

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	INMART IN
Equity Shares (m)	60
M.Cap.(INRb)/(USDb)	159.3 / 1.8
52-Week Range (INR)	3172 / 1835
1, 6, 12 Rel. Per (%)	7/9/-10
12M Avg Val (INR M)	695

#### Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	13.9	15.4	17.8
EBITDA	5.2	5.2	5.9
Adj. PAT	5.5	5.1	5.7
Adj. EPS (INR)	91.7	84.2	95.1
Adj. EPS Gr. (%)	65%	-8%	13%
BV/Sh. (INR)	364.2	436.3	500.1
<b>Ratios</b>			
RoE (%)	28.1	21.0	20.3
RoCE (%)	30.9	23.5	22.4
Payout (%)	54.5	14.5	32.8
<b>Valuations</b>			
P/E (x)	28.9	31.5	27.9
P/BV (x)	7.3	6.1	5.3

#### 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

**CMP: INR2,653**      **TP: INR3,050 (+15%)**

**Buy**

#### ARPU-led growth intact

##### Increased inquiry funnel may ease churn pressure

- IndiaMART (INMART) reported 1QFY26 revenue growth of 12% YoY vs. our estimate of 10% YoY growth. Deferred revenue rose 16% YoY to INR17b. EBITDA margin was down ~90bp QoQ to 36%, in line with our estimates of 36.4%. PAT stood at INR1,531m, down 15% QoQ/up 35% YoY, beating our estimate of INR1,204m due to higher other income and lower depreciation.
- For 1QFY26, revenue/EBITDA/PAT grew 12.3%/11.6%/35.0% YoY. We expect revenue to grow 10%, whereas EBITDA/PAT would decline 6%/15% YoY in 2QFY26. **We reiterate our BUY rating on the stock, citing undemanding valuations, with a TP of INR3,050.**

##### Our view: Ad spending to weigh on margins

- Growth in unique business inquiries encouraging:** INMART's unique business inquiries grew 17% YoY (above the average rate of 10-12% growth) in 1QFY26. This growth can be attributed to management's incremental push on advertising and marketing costs. Management has shifted focus toward demand generation (i.e., buy-side inquiries), rather than adding low-quality suppliers. We believe sustained investments through FY26 are likely to improve inquiry quality and drive stronger conversion.
- Gold/Platinum accounts continue to anchor ARPU growth; silver stability still a few quarters away:** Premium accounts remain the primary revenue driver, with low churn (~1%) and steady upsell potential. However, churn in silver accounts remains elevated (4% annually/7% monthly), reflecting weaker first-year retention and possibly lower platform engagement. For now, ARPU remains the lever for growth. Even without net supplier additions, management expects ARPU to grow 5-9%, and we have accordingly built in 7% growth for FY26.
- Margins** remained elevated at ~36% in 1Q. However, with INMART set to ramp up demand-side pilots (ad spending of INR60-100m per quarter; ~3% margin impact), margins are likely to settle at a more sustainable 32–33% in FY26. We factor this shift into our model, cutting our margin estimates by 2-2.5% to 33.4% for FY26. Management remains RoI-focused and is open to recalibrating spending if outcomes fall short.

##### Valuation and changes to our 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 13% revenue CAGR over FY25-27. We estimate the EBITDA margin at 33.4%/33.1% 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 INR3,050, assuming 11.5% WACC and 6% terminal growth.

**Reiterate BUY.**

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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### Beat on revenue and margins in line; ARPU rises 9% YoY

- INMART reported 1QFY26 revenue of INR3.7b, growth of 12% YoY vs. our estimate of 10.0%.
- Collections were INR4.3b (+13% YoY). Deferred revenue rose 16% YoY to INR17b.
- It added 1.5k paying subscribers QoQ. ARPU grew 9% YoY to INR64k.
- EBITDA margin was 36%, down 90bp QoQ and in line with our est. of 36.4%.
- PAT was INR1,531m, down 15% QoQ/up 35% YoY, beating our estimate of INR1,204m due to higher other income and lower depreciation.
- Traffic grew 7% YoY to 286m. Total suppliers on the platform stood at 8.4m, up 6% YoY.
- Total cash and investments stood at INR27.6b.

### Highlights from the management commentary

- Collections stood at INR4.3b, reflecting a 13% YoY increase. Deferred revenue rose by 16% YoY to INR17b.
- Management is not actively pursuing the addition of new paying suppliers at this time. However, the percentage of repeat customers and the NPS continue to rise.
- Around 80–85% of business inquiries are delivered to paying suppliers, while the remainder goes to non-paying (free) suppliers.
- While the company is not opposed to adopting a transaction-based model, there are currently no plans to change the existing revenue model.
- Metrics such as traffic, unique business inquiries (UBEs), and business inquiries delivered are considered leading indicators for the buy-side.
- Churn for Platinum and Gold accounts remains low, at approximately 1%.
- Silver accounts faced challenges such as difficulties in platform adoption and issues with lead quality or intent. The company has addressed these concerns and continues to make improvements, though churn remains elevated at 4% annually and 7% monthly.
- Reduction in churn is expected to take six months, aided by increased marketing investments, which have already contributed to the 17% increase in UBEs.

### 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 INR3,050, assuming 11.5% WACC and 6% terminal growth. **Reiterate BUY.**

## Consolidated - Quarterly Earnings Model

(INR m)

Y/E March	FY25				FY26E				FY25	FY26E	Estimate	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Gross Sales</b>	<b>3,313</b>	<b>3,477</b>	<b>3,543</b>	<b>3,551</b>	<b>3,721</b>	<b>3,810</b>	<b>3,847</b>	<b>4,033</b>	<b>13,884</b>	<b>15,410</b>	<b>3,643</b>	<b>2.1</b>
YoY Change (%)	17.4	18.0	16.0	12.8	12.3	9.6	8.6	13.6	16.0	11.0	10.0	230bp
<b>Total Expenditure</b>	<b>2,120</b>	<b>2,130</b>	<b>2,160</b>	<b>2,248</b>	<b>2,390</b>	<b>2,547</b>	<b>2,602</b>	<b>2,719</b>	<b>8,658</b>	<b>10,258</b>	<b>2,318</b>	<b>3.1</b>
<b>EBITDA</b>	<b>1,193</b>	<b>1,347</b>	<b>1,383</b>	<b>1,303</b>	<b>1,331</b>	<b>1,263</b>	<b>1,244</b>	<b>1,314</b>	<b>5,226</b>	<b>5,152</b>	<b>1,325</b>	<b>0.4</b>
Margins (%)	36.0	38.7	39.0	36.7	35.8	33.1	32.3	32.6	37.6	33.4	36.4	-60bp
Depreciation	81	82	83	83	69	89	90	94	329	342	86	-20
Interest	20	19	18	17	10	10	10	10	74	40	18	-44
Other Income	532	655	449	1,090	924	517	538	560	2,726	2,539	497	86
<b>PBT before EO expense</b>	<b>1,624</b>	<b>1,901</b>	<b>1,731</b>	<b>2,293</b>	<b>2,176</b>	<b>1,681</b>	<b>1,682</b>	<b>1,769</b>	<b>7,549</b>	<b>7,309</b>	<b>1,719</b>	<b>26.6</b>
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	0
<b>PBT</b>	<b>1,624</b>	<b>1,901</b>	<b>1,731</b>	<b>2,293</b>	<b>2,176</b>	<b>1,681</b>	<b>1,682</b>	<b>1,769</b>	<b>7,549</b>	<b>7,309</b>	<b>1,719</b>	<b>26.6</b>
Tax	374	422	380	380	504	389	390	410	1,556	1,693	360	40
Rate (%)	23.0	22.2	22.0	16.6	23.2	23.2	23.2	23.2	20.6	23.2	20.9	220bp
Minority Interest & Profit/Loss of Asso. Cos.	112	127	141	111	141	141	141	141	491	564	155	
<b>Reported PAT</b>	<b>1,138</b>	<b>1,352</b>	<b>1,210</b>	<b>1,802</b>	<b>1,531</b>	<b>1,151</b>	<b>1,152</b>	<b>1,219</b>	<b>5,502</b>	<b>5,052</b>	<b>1,204</b>	<b>27.2</b>
<b>Adj PAT</b>	<b>1,138</b>	<b>1,352</b>	<b>1,210</b>	<b>1,802</b>	<b>1,531</b>	<b>1,151</b>	<b>1,152</b>	<b>1,219</b>	<b>5,502</b>	<b>5,052</b>	<b>1,204</b>	<b>27.2</b>
YoY Change (%)	34.0	95.7	48.5	80.4	34.5	-14.9	-4.8	-32.4	64.0	-8.2	5.8	2870bp
Margins (%)	34.3	38.9	34.2	50.7	41.1	30.2	29.9	30.2	39.6	32.8	33.0	810bp

## Key Performance Indicators

Y/E March	FY25				FY26	FY25
	1Q	2Q	3Q	4Q		
<b>Revenue Indicators</b>						
Paid Suppliers ('000)	216.0	218.0	214.0	217.0	218.0	217.0
ARPU ('000)	58.4	60.8	62.9	62.0	64.0	61.0
<b>Cost Indicators</b>						
Employees	5,729	5,923	5,973	6,102	6,315	6,102
Other Expenses ( INR M)	460	440	470	498	590	1,868



## Highlights from the management commentary

## Collections, paying suppliers, and customer additions

- The ratio of business inquiries delivered to unique business inquiries has decreased and currently stands at 3.3x.
- Management is not actively pursuing the addition of new paying suppliers at this time. However, the percentage of repeat customers and the NPS continues to rise.
- Around 80–85% of business inquiries are delivered to paying suppliers, while the remainder goes to non-paying (free) suppliers.
- While the company is not opposed to adopting a transaction-based model, there are currently no plans to change the existing revenue model.
- Metrics such as traffic, unique business inquiries (UBEs), and business inquiries delivered are considered leading indicators for the buy-side.
- Unique business inquiries rose to 29m, marking a 17% YoY increase.
- These inquiries are categorized into four quartiles based on seller traction. The company is working to reduce the lower quartile while increasing the share of the top quartile.
- Platinum and Gold accounts continue to demonstrate strong upsell potential and high retention rates. ARPU has been the primary contributor to growth and would have grown by 5–9% if customer growth had accompanied it.
- Churn for Platinum and Gold accounts remains low, at approximately 1%.

- Silver accounts faced challenges such as difficulties in platform adoption and issues with lead quality or intent. The company has addressed these concerns and continues to make improvements, though churn remains elevated at 4% annually and 7% monthly.
- Monthly customers typically show lower engagement and purchase intent compared to annual customers. Annual renewals are expected around February–March next year.
- Reduction in churn is expected to take six months, supported by increased marketing investments, which have already contributed to the 17% rise in UBEs.
- GenAI is being leveraged to address core challenges and enhance customer experiences. For example, chatbots are now used to confirm buy-side leads, replacing phone calls.
- On the B2B side, while the company has yet to unlock GenAI-driven revenue opportunities, it is already seeing tangible cost and efficiency gains.

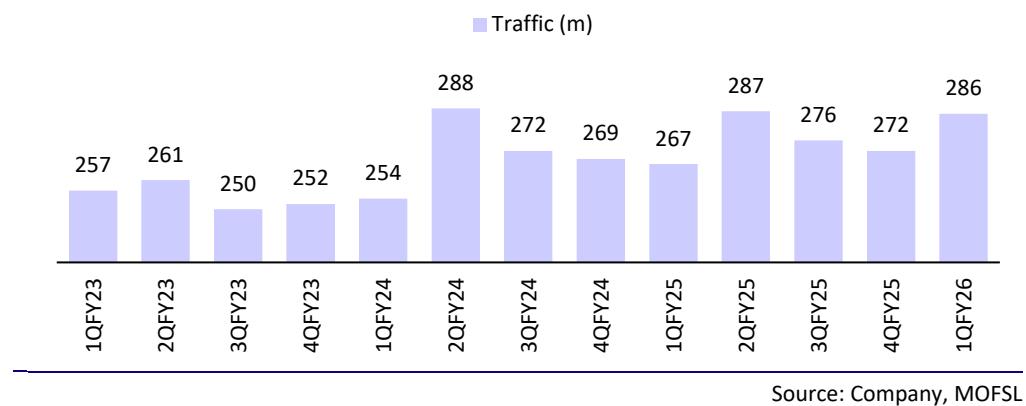
### **Cost and margin**

- EBITDA margin was 36%, down 90bp QoQ and in line with our estimate of 36.4%.
- Advertisement expenses, including APM and affiliate marketing on social media, totaled INR 50–60m in 1QFY26 compared to INR 10m in 4QFY25.
- Early results from these campaigns are encouraging, although further optimization is required.
- Management has budgeted INR 60–100m per quarter for advertising (impacting margins by ~3%).
- The increased ad spend helped drive a 17% increase in UBEs, above the typical growth rate of 10–11%.
- Management expects that sustained advertising over the next three quarters will yield more visible outcomes.
- For FY26, the company expects sustainable margins in the range of 32–33%.

### **Other highlights**

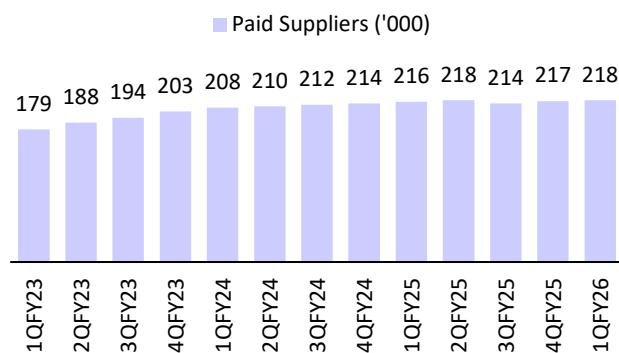
- Losses from associates remained stable during the quarter. One strategic investment was reclassified as an associate. Vyapar and Bizom are the key associates now.
- **Busy Infotech:** During the quarter, it sold 12,000 new licenses, bringing the total license base to 409,000. The company remains focused on expanding its customer base.

## Exhibit 1: Traffic grew 7% YoY



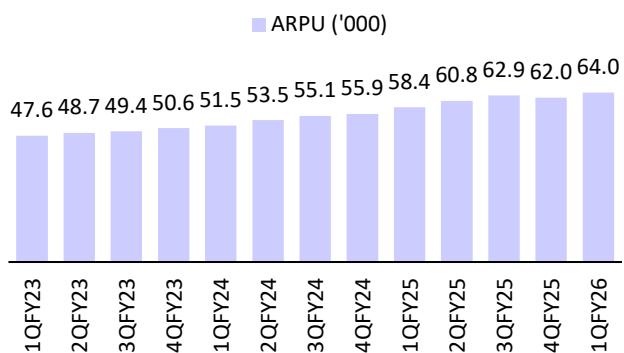
Source: Company, MOFSL

## Exhibit 2: About 1.5k paying suppliers added in 1QFY26



Source: Company, MOFSL

## Exhibit 3: Healthy ARPU growth of 9% YoY in 1QFY26



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 INR3,050, assuming 11.5% WACC and 6% terminal growth. **Reiterate BUY.**

## Exhibit 4: Changes to our estimates

	Revised		Earlier		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue (INR m)	15,410	17,775	15,111	17,330	2.0	2.6
YoY (%)	11.0	15.3	8.8	14.7	220bp	70bp
EBITDA (%)	33.4	33.1	35.3	34.4	-190bp	-140bp
EBIT (%)	31.2	30.8	33.0	32.1	-180bp	-130bp
EPS (INR)	84.2	95.1	82.3	92.9	2.3	2.3

Source: MOFSL, Company

## Financials and valuations

Consolidated - Income Statement							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Total Income from Operations</b>	6,696	7,535	9,854	11,968	13,884	15,410	17,775
Change (%)	4.9	12.5	30.8	21.5	16.0	11.0	15.3
Employees Cost	2,052	2,676	3,975	5,369	6,000	6,824	7,957
Outsourced sales cost	534	728	1,310	1,390	790	694	625
Other Expenses	828	1,053	1,892	1,899	1,868	2,740	3,314
<b>Total Expenditure</b>	3,414	4,457	7,177	8,658	8,658	10,258	11,896
% of Sales	51.0	59.2	72.8	72.3	62.4	66.6	66.9
<b>EBITDA</b>	3,282	3,078	2,677	3,310	5,226	5,152	5,879
Margin (%)	49.0	40.8	27.2	27.7	37.6	33.4	33.1
Depreciation	161	119	311	365	329	342	406
<b>EBIT</b>	3,121	2,959	2,366	2,945	4,897	4,810	5,473
Int. and Finance Charges	67	54	81	89	74	40	40
Other Income	866	1,122	1,135	2,106	2,726	2,539	2,602
<b>PBT bef. EO Exp.</b>	3,920	4,027	3,420	4,962	7,549	7,309	8,034
EO Items	-109	0	516	-18	0	0	0
<b>PBT after EO Exp.</b>	3,811	4,027	3,936	4,944	7,549	7,309	8,034
Total Tax	986	928	721	1,204	1,556	1,693	1,768
Tax Rate (%)	25.9	23.0	18.3	24.4	20.6	23.2	22.0
Minority Interest	27.0	122.0	378.0	404.0	491.0	564.0	564.0
<b>Reported PAT</b>	2,798	2,977	2,837	3,336	5,502	5,052	5,703
<b>Adjusted PAT</b>	2,907	2,977	2,321	3,354	5,502	5,052	5,703
Change (%)	133.9	2.4	-22.0	44.5	64.0	-8.2	12.9
Margin (%)	43.4	39.5	23.6	28.0	39.6	32.8	32.1

## Consolidated - Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	303	306	306	599	600	600	600
Total Reserves	15,806	18,616	20,279	16,762	21,253	25,572	29,404
<b>Net Worth</b>	16,109	18,922	20,585	17,361	21,853	26,172	30,004
Other Liabilities	3,318	3,933	5,105	6,181	6,876	6,785	7,232
Total Loans	0	0	0	0	0	0	0
Deferred Tax Liabilities	-244	-232	-106	-60	-71	-71	-71
<b>Capital Employed</b>	19,183	22,623	25,584	23,482	28,658	32,886	37,165
<b>Net Fixed Assets</b>	22	30	541	482	332	332	332
Goodwill on Consolidation	3	2	4,990	4,878	4,819	4,819	4,819
Capital WIP	2	2	2	5	0	0	0
Other Assets	1,054	5,053	5,173	5,360	6,758	6,758	6,758
<b>Total Investments</b>	22,174	22,994	22,718	22,222	27,882	30,882	33,882
<b>Curr. Assets, Loans&amp;Adv.</b>	1,616	1,337	916	1,479	1,475	4,088	6,767
Inventory	0	0	0	0	0	0	0
Account Receivables	13	13	71	48	40	42	49
Cash and Bank Balance	401	453	581	848	735	3,345	6,018
Loans and Advances	1,202	871	264	583	700	700	700
<b>Curr. Liability &amp; Prov.</b>	5,688	6,795	8,756	10,944	12,608	13,992	15,393
Account Payables	154	183	272	344	270	550	642
Other Current Liabilities	5,210	6,335	8,212	10,234	11,841	12,945	14,254
Provisions	324	277	272	366	497	497	497
<b>Net Current Assets</b>	-4,072	-5,458	-7,840	-9,465	-11,133	-9,905	-8,626
Misc Expenditure	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	19,183	22,623	25,584	23,482	28,658	32,886	37,165

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Basic (INR)</b>							
EPS	48.3	48.6	46.4	55.2	91.7	84.2	95.1
Cash EPS	48.3	48.6	46.4	55.2	91.7	84.2	95.1
BV/Share	278.1	308.7	336.5	287.3	364.2	436.3	500.1
DPS	7.7	1.0	2.0	20.0	50.0	12.2	31.2
Payout (%)	16.0	2.1	4.3	36.2	54.5	14.5	32.8
<b>Valuation (x)</b>							
P/E	54.9	54.6	57.2	48.0	28.9	31.5	27.9
Cash P/E	54.9	54.6	57.2	48.0	28.9	31.5	27.9
P/BV	9.5	8.6	7.9	9.2	7.3	6.1	5.3
EV/Sales	22.9	21.5	16.4	13.3	11.4	10.1	8.6
EV/EBITDA	46.7	52.7	60.4	48.2	30.3	30.2	26.0
Dividend Yield (%)	0.3	0.0	0.1	0.8	1.9	0.5	1.2
FCF per share	55.7	65.7	75.2	90.1	102.5	64.2	83.2
<b>Return Ratios (%)</b>							
RoE	30.8	17.0	11.8	17.7	28.1	21.0	20.3
RoCE	31.3	17.9	14.5	20.1	30.9	23.5	22.4
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	304.4	251.2	18.2	24.8	41.8	46.4	53.5
Asset Turnover (x)	0.3	0.3	0.4	0.5	0.5	0.5	0.5
Debtor (Days)	1	1	3	1	1	1	1
Creditor (Days)	8	9	10	10	7	13	13
<b>Leverage Ratio (x)</b>							
Current Ratio	0.3	0.2	0.1	0.1	0.1	0.3	0.4
Interest Cover Ratio	46.6	54.8	29.2	33.1	66.2	120.2	136.8
Net Debt/Equity	-1.4	-1.2	-1.1	-1.3	-1.3	-1.3	-1.3

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	3,893	4,026	3,713	4,544	7,058	7,309	8,034
Depreciation	161	119	311	365	329	342	406
Interest & Finance Charges	67	54	-32	-29	-27	40	40
Direct Taxes Paid	-588	-971	-754	-915	-1,548	-1,693	-1,768
(Inc)/Dec in WC	471	1,803	2,552	2,937	2,338	879	1,429
<b>CF from Operations</b>	<b>4,004</b>	<b>5,031</b>	<b>5,790</b>	<b>6,902</b>	<b>8,150</b>	<b>6,877</b>	<b>8,142</b>
Others	-779	-963	-1,031	-1,310	-1,918	-2,683	-2,746
<b>CF from Operating incl EO</b>	<b>3,225</b>	<b>4,068</b>	<b>4,759</b>	<b>5,592</b>	<b>6,232</b>	<b>4,194</b>	<b>5,396</b>
(Inc)/Dec in FA	2	-42	-160	-144	-78	-342	-406
<b>Free Cash Flow</b>	<b>3,227</b>	<b>4,026</b>	<b>4,599</b>	<b>5,448</b>	<b>6,154</b>	<b>3,852</b>	<b>4,990</b>
(Pur)/Sale of Investments	-13,379	-356	866	1,861	-4,286	-3,000	-3,000
Others	1	-2,992	-3,946	-93	-499	2,479	2,542
<b>CF from Investments</b>	<b>-13,376</b>	<b>-3,390</b>	<b>-3,240</b>	<b>1,624</b>	<b>-4,863</b>	<b>-863</b>	<b>-865</b>
Issue of Shares	10,520	5	0	0	0	0	0
Interest Paid	-122	-125	-128	-139	-149	-40	-40
Dividend Paid	-15	-455	-1,305	-6,810	-1,333	-680	-1,819
<b>CF from Fin. Activity</b>	<b>10,383</b>	<b>-575</b>	<b>-1,433</b>	<b>-6,949</b>	<b>-1,482</b>	<b>-720</b>	<b>-1,859</b>
<b>Inc/Dec of Cash</b>	<b>232</b>	<b>103</b>	<b>86</b>	<b>267</b>	<b>-113</b>	<b>2,610</b>	<b>2,673</b>
Opening Balance	169	350	495	581	848	735	3,345
<b>Closing Balance</b>	<b>401</b>	<b>453</b>	<b>581</b>	<b>848</b>	<b>735</b>	<b>3,345</b>	<b>6,018</b>

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## NOTES

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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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