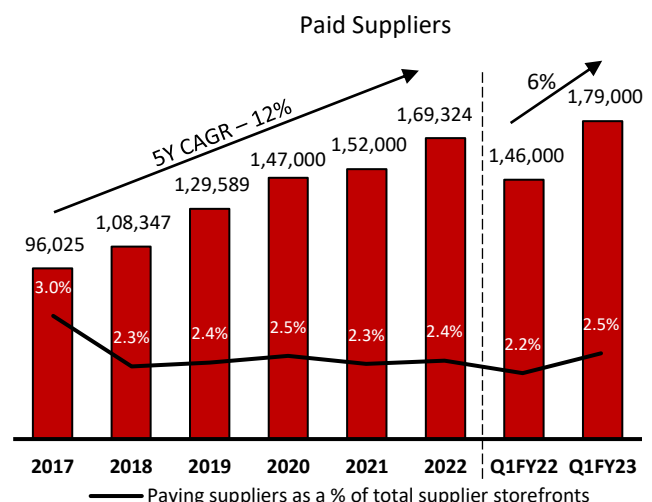


Source: Company, Keynote Capitals Ltd.

Due to the network effect, growth in buyers has led to a healthy increase in registered suppliers at a CAGR of ~17%. Even the paid suppliers (revenue source for IndiaMART) have almost doubled during FY17-FY22. The conversion rate has remained rangebound from 2.3%-2.5%, indicating IndiaMART's ability to convert a Freemium supplier to a paid supplier is intact.

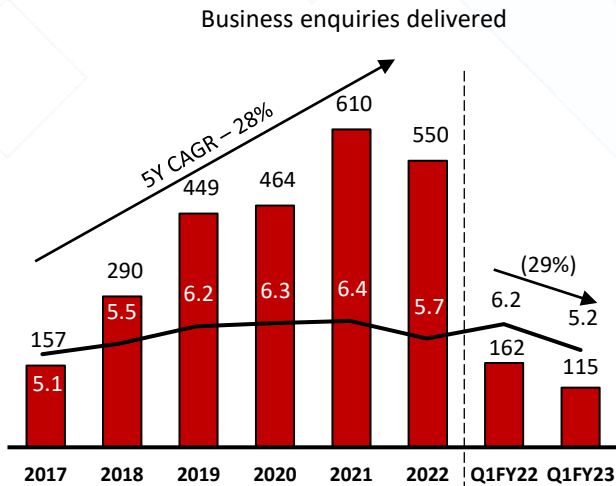


Source: Company, Keynote Capitals Ltd.

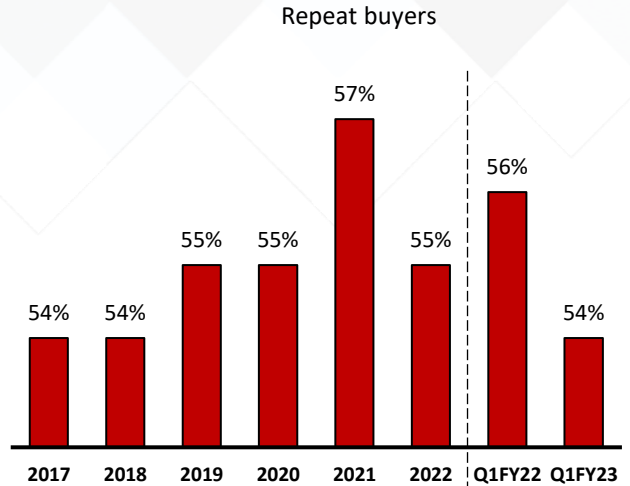


Source: Company, Keynote Capitals Ltd.

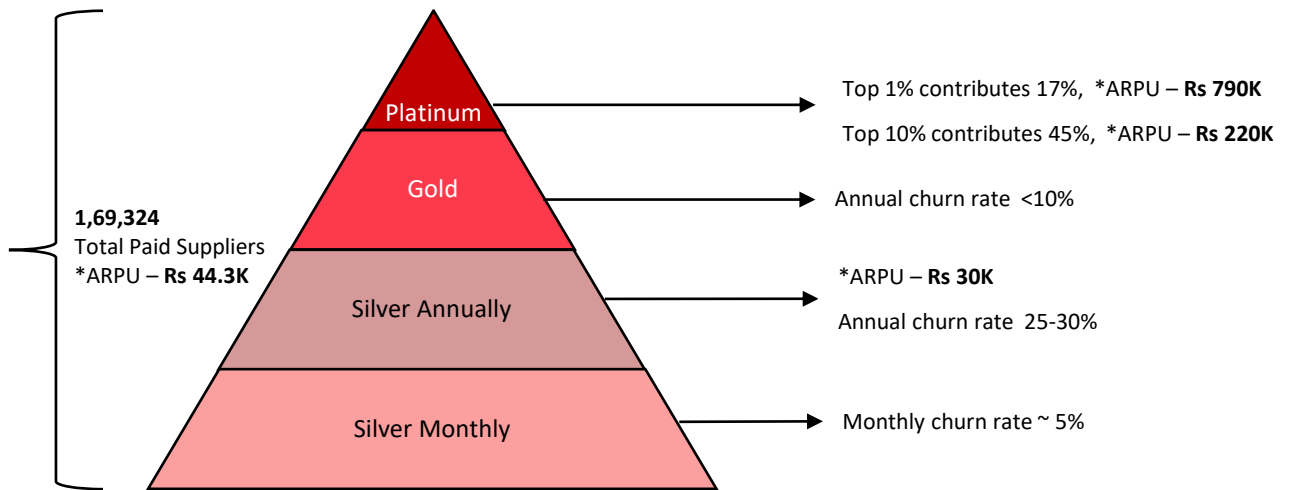
IndiaMART introduced an algorithm that matches relevant buyers and suppliers, facilitating commerce. The platform prioritizes suppliers who respond to BuyLeads properly and promptly, satisfying business inquiries on time. IndiaMART has managed to compound inquiry deliveries at a healthy ~28% over five years despite the disruption caused due to COVID. This is aptly demonstrated by 55% of users revisiting to transact again within 90 days.



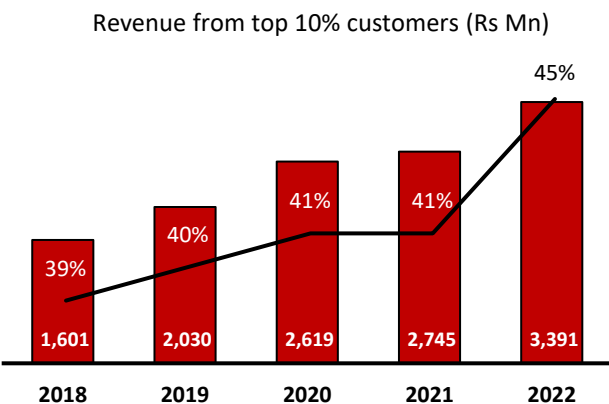
Source: Company, Keynote Capitals Ltd.



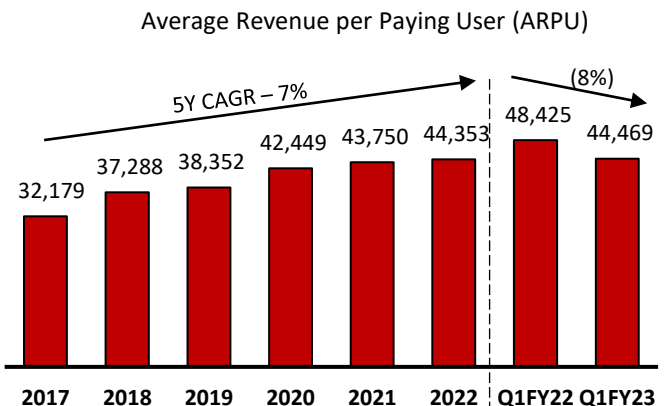
Note: Repeat buyers are the buyers that transact more than once within 90 days
Source: Company, Keynote Capitals Ltd.



* ARPU = Average Revenue per Paying User
Source: Company, Keynote Capitals Ltd.

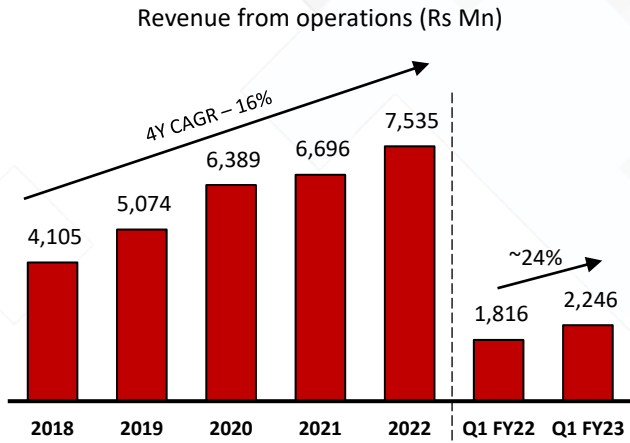


Source: Company, Keynote Capitals Ltd.

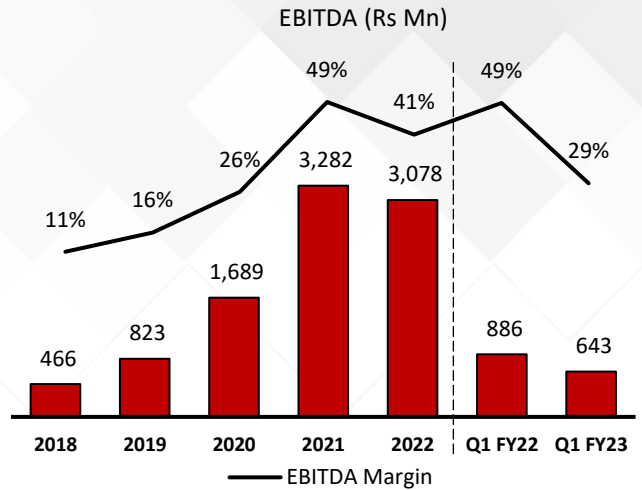


Source: Company, Keynote Capitals Ltd.

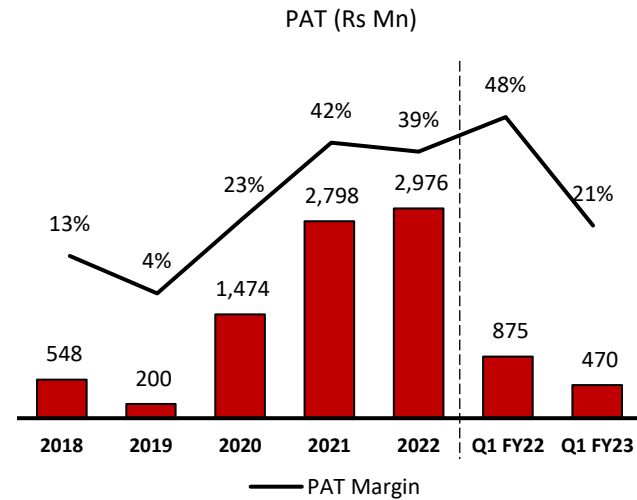
IndiaMART business progression



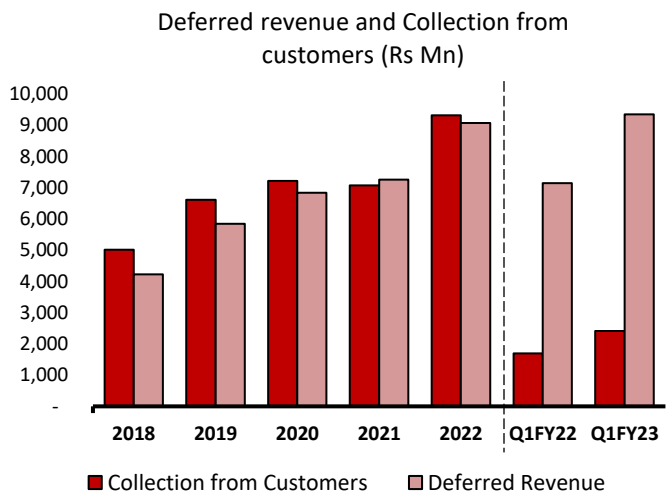
Source: Company, Keynote Capitals Ltd.



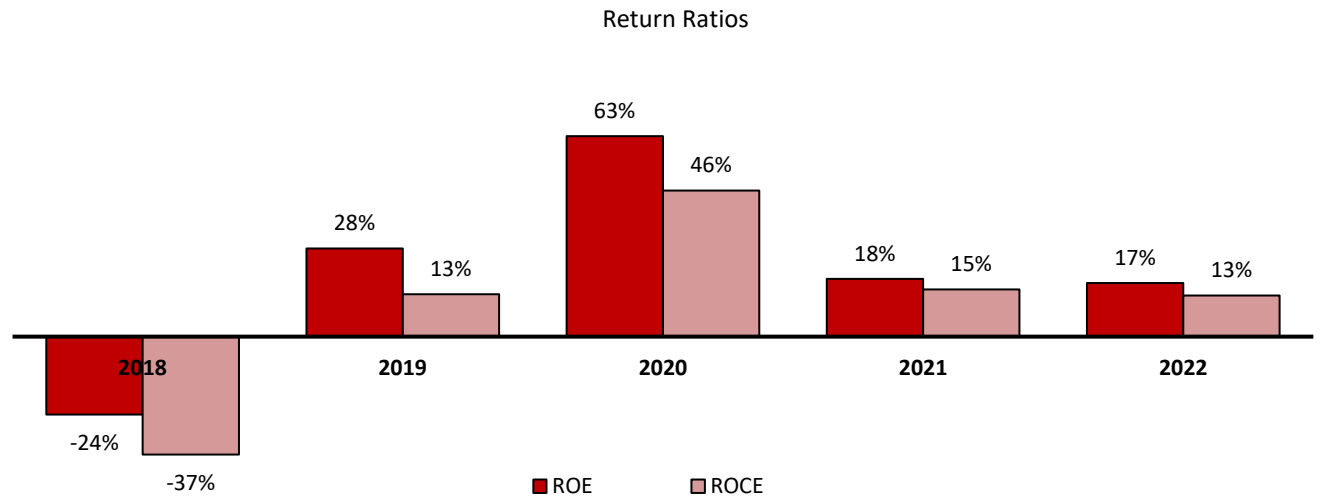
Source: Company, Keynote Capitals Ltd.



Source: Company, Keynote Capitals Ltd.



Source: Company, Keynote Capitals Ltd.



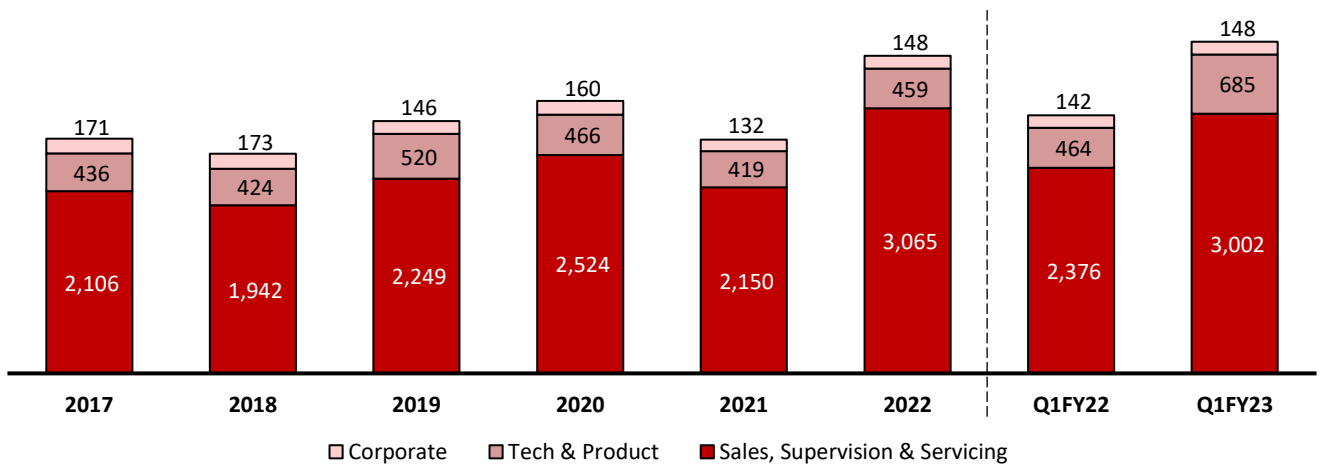
Note: In FY21 and FY22, the Company has more than 2,000 Cr. of Cash and Investments on its books, which is making ROCE look abnormally low.
Source: Company, Keynote Capitals Ltd.

Engine that drives business for IndiaMART – Its workforce

Employees are a vital driving force behind IndiaMART’s success, and it duly appreciates this fact and acts in the best interest of its workforce. The sales and service team is divided into client acquisition and client servicing. Employees either operate on the field or the telephone. On the client acquisition side, post-COVID, the Company has started outsourcing its workforce to staffing companies like team-lease and telecall centers. Apart from this, IndiaMART also gives out franchises. Now, the outsourced team acquires ~50% of the new clients for IndiaMART.

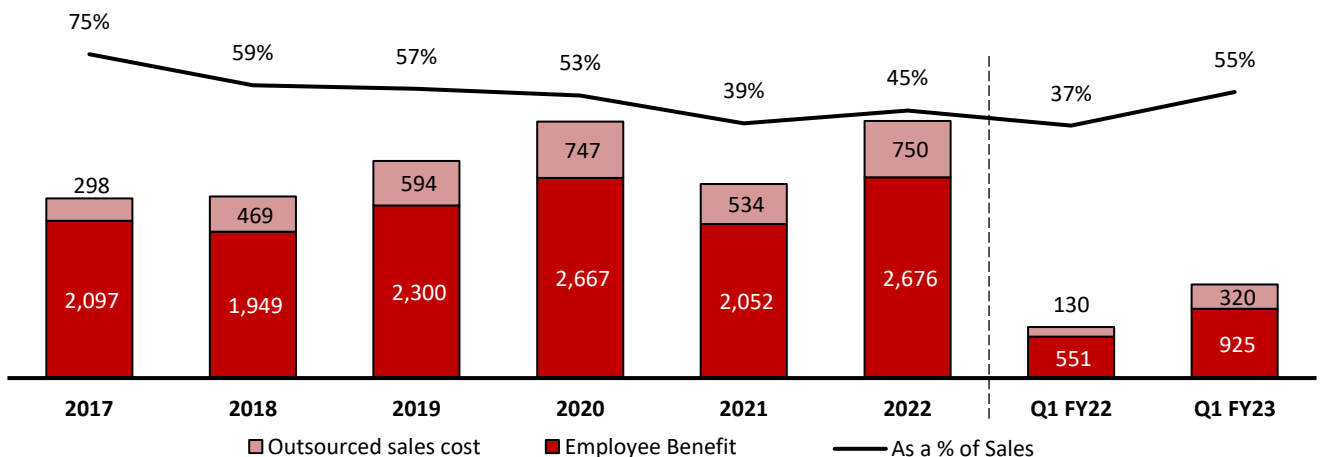
Almost 99% of the client servicing team performs tasks like renewals, servicing, and upsells on IndiaMART’s payroll. These employees bring in ~80% of the revenue for the Company. And a dedicated team of 500 supervisors are responsible for looking after the outsourced employees. Employees with tech expertise also form an inevitable part of the Company as they look after the platform’s smooth functioning and add value-added services to attract and retain customers.

Employees



Source: Company, Keynote Capitals Ltd.

Total employee cost (Rs. Mn)



Source: Company, Keynote Capitals Ltd.

IndiaMART InterMESH Ltd | Initiating Coverage Report

IndiaMART now requires one employee for every 70-75 suppliers, which was ~50 suppliers earlier. The Company dedicates lesser but trained resources to the suppliers as they upgrade their packages. After spending some time on the platform, the supplier becomes aware of how the platform works and hence, requires lesser handholding with resources.

Employee costs decreased in FY21 and FY22 as IndiaMART did not hire aggressively and abstained from salary hikes during the COVID period. Now, after the business revival, the Company plans to turn aggressive, doubling down on growth momentum. Thus, IndiaMART started expanding its workforce bringing back employee costs to pre-COVID levels in Q1FY23.

IndiaMART has also done well when it comes to retaining its employees. As on March 2022, ~22% of IndiaMART's workforce has been with the Company for more than five years. In response to COVID, IndiaMART shifted from a monthly salary payout model to a weekly one to ensure that employees get regular cash flow. Now, 100% of the workforce receives their salary weekly.

Future business enablers of IndiaMART

Constant evolution is in the DNA of good businesses. IndiaMART, which started as a directory of online Indian exports, has been under the weather multiple times, like the tech meltdown in 2000 and the global financial crisis in 2008. However, it has managed to find its way out successfully by evolving its business into the most helpful version for its users.

IndiaMART, in the upcoming avatar, sees itself as a B2B SaaS company and aims to build a fully integrated ecosystem helping buyers and sellers in various areas of their businesses. Through its acquisitions of various small start-ups, the Company plans to add a bouquet of SaaS services to its offering. These include logistics (support), accounting, procurement, order & inventory management, and many more.

The Company has already done 14 acquisitions (predominantly in the accounting space), spending ~Rs. 10 Bn in the last two years. The pace and the valuation at which some of these acquisitions may have been made are uncomfortable. How the Company consolidates and integrates all these businesses on a single platform will be something to watch out for.

IndiaMART on an acquisition spree

Company	Software	Industry	Amount Invested (Rs Mn)*	Stake Acquired	Valuation (Rs Mn)*	Price/Sales	Service Profile
Zimyo Consulting	Zimyo	HR Management	170	10%	1,700	213	Unified HR and Payroll software
Truckhall	SuperProcure	Logistics	110	25%	440	30	Freight e-sourcing and transport collaboration platform
Simply Vyapar Apps	Vyapar	Accounting	930	27%	3,440	29	DIY mobile-based business accounting software
Shipway Technology	Shipway	Logistics	180	26%	700	27	Automating shipping workflows

IndiaMART InterMESH Ltd | Initiating Coverage Report

Company	Software	Industry	Amount Invested (Rs Mn)*	Stake Acquired	Valuation (Rs Mn)*	Price/Sales	Service Profile
Mynd Solutions	M1xchange	Financing (TReDs)	320	7.7%	4,210	49	TReDs platform offering invoice discounting solutions
Mobisy Technologies	Bizom	Supply Chain	200	16%	1,150	4	Platform for distribution and salesforce automation
Legistify Services	Legistify	Legal	160	15.4%	1,060	61	Legal tech platform
IB Monotaro	IndustryBuying	E-Commerce	1,040	26%	4,010	56	Industrial B2B e-commerce marketplace
Fleetc Technologies	Fleetc	Logistics	910	16.5%	5,530	42	Freight and fleet management platform
Finlite Technologies	LiveKeeping	Accounting	460	51.1%	900	N/A	Tally on Mobile Software
Edgewise Technologies	EasyEcom	Supply Chain	130	26%	520	23	Inventory management & reconciliation software
Busy Infotech	BUSY	Accounting	5,000	100%	5,000	12	On-premise business accounting software
Agillos E-Commerce	Aerchain	Supply Chain	260	26.2%	990	N/A	Automation of sourcing operations
Adansa Solutions	Realbooks	Accounting	140	26%	530	20	Cloud-based GST-compliant accounting-inventory-payroll software

Note: Bold acquisitions are accounting acquisitions and contribute >50% to overall acquisitions

* Amounts are rounded off

Source: Company, Keynote Capitals Ltd.

Major focus on Accounting

Investment areas	Investment (Rs Mn)	% of overall investments
Total Investments	1,003	100%
Acquisitions in Accounting space	653	65.1%
Acquisitions in Other space	350	34.9%

Source: Company, Keynote Capitals Ltd.

After acquiring four companies in the accounting space, IndiaMART is now ready to cater to the accounting software requirements of all businesses, irrespective of their size. The Company has started cross-selling VYAPAR by giving a free first-year subscription with IndiaMART's subscription packages.

IndiaMART's plan for BUSY (largest acquisition) is to first focus on retaining people & partners through integration, post which the Company will aim for growth to be present across various mediums like mobile and cloud, besides its current "On Desktop" offering.

Management Analysis

Name	Designation	Qualification	Joined	Age	Experience
Dinesh Chandra Agarwal	Promoter, MD & CEO	B. Tech (Computer Science)	1999	53	29
Brijesh Kumar Agrawal	Promoter, Whole-time Director	BMS, PGDBM	1999	45	24
Dhruv Prakash	Non-Executive Director	Masters in Science (Chemistry), PGDM	2015	70	
Elizabeth Lucy Chapman	Independent Director	Bachelors in Science, CFA	2015	41	19
Rajesh Sawhney	Independent Director	B. Tech (Electronics & Communication), Masters in Management	2011	56	23
Vivek Narayan Gour	Independent Director	MBA, Owner/President Management Program from Harvard	2018	59	25
Manoj Bhargava	CS	LLB, LLM, CS	2018	46	21
Prateek Chandra	CFO	CA	2015	41	21
Dinesh Gulati	COO	B. Tech (Chemical Engineering), MBA	2012	54	31
Vivek Agrawal	CIO	B. Tech, PGDM	2010	39	13
Amarinder Singh Dhaliwal	CPO	B. Tech (Textile Technology) and PGDM	2016	50	26

Source: Company, Keynote Capitals Ltd.

Particulars	FY20	FY21	FY22	Q1 FY23
% Promoter Holding	52.3%	49.9%	49.5%	49.2%
Promoter Salary (Rs Mn)	79.7	73.2	76.5	
As a % of PAT	4.7%	2.5%	2.4%	
Senior Management Salary (Rs Mn)	97.1	187.0	333.7	NA
Promoter + Senior Management Salary as a % of PAT	10.3%	9.0%	13.1%	

Note: Salary of Senior management mainly consists of perquisites like SAR units and ESOPs

Source: Company, Keynote Capitals Ltd.

IndiaMART’s top-level management and the Board consist of the right mix of professionals. The team is well diversified in terms of qualifications and industry experience. Promoters hold a decent stake showing significant skin in the game. We believe that the salary of top-level management (Excl-Perquisites) is not a point of concern.

Stakeholders with more than 1% stake	FY20	FY21	FY22	Q1 FY23
Arisaig Asia & Global Fund Limited	-	4.69	6.23	6.19
Westbridge Crossover Fund, LLC	5.34	3.55	3.34	3.30
UTI Flexi Cap Fund	-	1.43	2.11	2.24
Madhup Agrawal	2.37	1.80	1.72	1.67
Artisan International Small-Mid Fund	-	1.68	1.63	1.53
Dinesh Gulati	1.70	1.20	1.21	1.20
Kuwait Investment Authority Fund 225	1.19	-	-	1.00
Total stake held	27.27	17.03	16.24	17.13

Source: Company, Keynote Capitals Ltd.

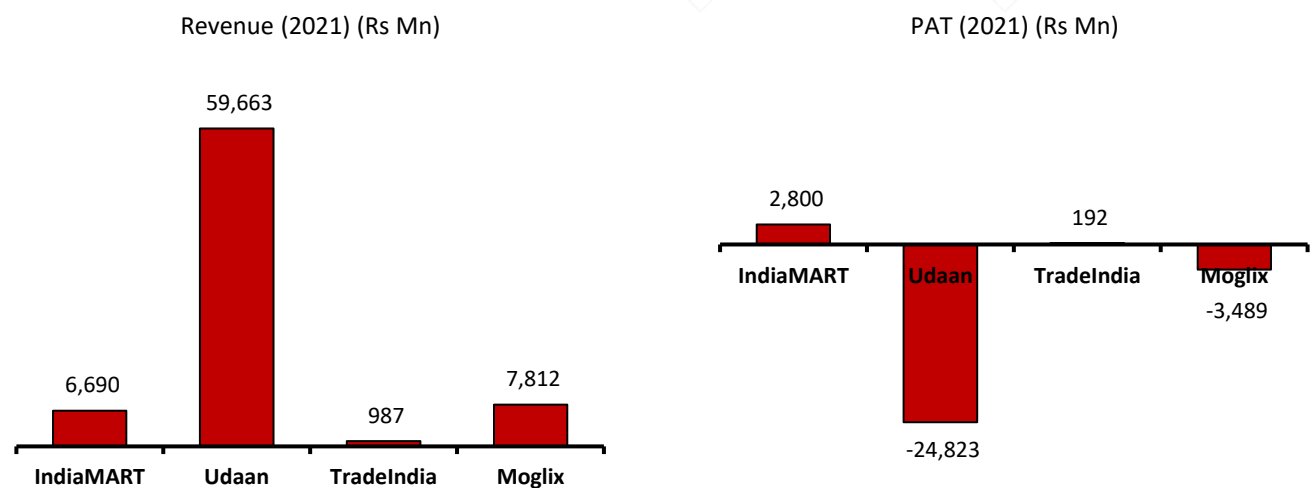
IndiaMART InterMESH Ltd | Initiating Coverage Report

Peer Analysis

IndiaMART operates a horizontal subscription-based B2B platform. The B2B e-commerce industry has attracted a lot of venture capital backed competition due to the size of the market. As of now, these players are focused only on growth and not on profitability, while IndiaMART is the only player in the industry operating at much higher profits than its peers.

One thing to note is that these are matured players but still have been unable to break even. We believe that someday this cash guzzling will end. From the user base point of view, users on IndiaMART are mostly wholesale traders and usually deal in bulk.

Peer profitability analysis



Source: Tracxn, Company, Keynote Capitals Ltd.

Source: Tracxn, Company, Keynote Capitals Ltd.

Particulars (Rs Mn)	IndiaMART	Udaan	TradeIndia	Moglix	1688 (RMB Mn)
Revenue (2021)	6,690	59,663	987	7,812	14,322
Revenue (2020)	6,380	10,319	1,048	3,996	12,427
Y-O-Y growth (%)	5%	478%	(6%)	96%	15%
PAT (2021)	2,800	-24,823	192	-3,489	N/A
PAT (2020)	1,470	-25,187	-82	-2,587	N/A

Note: FY22 numbers for private companies are not available

Source: Tracxn, Company, Keynote Capitals Ltd.

IndiaMART faces competition from other B2B marketplaces, such as Exporters India and Alibaba India, which are some of its key competitors. The Company indirectly competes with search engines, traditional suppliers, and online B2C service providers—for example, Google and Industry Buying.

Peer operating metrics analysis

Particulars	IndiaMART	Udaan	TradeIndia	Moglix	1688.com
Monthly Visits (Mn)	62.1	0.6	4.0	5.1	53.1
Monthly Unique Visitors (Mn)	36.0	0.2	2.6	3.3	19.6
Category rank (E-commerce)	4	19	24	23	5 (China)
Direct Traffic	17.2%	47.7%	24.9%	34.9%	60.1%
Organic Traffic	99.9%	100%	94.5%	51.3%	99.9%
Paid Traffic	0.04%	-	5.5%	48.7%	0.1%
Organic Search	80.1%	48.2%	65.1%	31.4%	27.7%
Traffic from Desktop	19.3%	25.2%	23.3%	12.7%	61.9%
Traffic from Mobile Web	80.7%	74.8%	76.7%	87.3%	38.1%
India's Share in Total Traffic %	75.0%	95.4%	82.5%	94.0%	0.1%
Visit Duration (mins)	2:45	2:59	4:36	2:22	9:40
Average Pages/Visit	3.0	5.7	4.1	2.8	7.9
Bounce Rate (% visitors that only visit one page before leaving)	46.8%	47.6%	61.9%	61.1%	32.3%

Note: Data for the last 3 months unless mentioned otherwise.

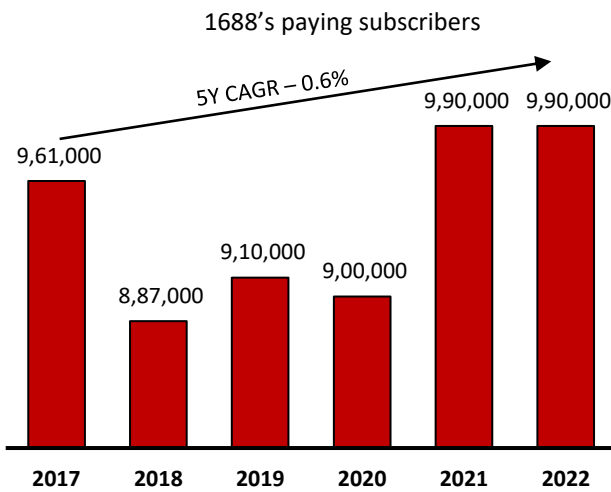
Source: Similarweb, Company, Keynote Capitals Ltd.

IndiaMART InterMESH Ltd | Initiating Coverage Report

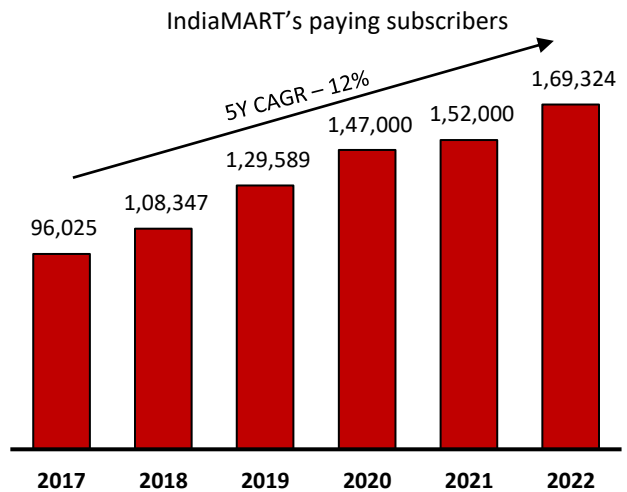
1688.com, IndiaMART's look-alike in China

Jack Ma and his 17 colleagues and students launched B2B e-commerce platforms Alibaba.com and 1688.com (1688) in 1999. Alibaba exports Chinese products worldwide, while 1688 is the domestic version of Alibaba for selling products in mainland China. 1688 has more than 10Mn business stores, accounting for ~40% of China's domestic B2B trading.

1688 provides sourcing online transaction services by connecting manufacturers and wholesalers to buyers in China. Listing items on the platform is free. The Company primarily generates revenue through subscription and value-added services like online marketing. Sellers may purchase a membership for an annual subscription fee and get quotations from buyers without additional charges. Members can enjoy other value-added services, like premium data analytics, upgraded storefront management tools, and customer management services like advertising by paying extra fees to the platform.

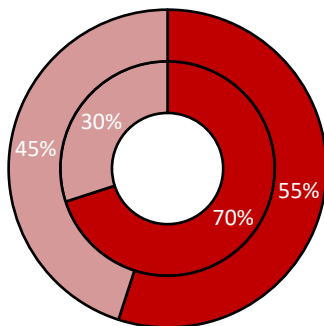


Source: Alibaba, Keynote Capitals Ltd.



Source: Company, Keynote Capitals Ltd.

Revenue break up of 1688

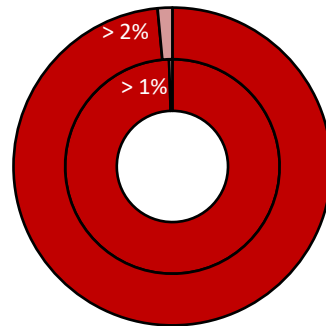


■ Subscription and value added ■ Marketing

Source: Alibaba, Keynote Capitals Ltd.

Note: Inner circle represents 2017, and the other is 2021

Revenue break up of IndiaMART



■ Subscription and value added ■ Marketing

Source: Alibaba, Keynote Capitals Ltd.

Note: Inner circle represents 2017, and the other is 2021

In the last five years, the growth in paid subscribers for IndiaMART has been superior to 1688, but in terms of revenue growth, IndiaMART falls behind. This is because the growth in marketing services has been a major revenue driver for 1688. IndiaMART has chosen a different route than 1688, where the Company will provide business enablement services and increase its contribution to the total revenue. If this strategy plays out positively, the revenue mix of IndiaMART might change.

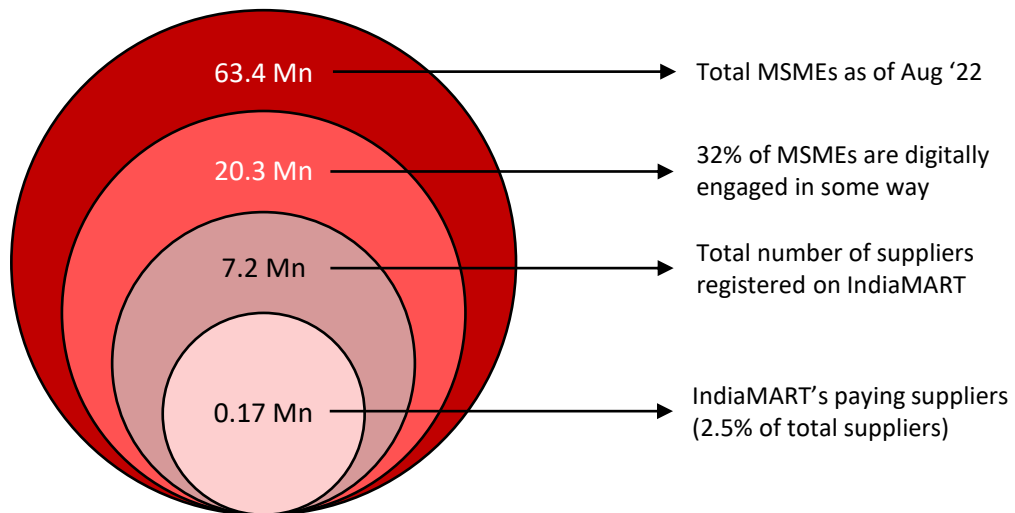
Opportunities for IndiaMART

Advantage of adequate capacity for the vast growth runway

MSMEs form an integral part of the Indian economy, contributing ~27% to India's GDP, ~35% to total manufacturing output, and ~49.5% to total exports in FY21. Increasing internet penetration among MSMEs will create immense opportunities for B2B e-commerce players. A player like IndiaMART (~60% market share) is poised to benefit significantly from this adoption.

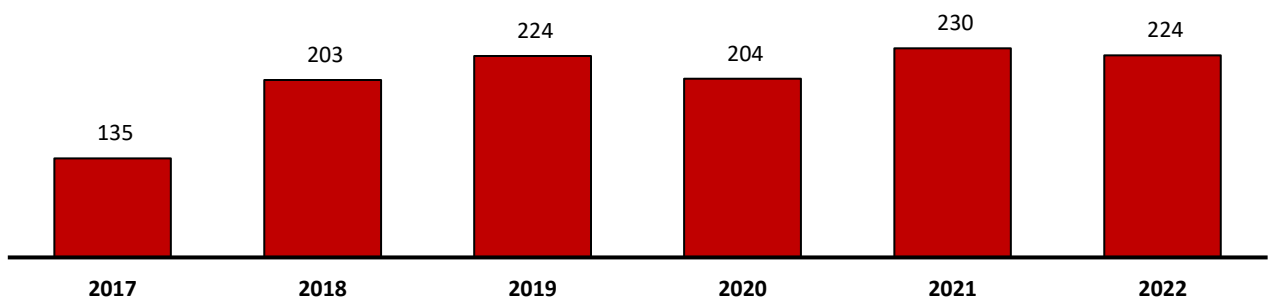
Also, if we take cues from 1688.com, it benefitted immensely from the internet penetration in tier 3-4 cities in China. 1688.com currently stands at ~1 Mn paid subscribers. IndiaMART is capable enough to achieve this kind of scale. In 2000, IndiaMART had ~0.1 Mn registered suppliers, out of which only 10,000 were paying suppliers. Fast forwarding to 2020, the Company took the number of registered suppliers to ~6 Mn and paid supplier count to ~0.15 Mn. A similar kind of progression can play out given the capabilities of the Company.

Out of 20.3 Mn digitally engaged MSMEs, ~7.2 Mn suppliers are already registered on IndiaMART. Therefore, ~35% of MSMEs are already a part of the IndiaMART ecosystem. Out of this, a minuscule ~2.5% of suppliers have subscribed to IndiaMART's service. This leaves a massive opportunity for IndiaMART.



Source: msme.gov.in, Company, Keynote Capitals Ltd.

Active buyers per paid subscriber



Note: The number seems much lower as each BuyLead is sent to ~9 suppliers at a time, as well as 55% of buyers repeat their orders under 90 days but still are counted as one buyer only.

Source: Company, Keynote Capitals Ltd.

IndiaMART InterMESH Ltd | Initiating Coverage Report

IndiaMART is extremely capable of benefiting from this opportunity having built the right kind of capacities in terms of having the right platform, healthy traffic, a plethora of registered buyers, etc. The Company attracts enormous traffic on its platform, which is yet to be monetized. This helps IndiaMART offer many quality leads to its suppliers at the lowest cost in the industry and strengthen its network further. This strength will only increase as the Company adds business enablement services to its offerings.

IndiaMART's immense capacity to satisfy its suppliers is also visible in the Active Buyers/Paid Subscriber ratio. The Company has doubled the number since 2017, which stands at a significant 224 buyers per paid supplier. In the context of this number, management's decision to go aggressive with seller acquisition looks sensible and well within the service reach of IndiaMART.

Generates >90% profits in the industry signifying highest sustainability strength

IndiaMART is the only player in the B2B e-commerce industry that has managed to operate the platform profitably consistently. There are many players present, but only a handful are profitable. While most players (including players mature than IndiaMART) are thinly profitable, IndiaMART is the only incumbent that stands out in generating healthy profits.

Particulars (Rs Mn)	IndiaMART	Udaan	TradeIndia	Moglix	OfBusiness	Zetwerk
Revenue (2020)	6,380	10,319	1,048	3,996	8,601	3,310
PAT (2020)	1,470	(25,187)	(82)	(2,587)	323	(6,611)
Revenue (2021)	6,690	59,663	987	7,812	17,574	8,611
PAT (2021)	2,800	(24,823)	192	(3,489)	557	(412)
Revenue growth (%)	5%	478%	(6%)	96%	104%	160%
PAT Margin % (2020)	23%	(244%)	(8%)	(65%)	4%	(200%)
PAT Margin % (2021)	42%	(42%)	19%	(45%)	3%	(5%)

Note: FY22 numbers for private companies are not available
Source: Tracxn, Company, Keynote Capitals Ltd.

Almost all the players have shown growth ahead of IndiaMART, but no one has been posting decent profits consistently except IndiaMART. This ability to generate constant profits and hence positive free cash flows gives IndiaMART the ability to sustain difficult times and turn aggressive when its peers might be focusing on survival.

IndiaMART still charges Rs. 2,000/month from the suppliers who enrolled when the monthly subscription package was launched in December 2014-January 2015. Customers who joined somewhere in 2016-17 still pay Rs. 2,500/month. The customers who joined in 2018 still pay Rs. 3,000/month. Due to its strong financial position, the Company has created an exit barrier for mature customers by keeping the subscription price the same since the seller joined the platform, resulting in high customer retention.

IndiaMART has been working on a differential pricing model – a category-city combination based pricing model. The Company plans to introduce this model for platinum or a premium listing in a particular category.

IndiaMART InterMESH Ltd | Initiating Coverage Report

IndiaMART has the sustenance to give its customers loyalty benefits. In contrast, these new players who have built their platforms on hefty discounts will be forced to charge a higher fee once the business matures or continue to lose cash. Despite showing such strength, IndiaMART trades at a significantly lower market capitalization compared to peers.

IndiaMART must command a higher market cap over peers for generating consistent profits (US Bn)

Company	IndiaMART	*Udaan	*OfBusiness	*Moglix	*Zetwerk	*Infra.Market
Market Capitalization (Bn \$)	1.64	3.10	4.79	2.51	2.70	2.50

Note: Latest available valuation is taken for unlisted businesses. The objective of this table is to help understand the direction.

** Signifies companies that are unlisted*

Source: Tracxn, Company, Keynote Capitals Ltd.

Challenges for IndiaMART

Subpar capital allocation or failure to optimally integrate acquired businesses with IndiaMART

IndiaMART has been acquiring businesses as a part of its goal of becoming a B2B SaaS company. The Company has made 14 acquisitions in various business streams and of varying sizes, ranging from Rs. 5,000 Mn to as small as Rs. 440 Mn. These acquisitions have come in quick succession, which makes us skeptical about the integration of these businesses with IndiaMART and the valuation at which they have been done.

On top of this, IndiaMART has the blessing of being a business that generates healthy cash with negligible working capital requirements. This leaves significant room for the management for disbursal, buybacks, and acquisitions. The allocation strategy of the Company can result in creating huge shareholder value if done rightly. It should use its experience and maturity while allocating its resources.

Incorporated in 2014, Tolexo was an online retail platform for IndiaMART and operated in B2B retail and wholesale. IndiaMART had to shut down Tolexo in 2017 due to the following reasons:

- Guzzling cash (providing logistics services and advertisement expenses to get traffic)
- Separate platform for the same services that IndiaMART provides was not required

Intense competition

Due to its sheer opportunity size, the B2B e-commerce industry has attracted many players lately. New companies with the backing of deep-pocketed VCs have entered the market, and many of them have achieved a respectable scale. Though the modus operandi of these players is very different from IndiaMART in terms of their revenue model and growth at the cost of profits, these players can pose a significant threat to IndiaMART.

So far, any impact from these players is not visible on IndiaMART as the Company continues to maintain its market share, attracting the highest traffic and buyers.

IndiaMART InterMESH Ltd | Initiating Coverage Report

There is another significant development that is taking place. The Government of India commenced a non-profit initiative called 'Open Network for Digital Commerce' (ONDC). This open-source network does not require buyers and sellers to use the same platform/app to transact. The GOI aims to revolutionize e-commerce and put power in the hands of enablers like customers, suppliers, and logistic partners, as e-commerce platforms do multiple opaque and predatory practices.

Some of the views of various online platforms on ONDC

Company	Management commentary on ONDC
IndiaMART	"On the ONDC, it is something as a concept evolving and very early and as, and when more clarity emerges, we will try and see where we can collaborate and where to compete. But I think it will be more of 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 the B2C side."
Just Dial	When asked if the Company feels ONDC can be an enabler or challenge, CFO replied, "Once that ONDC gets implemented, we will have to see. Since we are just rolling out these transactional services, we will have to see how it pans out."
NYKAA	When asked if the Company is planning to participate in ONDC, the Managing Director replied, "At the moment, we don't have plans"

Source: Company, Just Dial, NYKAA, Keynote Capitals Ltd.

In April, the network piloted a soft launch in five cities – Bengaluru, Delhi NCR, Shillong, Bhopal, and Coimbatore. Dynamic pricing, inventory management, and optimization of delivery costs are essential pillars that ONDC will focus on. This can be a UPI moment for Indian e-commerce if it comes to life, but significant development is still pending for this to become a reality.

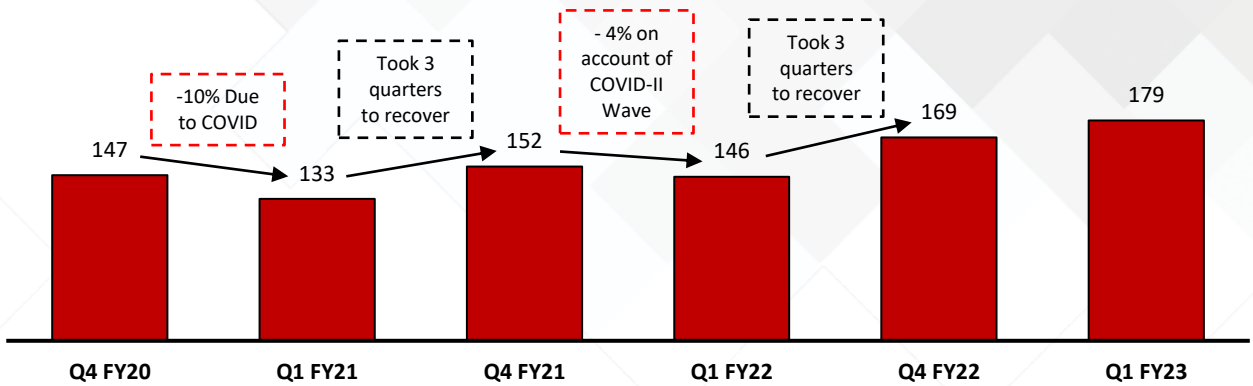
Difficulty in retaining suppliers during stressed economic conditions

IndiaMART will continue to do well if it can provide quality leads to its suppliers. IndiaMART's ability to supply leads will depend upon demands posted by buyers on its platform, which will be a function of how the Indian economy is doing at a given time. Any troubles for the Indian economy will result in difficulties for IndiaMART as it will significantly impair the platform's ability to supply requisite quality leads to its subscribers (suppliers).

Fees from paying suppliers, which form the largest source of revenue for the Company, can be immensely impacted as paid suppliers either choose to downgrade their packages or leave the platform because of macro-pressure built due to suppressed economic conditions.

The impact of weak economic activity on IndiaMART was evident during COVID-19. Most Indian businesses found it challenging to make ends meet as economic activity abruptly halted or slowed down. IndiaMART lost ~10% of its paying subscribers. Paying subscribers as a % of total suppliers fell by 30bps to 2.2%. It took three quarters to recover from this dent, and again in the COVID second wave, there was a similar hit of 4%, which again took three quarters to recover, impacting the Company's core business.

Paying subscribers (in '000s)



Source: Company, Keynote Capitals Ltd.

The silver lining in this situation is that IndiaMART’s paying supplier base is well diversified across 56 industries, with no business contributing more than 8% to the total paid suppliers. At any given time (even during economic turmoil), few businesses will be doing well, providing the platform with the immunity to survive the downturn to some extent. The bottom line is that any financial crisis can jeopardize IndiaMART’s business position (intensity may vary depending on the industry mix of paid suppliers). This can lead to a considerable loss of paid subscribers and hence revenue.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	6,696	7,535	9,455	11,516	13,664
Growth %		13%	25%	22%	19%
Raw Material Expenses	0	0	0	0	0
Employee Expenses	2,052	2,676	4,066	4,664	5,466
Other Expenses	1,362	1,781	2,742	2,994	3,689
EBITDA	3,282	3,078	2,647	3,858	4,509
Growth %		-6%	-14%	46%	17%
Margin%	49%	41%	28%	34%	33%
Depreciation	161	119	175	186	201
EBIT	3,121	2,959	2,472	3,672	4,309
Growth %		-5%	-16%	49%	17%
Margin%	47%	39%	26%	32%	32%
Interest Paid	67	54	53	53	53
Other Income & exceptional	866	1,122	900	1,200	1,200
PBT	3,920	4,027	3,320	4,819	5,456
Tax	1,096	928	830	1,205	1,364
PAT	2,824	3,099	2,490	3,614	4,092
Others (Minorities, Associates)	-27	-122	-280	-90	-50
Net Profit	2,798	2,976	2,210	3,524	4,042
Shares (Mn)	30.4	30.6	30.6	30.6	30.6
EPS	92.29	97.41	72.29	115.30	132.24

Balance Sheet

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Cash, Cash equivalents & Bank	777	768	3,089	6,328	9,963
Current Investments	22,174	23,008	23,008	23,008	23,008
Debtors	12	13	19	23	27
Inventory	0	0	0	0	0
Short Term Loans & Advances	784	465	465	465	465
Other Current Assets	99	148	148	148	148
Total Current Assets	23,847	24,402	26,728	29,971	33,611
Net Block & CWIP	652	562	447	341	241
Long Term Investments	370	4,209	3,929	3,839	3,789
Other Non-current Assets	881	1,931	1,931	1,931	1,931
Total Assets	25,750	31,104	33,035	36,082	39,572
Creditors	154	184	236	288	342
Provision	48	50	50	50	50
Short Term Borrowings	0	0	0	0	0
Other Current Liabilities	5,210	6,349	6,349	6,349	6,349
Total Current Liabilities	5,413	6,582	6,635	6,687	6,740
Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	207	156	156	156	156
Other Long-Term Liabilities	4,021	5,625	5,625	5,625	5,625
Total Non-Current Liabilities	4,228	5,781	5,781	5,781	5,781
Paid-up Capital	303	306	306	306	306
Reserves & Surplus	15,806	18,435	20,313	23,309	26,744
Shareholders' Equity	16,109	18,741	20,619	23,614	27,050
Non-Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	25,750	31,104	33,035	36,082	39,572

Source: Company, Keynote Capitals Ltd. estimates

Cash Flow

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Pre-tax profit	3,894	3,904	3,040	4,729	5,406
Adjustments	-578	-833	-392	-871	-897
Change in Working Capital	471	1,800	47	47	49
Total Tax Paid	-588	-971	-830	-1,205	-1,364
Cash flow from operating Activities	3,198	3,901	1,865	2,701	3,195
Net Capital Expenditure	3	-42	-60	-80	-100
Change in investments	-12,735	-3,770	0	0	0
Other investing activities	-644	459	900	1,200	1,200
Cash flow from investing activities	-13,376	-3,354	840	1,120	1,100
Equity raised / (repaid)	10,520	5	0	0	0
Debt raised / (repaid)	0	0	0	0	0
Dividend (incl. tax)	-15	-455	-331	-529	-606
Other financing activities	-122	-125	-53	-53	-53
Cash flow from financing activities	10,383	-575	-384	-582	-659
Net Change in cash	205	-28	2,320	3,239	3,635

Valuation Ratios

Particulars	FY21	FY22	FY23E	FY24E	FY25E
Per Share Data					
EPS	92	97	72	115	132
Growth %		6%	-26%	59%	15%
Book Value Per Share	531	613	675	773	885
Return Ratios					
Return on Assets (%)	15%	10%	7%	10%	11%
Return on Equity (%)	30%	17%	11%	16%	16%
Return on Capital Employed (%)	36%	17%	11%	16%	16%
Turnover Ratios					
Asset Turnover (x)	0.4	0.3	0.3	0.3	0.4
Sales / Gross Block (x)	6.0	7.1	8.6	9.9	10.9
Working Capital / Sales (%)	170%	241%	200%	188%	184%
Receivable Days	0.8	0.6	0.6	0.7	0.7
Payable Days	9.1	8.2	8.1	8.3	8.4
Liquidity Ratios					
Current Ratio (x)	4.4	3.7	4.0	4.5	5.0
Interest Coverage Ratio (x)	59.8	75.5	63.8	92.1	104.1
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity	0.0	0.0	-0.1	-0.3	-0.4
Valuation					
PE (x)	83.8	44.4	60.4	37.8	33.0
Earnings Yield (%)	1%	2%	2%	3%	3%
Price to Sales (x)	35.1	17.5	14.1	11.6	9.8
Price to Book (x)	14.6	7.0	6.5	5.7	4.9
EV/EBITDA (x)	71.4	42.7	50.2	34.4	29.5
EV/Sales (x)	35.0	17.4	14.0	11.5	9.7

Valuations

Particulars	FY22	FY24E
Number of paid subscribers	1,69,000	2,39,169
ARPU (Rs.)	44,585	48,150
Revenue (in Rs. Mn)	7,960	11,516
PAT Margin %	32%	31%
EPS (Rs.)	84	115
P/E (x)	53	45
Target Price (Rs.)	-	5,174
CMP (Rs.)	-	4,452
% Upside/(Downside)	-	16.2%

Source: Company, Keynote Capitals Ltd. estimates

Considering IndiaMART's current aggressive stance on supplier acquisition, penetration of the internet among businesses, and the strength of IndiaMART's network, we believe that the Company will be able to add a significant number of paying suppliers in the next two years. We estimate that the number of paying suppliers will climb to ~0.24 Mn from the current ~0.18 Mn (Q1 FY23).

We expect ARPU to show a modest rise this year, post which, in FY24E, ARPU will grow at a slightly higher rate than inflation. In the long run, we think that ARPU will keep up with inflation. Using the estimated number of paying subscribers and ARPU, we arrive at an FY24E revenue of Rs. 11,516 Mn.

There has been a material rise in the most important cost item (employee cost) due to Company's decision to hire new employees aggressively. Apart from this, there has been a jump in some other cost items on account of acquisitions, etc., leading to subdued margins in FY23E. In our view, operating leverage will start playing out for IndiaMART from FY24E, pulling the margins back to around 31%.

This will result in an EPS of Rs. 115 in FY24E for IndiaMART. Ascribing a -1 SD multiple of 45x to FY24E EPS will result in the target price of Rs. 5,174, which provides a ~16% upside from current levels.

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

Disclosures and Disclaimers

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Keynote Capitals Ltd. (KCL) is a SEBI Registered Research Analyst having registration no. INH000007997. KCL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. Details of associate entities of Keynote Capitals Limited are available on the website at <https://www.keynotecapitals.com/associate-entities/>

KCL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of KCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

KCL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that KCL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Details of pending Enquiry Proceedings of KCL are available on the website at <https://www.keynotecapitals.com/pending-enquiry-proceedings/>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of KCL or its associates maintains arm’s length distance with Research Team as all the activities are segregated from KCL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KCL & its group companies to registration or licensing requirements within such jurisdictions. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Specific Disclosure of Interest statement for subjected Scrip in this document:

Financial Interest of Research Entity [KCL] and its associates; Research Analyst and its Relatives	NO
Any other material conflict of interest at the time of publishing the research report by Research Entity [KCL] and its associates; Research Analyst and its Relatives	NO
Receipt of compensation by KCL or its Associate Companies from the subject company covered for in the last twelve months; Managing/co-managing public offering of securities in the last twelve months; Receipt of compensation towards Investment banking/merchant banking/brokerage services in the last twelve months; Products or services other than those above in connection with research report in the last twelve months; Compensation or other benefits from the subject company or third party in connection with the research report in the last twelve months.	NO
Whether covering analyst has served as an officer, director or employee of the subject company covered	NO
Whether the KCL and its associates has been engaged in market making activity of the Subject Company	NO
Whether the Research Entity [KCL] and its associates; Research Analyst and its Relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.	NO

The associates of KCL may have:

- Financial interest in the subject company
- Actual/beneficial ownership of 1% or more securities in the subject company
- Received compensation/other benefits from the subject company in the past 12 months
- Other potential conflicts of interests with respect to any recommendation and other related information and opinions.; however, the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of KCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- Acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- Be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- Received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of KCL has not received any compensation or other benefits from third party in connection with the research report.

Above disclosures includes beneficial holdings lying in demat account of KCL which are opened for proprietary investments only. While calculating beneficial holdings, it does not consider demat accounts which are opened in name of KCL for other purposes (i.e. holding client securities, collaterals, error trades etc.). KCL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by KCL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KCL. The report is based on the facts, figures and information that are believed to be true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KCL will not treat recipients as customers by virtue of their receiving this report

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. KCL, its associates, their directors and the employees may from time to time, effect or have affected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. KCL, its associates, their directors and the employees may from time to time invest in any discretionary PMS/AIF Fund and those respective PMS/AIF Funds may affect or have effected any transaction in for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of KCL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KCL to any registration or licensing requirement within such jurisdiction.

The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt KCL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold KCL or any of its affiliates or employees responsible for any such misuse and further agrees to hold KCL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Keynote Capitals Limited (CIN: U67120MH1995PLC088172)

Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD): INZ000241530; DP: CDSL- IN-DP-238-2016; Research Analyst: INH000007997

For any complaints email at kcl@keynoteindia.net

General Disclaimer: Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.keynotecapitals.com; Investment in securities market are subject to market risks, read all the related documents carefully before investing.