

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR2,331 **TP: INR2,650 (+14%)** **Buy**

ARPU anchors growth amid subdued collections

Churn in silver accounts continues to haunt; reiterate BUY

Bloomberg	INMART IN
Equity Shares (m)	60
M.Cap.(INRb)/(USDb)	139.9 / 1.6
52-Week Range (INR)	3199 / 1850
1, 6, 12 Rel. Per (%)	9/-8/-19
12M Avg Val (INR M)	762

■ IndiaMART (INMART) reported 4QFY25 revenue growth of 13% YoY, vs our estimate of 15.8% YoY growth. Deferred revenue rose 17% YoY to INR16.7b. EBITDA margin was down ~240bp QoQ to 36.7%, below our estimates of 38.5%, due to increased manpower expense and outsourced sales cost. PAT stood at INR1,802m, up 49% QoQ/81% YoY, beating our estimate of INR1,056m due to higher other income. For FY25, revenue/EBITDA/PAT grew 16%/57%/64% YoY. We expect revenue/EBITDA/PAT to grow 6.4%/6.9%/2.5% YoY in 1QFY26. **We reiterate our BUY rating on the stock, citing undemanding valuations, with a TP of INR2,650.**

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	13.9	15.0	17.3
EBITDA	5.2	5.3	6.0
Adj. PAT	5.5	4.9	5.7
Adj. EPS (INR)	91.7	81.7	94.6
Adj. EPS Gr. (%)	65%	-11%	16%
BV/Sh. (INR)	364.2	434.4	498.1

Ratios

RoE (%)	28.1	20.5	20.3
RoCE (%)	30.9	23.3	22.7
Payout (%)	54.5	15.0	33.0

Valuations

P/E (x)	25.4	28.5	24.6
P/BV (x)	6.4	5.4	4.7

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	49.2	49.2	49.2
DII	15.5	13.9	10.6
FII	19.0	21.2	23.1
Others	16.3	15.8	17.1

FII Includes depository receipts

Our view: Gold and platinum accounts remain sticky

- **Monitoring collections closely as ARPU holds steady:** INMART's growth continues to be driven by a resilient premium customer base and steady ARPU gains. However, gross customer additions remained muted, and churn in the silver segment continues to be a sticking point—particularly among first-year users, where retention challenges persist. Collections growth was also muted at 9% in the quarter. We anticipate that this trend could persist a little longer before stabilizing.
- **ARPU rose 11% YoY, driven largely by the top 10% of customers (ARPU up 17%).** However, growth remains heavily reliant on existing users, with limited contribution from new customer cohorts.
- **Gold and platinum segments doing the heavy lifting:** Premium segments—now contributing ~75% of revenue—continue to anchor growth with ~1% churn and steady ARPU expansion. These customers offer predictability and pricing power, helping offset volatility elsewhere.
- **Supplier base rationalized; quality-first strategy in play:** INMART continued its strategic pivot toward high-quality supplier onboarding, even if it meant a slowdown in gross additions. Platform enhancements—like reducing buyer introductions per supplier and aligning inquiries with geography—are aimed at boosting conversion and retention, particularly in the silver segment.
- **Improvements in RFP quality and matchmaking are yielding anecdotal gains in engagement.** While supplier consolidation may weigh on headline metrics in the near term, it should support longer-term retention. That said, execution will be key, and we remain in the wait-and-watch mode over the next couple of quarters to see whether churn metrics—especially in the silver bucket—show sustained improvement.
- **Margins:** With low customer acquisition spending, margins remained high at 38-40%. However, as INMART gears up to accelerate supplier additions and advertising pilots, we expect these margins to step down toward a more sustainable 33-34% over time.

Valuation and changes in estimates

- We continue to view INMART as a key beneficiary of the growing technology adoption by India's MSME universe and the ongoing shift toward a formalized ecosystem. We keep our estimates largely unchanged. We expect INMART to deliver a 12% revenue CAGR over FY25-27. We estimate EBITDA margin of 35.3%/34.4% for FY26/FY27.
- Currently, INMART is trading at an undemanding valuation, in our view, as the valuations reflect uncertainties surrounding the churn rate, product-market fit, and subscriber growth. We value INMART on a DCF basis to arrive at our TP of INR2,650, assuming 11.5% WACC and 6% terminal growth. **Reiterate BUY.**

Revenue in line and margins miss; paying subscribers up 1.4% QoQ

- INMART reported 4QFY25 revenue of INR3.5b, growing 13% YoY vs. our estimate of 15.8%. For FY25, revenues grew 16% to INR 13.8b.
- Consolidated collections stood at INR5.4b (+12% YoY). Deferred revenue rose 17% YoY to INR16.7b.
- The company added 2.1k paying subscribers QoQ. ARPU grew 11% YoY to INR62k.
- EBITDA margin was 37%, down 240bp QoQ and below our estimate of 38.5%, due to increased manpower expense and outsourced sales cost. For FY25, EBITDA margins stood at 38%.
- PAT was INR1,802m, up 49% QoQ/81% YoY, beating our estimate of INR1,056m due to higher other income.
- Traffic was flat YoY at 272m. Total suppliers on the platform stood at 8.4m, up 6% YoY.
- Total cash and investments stood at INR28.9b.

Highlights from the management commentary

- Collections grew to INR5.41b for the quarter, up 12% YoY. For FY25, collections reached INR16.2b, reflecting 10% YoY growth on a consolidated basis.
- Unique business inquiries grew 10% QoQ. The company continues to address churn within the silver bucket and focuses on acquiring higher-quality customers.
- Pilot projects on advertising are underway to increase traffic and engagement. These experiments will continue over the next two quarters. If scaled, they could have a significant impact on margins.
- The company estimates that 66% of churn-related issues have been identified and aims to shift to an 80:20 ratio over the next 3-4 quarters.
- 50% of the customer base and 75% of revenue come from the gold and platinum segments, which exhibit low churn and strong ARPU growth.
- Gold and platinum revenue contribution is steadily increasing QoQ as the customer base grows.
- 20% of deferred revenue is expected to be recognized within the next year.
- Margins remain elevated in the 38-40% range due to low customer acquisition costs. As acquisition investments normalize, margins are expected to settle at around 33-34%. A strategic pause in gross additions supports sustainable margin performance.

Valuation and view

- We are confident of strong fundamental growth in operations, propelled by: 1) higher growth in digitization among SMEs, 2) the need for out-of-the-circle buyers, 3) a strong network effect, 4) over 70% market share in the underlying industry, 5) the ability to improve ARPU on low price sensitivity, and 6) higher operating leverage.
- We value INMART on a DCF basis to arrive at our TP of INR2,650, assuming 11.5% WACC and 6% terminal growth. **We reiterate our BUY rating on the stock.**

Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY24				FY25				FY24	FY25	Est 4QFY25E	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Gross Sales	2,821	2,947	3,053	3,147	3,313	3,477	3,543	3,551	11,968	13,884	3,645	-2.6
YoY Change (%)	25.6	22.5	21.4	17.1	17.4	18.0	16.0	12.8	21.5	16.0	15.8	-300bp
Total Expenditure	2,048	2,150	2,200	2,260	2,120	2,130	2,160	2,250	8,658	8,660	2,243	0.3
EBITDA	773	797	853	887	1,193	1,347	1,383	1,301	3,310	5,224	1,402	-7.2
Margins (%)	27.4	27.0	27.9	28.2	36.0	38.7	39.0	36.6	27.7	37.6	38.5	-180bp
Depreciation	74	80	84	127	81	82	83	83	365	329	90	-8
Interest	22	23	22	22	20	19	18	17	89	74	25	-32
Other Income	571	346	417	772	532	655	449	1,090	2,106	2,726	302	261
PBT before EO expense	1,248	1,040	1,164	1,510	1,624	1,901	1,731	2,291	4,962	7,547	1,589	44.2
Extra-Ord expense	18	0	0	0	0	0	0	0	18	0	0	
PBT	1,230	1,040	1,164	1,510	1,624	1,901	1,731	2,291	4,944	7,547	1,589	44.2
Tax	293	239	277	395	374	422	380	380	1,204	1,556	373	2
Rate (%)	23.8	23.0	23.8	26.2	23.0	22.2	22.0	16.6	24.4	20.6	23.5	-690bp
Minority Interest & Profit/Loss of Asso. Cos.	106	110	72	116	112	127	141	111	404	491	160	
Reported PAT	831	691	815	999	1,138	1,352	1,210	1,800	3,336	5,500	1,056	70.5
Adj PAT	849	691	815	999	1,138	1,352	1,210	1,800	3,354	5,500	1,056	70.5
YoY Change (%)	81.8	1.0	33.1	79.0	34.0	95.7	48.5	80.2	44.5	64.0	5.7	7450bp
Margins (%)	30.1	23.4	26.7	31.7	34.3	38.9	34.2	50.7	28.0	39.6	29.0	2170bp

Key Performance Indicators

Y/E March	FY24				FY25				FY24	FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue Indicators										
Paid Suppliers ('000)	208.0	210.0	212.0	214.0	216.0	218.0	214.0	217.0	214.0	217.0
ARPU ('000)	51.5	53.5	55.1	55.9	58.4	60.8	62.9	62.0	53.4	61.0
Cost Indicators										
Employees	4,821	5,066	5,186	5,384	5,729	5,923	5,973	6,102	5,384	6,102
Other Expenses (INR M)	488	460	460	491	460	440	470	498	1,899	1,868



Highlights from the management commentary

Collections, paying suppliers, and customer additions

- Collections grew to INR5.41b for the quarter, up 12% YoY. For FY25, collections reached INR16.2b, reflecting 10% YoY growth on a consolidated basis.
- Unique business inquiries grew 10% QoQ. The company continues to address churn within the silver bucket and focuses on acquiring higher-quality customers.
- 50% of the customer base and 75% of revenue come from the gold and platinum segments, which exhibit low churn and strong ARPU growth.
- Gold and platinum revenue contribution is steadily increasing QoQ as the customer base grows (Gold & Platinum: churn remains low at ~1%).

- The company's initial focus was on improving service levels in the first four quarters; product-market fit initiatives started in the last two quarters.
- The number of buyers introduced per supplier reduced from 6.5 to 3.8, with 80% of RFUs now being buyer-defined, leading to fewer but higher-quality inquiries.
- This shift is driving healthy renewal rates in the gold and platinum segments.
- First-year retention remains a challenge, particularly in the silver bucket; improvements are expected over the next few quarters. Silver (monthly): 6-7% churn. Anecdotal evidence suggests positive feedback from suppliers on recent platform changes.
- The company will hold back on increasing customer acquisition costs until core issues are addressed. The emphasis remains on breaking the 5,000 suppliers/quarter addition barrier before shifting attention to the supplier addition target of 2k-3k each quarter.
- No pricing action has been taken on the Silver tier. However, Gold and Platinum plans typically see an annual price hike of around 10%, often implemented in January.
- The company is experimenting with website, video, and affiliate advertising to boost platform traffic and enhance visibility.
- Pilot projects on advertising are underway to increase traffic and engagement. These experiments will continue over the next two quarters. If scaled, they could have a significant impact on margins.
- The top 10% of customers have seen a 17% increase in ARPU. Overall, ARPU was up 11%; gold and platinum ARPU grew 10%+ over the last 5-6 quarters.
- The successful implementation of variable pricing in platinum accounts has supported consistent ARPU growth. Management remains confident in achieving >10% ARPU growth in the coming year. Almost all revenue growth is currently driven by ARPU increases.
- High-quality inquiries now convert quickly—often within minutes or hours.
- 20% of deferred revenue is expected to be recognized within the next year.

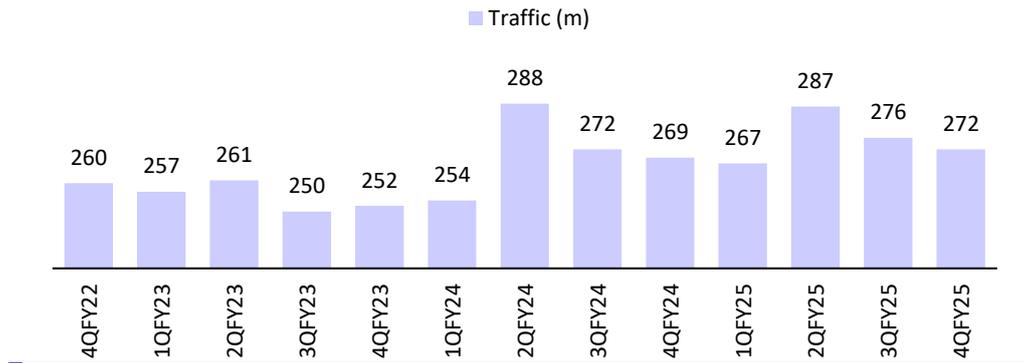
Cost and margin

- EBITDA margin was 37%, down 240bp QoQ and below our estimate of 38.5%, due to increased manpower expense and outsourced sales cost. For FY25, EBITDA margins stood at 38%.
- Margins remained elevated in the 38-40% range due to low customer acquisition costs. As acquisition investments normalize, margins are expected to settle at around 33-34%. A strategic pause in gross additions supports sustainable margin performance.

Other highlights

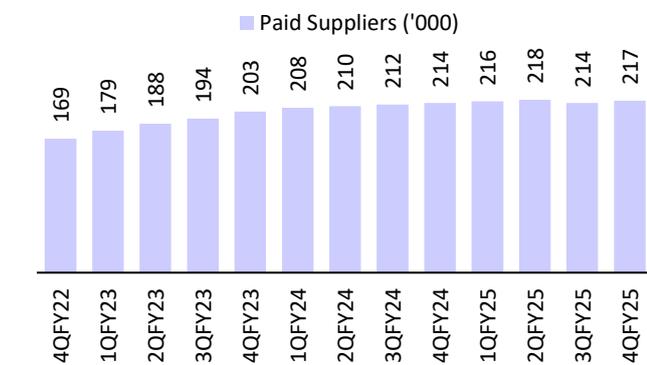
- BUSY has been merged with two other INMART subsidiaries, effective from 1st Apr'23. 8,000 licenses were sold in the quarter, while 33,000 licenses were sold during the year.
- First-time license pricing is ~75% of what Tally offers. Renewal pricing is at par or slightly higher compared to peers. There is scope for further ARPU enhancement.
- The Board has recommended a final dividend of INR30/share and a special dividend of INR20/share.

Exhibit 1: Traffic grew modestly by 1% YoY



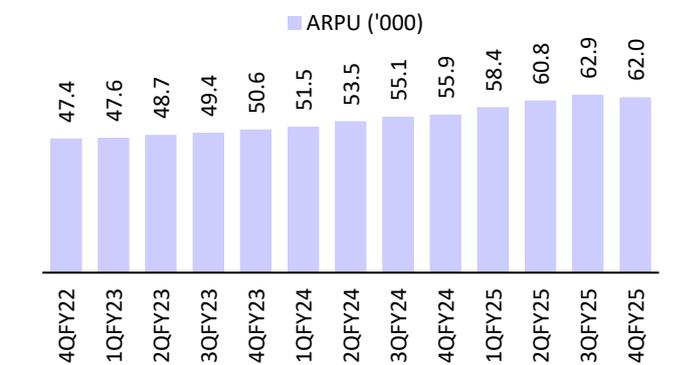
Source: Company, MOFSL

Exhibit 2: Paid suppliers showed uptick QoQ



Source: Company, MOFSL

Exhibit 3: ARPU has stabilized over the past few quarters



Source: Company, MOFSL

Valuation and view

- We are confident of strong fundamental growth in operations, propelled by: 1) higher growth in digitization among SMEs, 2) the need for out-of-the-circle buyers, 3) a strong network effect, 4) over 70% market share in the underlying industry, 5) the ability to improve ARPU on low price sensitivity, and 6) higher operating leverage.
- We value INMART on a DCF basis to arrive at our TP of INR2,650, assuming 11.5% WACC and 6% terminal growth. **We reiterate our BUY rating on the stock.**

Exhibit 4: Changes to our estimates

	Revised		Earlier		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue (INR m)	14,999	17,325	15,478	18,174	-3.1	-4.7
YoY (%)	8.0	15.5	10.7	17.4	-270bp	-190bp
EBITDA (%)	35.3	34.4	34.1	33.1	120bp	140bp
EBIT (%)	32.9	32.1	31.8	30.7	120bp	140bp
EPS (INR)	81.7	94.6	79.7	92.9	2.6	1.8

Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement									(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	5,070	6,386	6,696	7,535	9,854	11,968	13,884	14,999	17,325
Change (%)	23.4	26.0	4.9	12.5	30.8	21.5	16.0	8.0	15.5
Employees Cost	2,290	2,670	2,052	2,676	3,975	5,369	6,000	6,810	7,751
Outsourced sales cost	570	724	534	728	1,310	1,390	790	743	669
Other Expenses	1,370	1,310	828	1,053	1,892	1,899	1,868	2,151	2,939
Total Expenditure	4,230	4,704	3,414	4,457	7,177	8,658	8,658	9,704	11,359
% of Sales	83.4	73.7	51.0	59.2	72.8	72.3	62.4	64.7	65.6
EBITDA	840	1,682	3,282	3,078	2,677	3,310	5,226	5,295	5,965
Margin (%)	16.6	26.3	49.0	40.8	27.2	27.7	37.6	35.3	34.4
Depreciation	40	207	161	119	311	365	329	354	408
EBIT	800	1,475	3,121	2,959	2,366	2,945	4,897	4,941	5,557
Int. and Finance Charges	650	29	67	54	81	89	74	72	72
Other Income	410	683	866	1,122	1,135	2,106	2,726	2,113	2,471
PBT bef. EO Exp.	560	2,129	3,920	4,027	3,420	4,962	7,549	6,982	7,956
EO Items	0	229	-109	0	516	-18	0	0	0
PBT after EO Exp.	560	2,358	3,811	4,027	3,936	4,944	7,549	6,982	7,956
Total Tax	350	872	986	928	721	1,204	1,556	1,462	1,666
Tax Rate (%)	62.5	37.0	25.9	23.0	18.3	24.4	20.6	20.9	20.9
Minority Interest	0.0	14.0	27.0	122.0	378.0	404.0	491.0	620.0	620.0
Reported PAT	210	1,472	2,798	2,977	2,837	3,336	5,502	4,900	5,670
Adjusted PAT	210	1,243	2,907	2,977	2,321	3,354	5,502	4,900	5,670
Change (%)	-61.8	491.9	133.9	2.4	-22.0	44.5	64.0	-10.9	15.7
Margin (%)	4.1	19.5	43.4	39.5	23.6	28.0	39.6	32.7	32.7

Consolidated - Balance Sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	286	289	303	306	306	599	600	600	600
Total Reserves	1,313	2,462	15,806	18,616	20,279	16,762	21,253	25,440	29,261
Net Worth	1,599	2,751	16,109	18,922	20,585	17,361	21,853	26,040	29,861
Other Liabilities	2,300	3,312	3,318	3,933	5,105	6,181	6,876	6,623	7,066
Total Loans	0	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	-964	-536	-244	-232	-106	-60	-71	-91	-111
Capital Employed	2,935	5,527	19,183	22,623	25,584	23,482	28,658	32,572	36,816
Net Fixed Assets	85	52	22	30	541	482	332	352	372
Goodwill on Consolidation	6	5	3	2	4,990	4,878	4,819	4,819	4,819
Capital WIP	2	2	2	2	2	5	0	0	0
Other Assets	44	1,514	1,054	5,053	5,173	5,360	6,758	6,758	6,758
Total Investments	6,450	8,719	22,174	22,994	22,718	22,222	27,882	30,882	33,882
Curr. Assets, Loans&Adv.	657	401	1,616	1,337	916	1,479	1,475	3,450	6,052
Inventory	0	0	0	0	0	0	0	0	0
Account Receivables	6	17	13	13	71	48	40	41	47
Cash and Bank Balance	402	169	401	453	581	848	735	2,649	5,184
Loans and Advances	250	215	1,202	871	264	583	700	760	820
Curr. Liability & Prov.	4,308	5,166	5,688	6,795	8,756	10,944	12,608	13,689	15,066
Account Payables	450	179	154	183	272	344	270	549	625
Other Current Liabilities	3,709	4,682	5,210	6,335	8,212	10,234	11,841	12,633	13,924
Provisions	149	305	324	277	272	366	497	507	517
Net Current Assets	-3,650	-4,765	-4,072	-5,458	-7,840	-9,465	-11,133	-10,239	-9,015
Misc Expenditure	0	0	0	0	0	0	0	0	0
Appl. of Funds	2,936	5,527	19,183	22,623	25,584	23,482	28,658	32,572	36,816

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)									
EPS	3.9	25.9	48.3	48.6	46.4	55.2	91.7	81.7	94.6
Cash EPS	3.9	25.9	48.3	48.6	46.4	55.2	91.7	81.7	94.6
BV/Share	29.3	48.4	278.1	308.7	336.5	287.3	364.2	434.4	498.1
DPS	0.0	5.1	7.7	1.0	2.0	20.0	50.0	12.2	31.2
Payout (%)	0.0	22.7	16.0	2.1	4.3	36.2	54.5	15.0	33.0
Valuation (x)									
P/E	605.5	90.0	48.3	48.0	50.3	42.2	25.4	28.5	24.6
Cash P/E	605.5	90.0	48.3	48.0	50.3	42.2	25.4	28.5	24.6
P/BV	79.5	48.2	8.4	7.6	6.9	8.1	6.4	5.4	4.7
EV/Sales	25.0	20.7	20.1	18.9	14.4	11.7	10.0	9.1	7.8
EV/EBITDA	150.9	78.7	41.0	46.3	53.1	42.3	26.6	25.9	22.6
Dividend Yield (%)	0.0	0.2	0.3	0.0	0.1	0.9	2.1	0.5	1.3
FCF per share	45.8	45.0	55.7	65.7	75.2	90.1	102.5	60.9	84.2
Return Ratios (%)									
RoE	-26.0	57.2	30.8	17.0	11.8	17.7	28.1	20.5	20.3
RoCE	-56.2	62.5	31.3	17.9	14.5	20.1	30.9	23.3	22.7
Working Capital Ratios									
Fixed Asset Turnover (x)	59.8	122.8	304.4	251.2	18.2	24.8	41.8	42.6	46.6
Asset Turnover (x)	1.7	1.2	0.3	0.3	0.4	0.5	0.5	0.5	0.5
Debtor (Days)	0	1	1	1	3	1	1	1	1
Creditor (Days)	32	10	8	9	10	10	7	13	13
Leverage Ratio (x)									
Current Ratio	0.2	0.1	0.3	0.2	0.1	0.1	0.1	0.3	0.4
Interest Cover Ratio	1.2	50.9	46.6	54.8	29.2	33.1	66.2	68.6	77.2
Net Debt/Equity	-4.3	-3.2	-1.4	-1.2	-1.1	-1.3	-1.3	-1.3	-1.3

Consolidated - Cash Flow

Statement

(INR M)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	539	2,114	3,893	4,026	3,713	4,544	7,058	6,982	7,956
Depreciation	41	211	161	119	311	365	329	354	408
Interest & Finance Charges	-30	33	67	54	-32	-29	-27	72	72
Direct Taxes Paid	-52	-186	-588	-971	-754	-915	-1,548	-1,462	-1,666
(Inc)/Dec in WC	1,684	1,022	471	1,803	2,552	2,937	2,338	334	1,323
CF from Operations	2,183	3,194	4,004	5,031	5,790	6,902	8,150	6,281	8,093
Others	368	-589	-779	-963	-1,031	-1,310	-1,918	-2,257	-2,615
CF from Operating incl EO	2,551	2,605	3,225	4,068	4,759	5,592	6,232	4,024	5,478
(Inc)/Dec in FA	-51	-45	2	-42	-160	-144	-78	-374	-428
Free Cash Flow	2,500	2,560	3,227	4,026	4,599	5,448	6,154	3,650	5,050
(Pur)/Sale of Investments	-2,591	-2,047	-13,379	-356	866	1,861	-4,286	-3,000	-3,000
Others	-116	-233	1	-2,992	-3,946	-93	-499	2,053	2,411
CF from Investments	-2,758	-2,325	-13,376	-3,390	-3,240	1,624	-4,863	-1,322	-1,017
Issue of Shares	144	19	10,520	5	0	0	0	0	0
Interest Paid	-3	-199	-122	-125	-128	-139	-149	-56	-56
Dividend Paid	0	-333	-15	-455	-1,305	-6,810	-1,333	-732	-1,870
CF from Fin. Activity	141	-513	10,383	-575	-1,433	-6,949	-1,482	-788	-1,926
Inc/Dec of Cash	-65	-233	232	103	86	267	-113	1,914	2,535
Opening Balance	467	402	169	350	495	581	848	735	2,649
Closing Balance	402	169	401	453	581	848	735	2,649	5,184

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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