IndiaMART InterMESH Ltd.
6th floor, Tower 2, Assotech Business Cresterra,
Plot No.22, Sec 135, Noida-201305, U.P.
Call Us: +91 - 9696969696
E: customercare@indiamart.com
Website: www.indiamart.com

May 03, 2023

To,

BSE Limited	**National Stock Exchange of India Limited**
(BSE: 542726)	(NSE: INDIAMART)

Subject: Transcript of Earnings Conference Call on financial results and developments for the quarter and year ended March 31, 2023

Dear Sir/Ma'am,

Pursuant to Regulation 30(6) read with Part A of Schedule III of the Listing Regulations, we wish to inform that the Transcript of Earnings Conference Call for Analysts and Investors held on April 28, 2023, with respect to the financial performance of the Company for quarter and year ended March 31, 2023, is enclosed herewith. The copy of transcript is also available on the Company's website at https://investor.indiamart.com/FinancialResultsStatements.aspx.

Kindly take note of the same.

Yours faithfully,
For IndiaMART InterMESH Limited

MANOJ BHARGAVA
Digitally signed by MANOJ BHARGAVA
Date: 2023.05.03 13:18:45 +05'30'

(Manoj Bhargava)
Group General Counsel,
Company Secretary & Compliance Officer
Membership No: F5164

Encl: As above.

Webinar Transcript

Event: IndiaMART Q4 FY2023 Earnings Webinar

Event Date/Time: April 28, 2023 at 16:00 hrs

CORPORATE PARTICIPANTS:

Mr. Dinesh Chandra Agarwal – Chief Executive Officer

Mr. Brijesh Kumar Agrawal – Whole-Time Director

Mr. Prateek Chandra – Chief Financial Officer

Mr. Kushal Maheshwari – Head of Investor Relations

Kushal Maheshwari: Good Afternoon, Ladies and gentlemen, I'm Kushal Maheshwari, Head of Investor Relations. And on behalf of IndiaMART InterMESH Limited, I welcome you all to the Company's Q4 and FY 2023 Earnings Webinar. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Joining us today from the management side, we have Mr. Dinesh Agarwal, Chief Executive Officer; Mr. Brijesh Agrawal, Whole-Time Director; Mr. Prateek Chandra, Chief Financial Officer. Before we begin, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve risks and uncertainties. Kindly refer Slide #3 of the earnings presentation for the detailed disclaimer. Now, I would like to hand over the call to Mr. Dinesh Agarwal for his opening remarks. Thank you, and over to you, Dinesh.

Dinesh Chandra Agarwal: Thank you, Kushal. Good evening, everyone and welcome to IndiaMART's quarter four and FY 2023 earnings webinar. We have already circulated our earning presentation which is available on our website as well as stock exchanges website. I'm sure you would have gone through the same and I would be happy to take any questions afterwards. I'm pleased to report that IndiaMART has delivered a consolidated revenue from operations of Rs. 269 crores in the fourth quarter and Rs. 985 crores in the full-year representing an year-on-year growth of 33% and 31% respectively. Collections from customers for the entire year grew from Rs. 934 crores to Rs. 1,219 crore on the consolidated basis. Deferred revenue as on 31st March 23 stood at Rs. 1,162 crore. This growth was primarily driven by increase in the average revenue per customers and the increase in the number of paying subscriber. In addition to this, the acquisition of the Accounting Software Services segment in the first quarter of the last financial year has further contributed to this growth. Continued growth momentum in the paying subscription suppliers is largely driven by recovery across industries and demand for digital transformation due to accelerated Internet adoption as well as our product market fit. Total traffic on the platform and resulting unique business inquiries remained stable at 252 million and 22 million respectively, 90 day repeat buyers also standing at approximately 53% represents the continued trust on the platform. On the people front, we continue to build the organization. During the last year, we have added almost 900 new employees, taking the total employee headcount to 4,583. Going forward, further increase in employee base over the next year will be in line with the growth in the number of customers at IndiaMART as well as other businesses. Before I would conclude, I would like to say that we are happy to close the financial year with good growth on almost all-important metrics and we are optimistic about the next year and improving macroeconomic environment, increasing Internet adoption by businesses and our strengthening value proposition will support the growth momentum of IndiaMART. Now I will hand over the call to

Brijesh to update about the accounting business, especially Busy Infotech. Thank you and over to you, Brijesh.

Brijesh Kumar Agrawal: Hi, good evening, everyone. Busy has delivered a billing of Rs. 17.7 crores in Q4 and Rs. 54.6 crores in the entire FY '23. This represents a year-on-year growth of 16% and 19% respectively. The revenue from operations was Rs. 11.6 crores in Q4 and Rs. 43.3 crores in the entire FY '23, representing YoY growth of 9% and 22% respectively. The EBITDA for Q4 was at Rs. 0.7 crores at about 6% margin and for the entire year this was Rs. 10.3 crores with 24% margin. The net profit for the quarter was Rs. 1.4 crores and for the entire year it was Rs. 10.3 crores. Busy also generated positive cash flows from operations of about Rs. 6.2 crores in Q4 and about Rs. 20.6 crores during the entire year. As all of you are already aware, we had adopted Ind-AS post our acquisition of Busy and hence to facilitate comparison of FY '22 and FY '23 data, we have restated FY '22 data also as per Ind – AS in the year, the earlier numbers that you saw were reported based upon I-GAAP. So, during the quarter we also sold about 8,000 new licenses and therefore our total count of licenses sold is at about 3.31 lakhs at the end of March '23. The overall performance has been in line with our expectations and what we've communicated. We've met our goal of doubling the growth rate of the business in our first year of acquisition and we hope to continue to do better in this year. With this, I will hand over the call to Prateek, so that he can talk about the financial performance here. Thank you everyone and Prateek please.

Prateek Chandra: Thank you, Brijesh and good evening, everyone. I will take you through the financial performance for the quarter and fiscal year ending March 2023. Consolidated revenue from operations was Rs. 269 crores in the fourth quarter and on a full-year basis Rs. 985 crores representing year-on-year growth of 33% and 31% respectively. Deferred revenue for the year stands at Rs. 1,162 crores an increase of 28% year-on-year basis. As these numbers include Accounting Software segment which we acquired in this particular year on a like-to-like basis, standalone revenue from operations for the quarter were at Rs. 256 crores and for the year at Rs. 939 crores, representing the year-on-year growth of 28% and 25% respectively and deferred revenue were at Rs. 1,134 crores representing a year-on-year growth of 25%. On a full-year basis, consolidated EBITDA was Rs. 268 crores, representing a margin of 27%, while net profit was Rs. 284 crores with a margin of 24% and cash flow from operations was Rs. 476 crores. As of March 31, 2023 cash and treasury balance stood at Rs. 2,335 crores. Board of Directors have recommended a final dividend of Rs. 20 per share for this fiscal year 2023 and further recommended a bonus issue of 1:1 that is one new share for every one existing share subject to the approvals from the shareholders. Thank you very much. We are now ready to take on questions.

Question-and-Answer Session

Kushal Maheshwari: Thank you, Prateek. We will now begin the Q&A session. If you wish to ask a question to the panellists, kindly raise your hand and allow camera and microphone access. Alternatively, you may type your question in the chat menu and we will revert on it. Please restrict to two questions so that we may be able to address questions from all the participants. We will wait for a couple of seconds while the question queue assembles. Operator: First question is from the line of Vivekanand from Ambit Capital. Please go ahead.

Vivekanand: Hi, thank you so much for the opportunity. My two questions. So, the first one is on the collection. What we have seen is for the standalone business, the collection growth has been accelerating in the last three quarters and it's now 26% year-on-year. So just wanted to understand how to think about collections here. And I understand that fourth quarter has a lot of renewals. So could you please help us understand the way the renewals have moved from your top 1%, top 10% versus the overall customer base? So that's question number one. Second question is on the margins side, we saw that the margins are still getting hit because of investments. So I just wanted to understand how to think about margins as we head into FY '24? Thank you.

Dinesh Chandra Agarwal: Hi, thank you, Vivekanand. On the renewal side, as I've been guiding, we are probably about 90% of pre-COVID levels. And the good part is that Platinum renewals and Gold renewals continue to be very good. So Gold and Platinum renewals are, or the churn is less than 1% per month. However, between the Silver side, the renewals would be split between monthly and the annual. And while on the annual side we are running at about 30 odd percent, which is about 3% per month, and on the monthly side about 5% per month. So that's the typical journey of SME and we have seen that ever since the COVID has hit at the bottom of the pyramid, while there is higher adoption for Internet, the churn continues to be high. While as the people move up the value chain and learn about Internet and move to the Gold and Platinum subscriptions, the churn continues to actually be reduced. If you see our top 1% customers contribute about 17% of the revenue, which is about 2,000 customers giving us about Rs. 9 Lakh per year and top 10%, which is about 20,000 customers. This has moved to now Rs. 2,36,000. I remember very distinctly this number used to be Rs. 1,80,000 at around COVID time. So we have moved from Rs. 1,80,000 to Rs. 2,36,000 in less than two years or two and a half years or so. Even if you remember the top 10% of the customer used to contribute around 40% of the revenue, which has gone up to the 45% and then 46% and then 47% despite the fact that last year we have had the highest number of customer additions at the bottom, we used to do about 22,000 customers per annum if you see historically and last year, we have added about 33,000 customers in the net customer addition. So I think if you look at overall basis, I think we are doing well. In terms of margin, Quarter 4 is always subdued because from the 1st of January, we do the annual reviews. So there's a sudden jump of 15% on the salary bill as well as since there is a higher collection, there's a higher incentive and higher expenses which go upfront. And that is why the margin is subdued. Otherwise, I think we will get back to that 28% margin soon. And then, as I have been guiding, we will try and target to reach 30% by the end of this year.

Vivekanand: Thank you. Just one follow-up on the first answer. So Dinesh, on the renewals you said they are 90% of pre-COVID levels, is it 90% in Platinum and Gold or overall? I'm just trying to understand, how to look at the renewals.

Dinesh Chandra Agarwal: Platinum and Gold I think it's all recovered well more or less same as pre-COVID level. It is only the Silver customers where if you remember correctly, pre-COVID Silver annual and multi-year renewals, we had gone to the best ever level of about 24%. Now we are still at least 10% higher, 30%, 34%. Similarly, on the monthly side we had gone to best ever of about 5% or 4% monthly. Now that is again trending at 5%. So these are the two differences that you can see at the Silver level. On the Gold and Platinum, we are I think by and large best ever or near best ever.

Vivekanand: Okay, last one on the renewals, top 1% disclosure that you've been doing for the last four quarters. So here we have seen that your top 1% ARPU has gone up from Rs. 790,000 to almost Rs. 880,000. So is this a result of price hikes or higher usage? How to think about this?

Dinesh Chandra Agarwal: We haven't done any major price hikes in the Platinum. What happens people buy more city category combinations and that is what is bringing this change. So people are probably using more city category combinations in the Platinum. And also, as I said, as people get to Gold and Platinum, they get more comfortable on how to spend money and how to. I think that is why you are seeing the top 1% ARPU on a quarter-on-quarter basis is not an indication of any significant movement here or there. You should look at them more on a yearly basis. I would say on a three-year basis how things are trending.

Vivekanand: Great. Thank you. I'll re-join the queue.

Dinesh Chandra Agarwal: Thank you, Vivek Anand. We'll take the next question.

Operator: Thank you. Next in queue is Anmol Garg from DAM Capital. Please go ahead with your question, Anmol.

Anmol Garg: Yeah, hi. Thanks for the opportunity. So, I had a couple of questions. Firstly, wanted to understand if you can highlight some -- so among our investing companies. It's been almost a year since we acquired them. So if you can help me understand that, how have IndiaMART helped them scale up by providing -- by cross selling them through our sales team or by providing them access to our supplier base? If you can help me understand that how that has happened?

Dinesh Chandra Agarwal: You will see in our related party disclosure; we are working closely now with Vyapar for almost 18 months or maybe two years now. Whereas with every new customer onboarded at IndiaMART, we give them an option of free trial of Vyapar for 6 months (which used to be one year earlier). And that helps Vyapar acquire a good number of customers every month. So that is one we definitely do. On the Busy side, I think we are still in the first year, I didn't want to touch too much in. And wanted Busy to be digested well. And now I think we will do some more possibilities of cross data selling and things like that. And on other businesses, Mobisy is the only bigger business where there is an enough size. Apart from that M1xchange, we have tried doing few things, not yet something good enough to be talked about. And all other businesses are very small. We haven't yet done any cross selling together. But we do a lot of mentoring to them through our Board meetings and through our monthly and quarterly interactions, as well as what kind of MIS do we maintain, what kind of Board meeting practices do we follow. Because these are early-stage startups and they need to be nurtured and mentored properly. One more thing is on the MonotaRo industry buying side, I think we have started to do some experiment, but those are very early, and I think because they have started to advertise on IndiaMART, get some buy leads and RFQs, and then call their customer base and try to sell. We have also tried to do some deeper integration where their products could be visible on IndiaMART, but those are very early today.

Anmol Garg: Right. Thanks Dinesh. Just a follow-up on the same. So do we provide excess of our supplier database to these companies?

Dinesh Chandra Agarwal: Our supplier database anyway is openly there on the website. All of our supplier database, it's an openly there on the website. And if we provide any service to anybody, it has to be completely on the arm's length basis, whether it is any kind of an advertising, whether it is any kind of email marketing or whether any kind of cross selling. So everything has to be on purely and purely arm's length basis.

Anmol Garg: And secondly from my side is that just wanted to understand if there has been any change in the duration of collections to revenue conversions? As earlier that we have highlighted that we have been moving more towards monthly customers. So from that perspective, has there been any change from collections how the collections are getting converted to revenue?

Dinesh Chandra Agarwal: Yeah, Kushal, can you open that slide where there is the 81% deferred revenue. No change actually if you really see. I mean 64%, 63% but no change.

Anmol Garg: Okay, sure. I'll join back in the queue.

Operator: Thank you. Next in queue is Swapnil from JM Financial. Hi, Swapnil, please go ahead with your question.

Swapnil: Hi, thanks for the opportunity. So I had two or three questions. First on the traffic side. So for the last three, four quarters we have seen that the numbers have been kind of flattish. I understand that initially there was the impact of COVID, but now even in 4Q the things have not improved significantly. So do you think like, if the traffic trends do not improve, say in the next two, three quarters, there could be a challenge on the supplier side additions also?

Dinesh Chandra Agarwal: Our supplier base was already Rs. 1.5 lakh before COVID. And then traffic jumped to almost a billion from Rs. 750 million. And we are currently on the same run rate Rs. 252 million per quarter. So the traffic has gone up by 33%. And it is only very recently that we have added some 50,000suppliers. So I don't think -- and it's one follows the other, because traffic is coming, because there are enough suppliers and suppliers are coming because there are enough buyers. So now that we have added these 50-60,000 suppliers, I'm sure in times to come the traffic should further improve. Also, the relevancy of matchmaking has improved, is consistently improving, and that is reflected in our upsell towards Gold and Platinum, as well as improving renewals in the matchmaking also. So if you see unique buyer to the total inquiries. During the COVID we had almost opened it up, because we didn't have suppliers and we wanted every buyer to be served. But now we have done a lot of intelligence on the classification of buyer and classification of suppliers and products, how to do intelligent matchmaking. If you type words like Hindi, English mix or Hindi written in Roman or those things are also recognized. So I think our effectiveness is improving. So it is not the number of enquiries that will drive. So I was expecting the traffic to be actually stabilizing, because if the entire traffic which went up because of the medicine demand and because of the safety products demand could have died down by now, and still the traffic is pretty much maintained so that is because of the supplier base addition. So I'm not worried in the short run. Yes, if the traffic does not increase even after a year or two, then yes, obviously we will need to worry about it.

Swapnil: Right. Thanks for answering that in detail. The second question is on the supplier addition side. Now you have been guiding that we will add around 8,000 to 9,000 suppliers every quarter. My question is like 4Q is typically the best quarter for you guys and this quarter also you have added only 8,300 suppliers. Would you continue to stick to the guidance for the next year as well, or I mean, given that you did allude to the fact that the suppliers at the lower packages, the churn at that range is significantly higher even now. So just wanted to get your sense like, is that 8,000 to 9,000 additions per quarter maintainable in a scenario like this?

Dinesh Chandra Agarwal: Yeah, I think 8,000 definitely should be maintainable and because we are also expanding our footprint in terms of new acquisition, we had significantly reduced our footprint during the entire COVID time, whether it was our own people or whether it was the channel people. So all of that has been done in the past year or so. We continue to open new branches at new locations. So I think I would still try and see that anything upwards of 8,000 should be maintainable at least for this year. For next year, when the supplier base, the base of the supplier becomes 2,40,000 or 2,50,000 then we'll see how to address the overall churn, because the churn happens on the total supplier base. But I think this year we will try and maintain 8,000 plus for sure.

Swapnil: Perfect. And just one last question on Busy integration. Now you did allude to the fact that the growth in the business has doubled. My question is more on the margin side, because last year your margins were skewed, because 1Q being at around 42%, if I'm not wrong. But rest of the year the margins were pretty lower than your company average. So how are we trying to bring in incremental growth and maybe cross sales and all? And secondly, what are our targets for margin improvement in Busy? It's been more than 12 months so I think we should be fairly be able to have some visibility on that side?

Dinesh Chandra Agarwal: Yes, on the margin side I can guide you, because we have no targets on the margin side on the Busy. We have acquired this business by investing Rs. 500 crore and I think our guidance to the Busy management and Brijesh and everybody is that don't lose money, but don't worry about

Rs. 5 crores versus Rs. 3 crores versus Rs. 7 crores. So I don't think we should measure and over the next two, three years, as long as they are cash positive and continue to improve on product and improve on sales, margin side we should not be worried. On the sales side, Brijesh, can you help me?

Brijesh Kumar Agrawal: So if you look at Swapnil one overall we have adopted in the last year, therefore, when you look at margins, et cetera, on a Q-on-Q basis, we're still in that phase where we are trying to grow the business. And the growth in the overall collections will result into growth in the revenues in the times to come. We have made investments behind people specifically. So our team cost, our customer support costs have all gone up. But we've also been able to see, we've been able to double the overall growth in the billings in this year alone. Going forward, we are confident of improving upon this growth rate even this year also. So our principal focus is on looking at those underpenetrated geographies where we are still not present significantly. We will continue to spend behind building our strength in sales and distribution across all of this. I'm sure that with more sales coming in, with higher growth rates being achieved on the billing side of it. We should really go ahead and be able to achieve our overall objectives of building up a valuable business behind which we invested this Rs. 500 crore.

Dinesh Chandra Agarwal: Just to add, Brijesh, please highlight on this how we are going to be the first desktop company to have native mobile version. No other desktop accounting software has a native mobile version.

Brijesh Kumar Agrawal: In fact, as we talk about this, let me just also share with everyone a couple of things, which are beyond these numbers that we are able to see. In the last year itself, we have now become the only desktop-based accounting software company in India which has official mobile app that connects with your desktop accounting software. Now using this mobile app, you would be able to view data which is residing in your desktop online. You would also be able to look at different kinds of reports that are available and the users will also be able to now create quotations, sales orders, invoices and receipts in the mobile app, it will again sync back to the desktop. So this was launched in February '23 itself and we think this is going to become a significant driver of customers actually looking at Busy over the other competing products. Number two in this entire year, if you also see, we have now become the only company worldwide in fact in the accounting space which offers 24/7 customer support. So you can call on our helpline anytime of the day except for those 10 gazetted holidays, there will be somebody to assist you with all your requirements there. So, in fact, we're building upon these individual fundamental pillars in the business which will help us drive better growth in the business.

Swapnil: Right. Brijesh thanks a lot for that. Just one clarification. In the beginning of the call, we mentioned that you expect margins to move towards 28% very quickly and then by the end of the year 30%. For a full-year basis. Would it be fair to assume that you would be somewhere between 28% to 29% EBITDA margins in FY '24?

Prateek Chandra: Yes, it would be difficult to comment on the specific percentages that we would achieve a year later. But our endeavour is, if you see in this particular year, the margin primarily declined because we were in a growth investment phase. In fact, we were catching up on the investments that we haven't made in the previous few years. Going forward, we expect that we would be adding manpower in line with our customer growth. So certainly, given the growth in the revenues, the expenses will also go up in proportion to that. So certainly, from here on, you would start seeing the margin improvements for sure. Whether it happens 1%, 2% it depends upon as to what the revenues are and what the expenses are in that quarter.

Swapnil: Sure. So, thanks a lot guys for taking my questions. Thank you.

Operator: Thank you. Next in queue is Ruchi Mukhija from Elara Securities. Hi, Ruchi, please go ahead with your question.

Ruchi Mukhija: So my question is kind of building on earlier participants question regarding the traffic and the unique enquiries. So here, if you look at the ratio of total enquiries delivered to unique enquiries have changed the direction, it's been increasing for last three quarters. If you look coupled with about 20% plus growth in your paying supplier base, it implies diminishing value of the platform for each paying supplier. Is that the right way to look at and I have, I would say more related question here, pre-pandemic, this ratio of your total enquiries delivered to Unique has reached a top of about 6.4. Is that optimal or is that I would say peak ratio where one need to get worried about the traffic metrics?

Dinesh Chandra Agarwal: Hi Ruchi, I have already answered that the same thing. As the effectiveness is increasing, our target is to bring this unique enquiry to the enquiry delivered to about five or less than five, maybe 4.9. We continue to make small, small changes. And that is why you see currently between 5.5 plus minus 10% or so quarter-on-quarter. But our target is to bring it to less than five because relevancy and competition go hand in hand. As the relevancy increases and supplier responsiveness increases, if you do excessive matchmaking, the competition can play counterproductive to the relevancy. That is why over a long period of time in fact, it should rather trend down to maybe four because the important part is to measure what is the buyer conversion on the platform, if the buyer came and gave one enquiry and what is his probability of actually buying it from the supplier who was introduced to him through the platform either by he himself called or by way of RFQ and that number has been slowly and slowly going up. Actually, it fell down a little bit during the COVID both the waves, but it has been slowly and slowly going up. We believe that at the buyer level, if we can get to almost 50% conversions where every buyer who comes and inquires on the platform, every other buyer ends up purchasing from the platform, that should rather solve this whole problem. And that would also improve the traffic also because they will tend to come more often for their other requirements as their fulfilment ratio goes up. As of now, based upon the sample that we do or the feedbacks that we receive, we believe conversion is anywhere between 30% to 40%. And we continue to measure that, it fluctuates because the measurement is only based upon the feedback of the buyers through email. As we get closer to the transaction by way of our Lead Manager or by way of our message centre, I think we will have better ability to measure the buyer conversion. So in the near-term, I'm not worried. Yes, but in the long run, buyer and supplier traffic cannot move differently. They have to move in sync with each other. Yeah, they may lag or lead each other, but they have to finally become in sync. In the past also, if you see the buyer traffic has taken a jump, step function jump. One jump you can see between FY '16 and '18. And then there was some kind of stabilization. And then the second jump again, that you can see, every time there is a jump happens, there is a stabilization that happened. I believe that next year onwards we should be able to focus more on buyer traffic.

Ruchi Mukhija: Thank you for that detailed answer. I get what you are trying to say that in a very short period of time it's very difficult to match the growth frequency of buyer and supplier. But over long period they should run hand in hand. Here, what I'm trying to just assess is that at what level now it turns worrisome for IndiaMART how to look -- how you look for that signal or that trigger in your business where it's turning, I would say concerning for you?

Dinesh Chandra Agarwal: If I can, if I don't have even 50 unique buyers for a supplier in a month, then probably I would start to worry. As long as I have anywhere upwards of one buyer and up to two buyers, I'm fine. Currently, we might be having closer to four buyers per unique supplier, per unique buyer. So I think I would still have at least 50% headroom from where we are up to three lakh suppliers, I should not be worrying. But yes, beyond three lakh suppliers, I should be worrying if the traffic does not move up.

Ruchi Mukhija: Understood. Thank you.

Operator: Thank you. Next in queue is Nikhil Choudhary from Nuvama. Please go ahead with your question, Nikhil.

Nikhil Choudhary: Hello. Hi, I have a couple of questions. First is on higher churn in silver category. So, it's been like quite some time and churn continue to remain high. Earlier there used to be case where we have a smaller number of employees per supplier in support category. So maybe the experience got impacted during those time but we have filled those gaps and despite that, we are seeing higher churn. Can you give some colour on that or is it due to higher pricing maybe?

Dinesh Chandra Agarwal: I think not necessarily because we are currently running at Silver monthly pricing which we were at in 2018, '19. In fact, possibly we'll see if we can whatever Rs. 500 discount that we gave during the COVID, we should now recover that back. So I don't think the pricing is a problem. The problem is how many suppliers can make use of the platform and how many suppliers don't find it useful. And it's anybody's guess how much of that is a platform problem versus people problem versus process problem and versus SME's own problem. You are right. Why can't it be similar churn or even better churn numbers as pre-COVID, I would also be working towards that. That's the only thing that I can say and the one little change that you can say is because the overall churn of the supplier is dependent on the first-year mix versus second year mix versus third year mix. Currently, in the Silver monthly because during the COVID we lost, most of the customers that we lost was Silver monthly customers. We were probably down to 30,000, 35,000 or so. Now, in the last year or so, I think a lot more number has been added to the Silver monthly only. So, and the early churn is always high. And the same is true for the annual customers also. So last year we acquired so many customers which are coming up for renewal. So once the mix improves, then also we can probably look at improvement. Another thing could be many of the customers who signed up during '21, '22 they were changing their businesses because their current business was changed and they moved to a different business. Some of them are coming up for renewal and they might have changed their business line. So and that is the precise reason, initially we thought that we need to have all the support system back and all the field support system back and that is why we went aggressive on hiring. Because if we are not able to take care of customers, there's no point acquiring more customers. I think the good part is that the upsell to the Gold and ARPU in the Platinum continues to increase, and which gives me confidence in the platform, that the platform continues to work for people who are willing to spend time and energy on the platform. It might also be possible that a lot of people that we have hired in the servicing department are quite new and they are still on the field doing hands on training and some of that might also improve in times to come. Hope that answers.

Nikhil Choudhary: Sure sir. Very detailed answer. I think I have one follow-up related to what you mentioned about geographic expansion. We also read on the news that you expanded into Tamil Nadu, some cities in Tamil Nadu, Pondicherry and also some other Tier 2 and 3 cities. So how is the initial response? And can we say that a good part of most of your paying subscriber addition is coming from this geography expansion, while more or less your existing geography paying addition is broadly flat? Any colour on that?

Dinesh Chandra Agarwal: Are you talking about IndiaMART or Busy?

Nikhil Choudhary: IndiaMART as well.

Dinesh Chandra Agarwal: So IndiaMART was always there in Tamil Nadu. I mean, so we -- yes, we have expanded to many Tier 2 and Tier 3 cities. Now we are present in places where we could not have ever had a proper full-fledged branch, but we have a presence through a channel partner, but we have increased our presence back into the metro cities also. There is a slide which tells you, I think, the paid customer breakup in the Tier 1, Tier 2 and Tier 3. And that doesn't change much paying subscription suppliers. I think it was 56% in metro cities. Now it is 54%. So not much has changed. Yes, because we have gone to Tier 3 through channel partners. So the market, which was totally untouched for us or totally being served on the telephone is now probably has gone gained 1% or 2% there, but I don't think much has changed there.

Nikhil Choudhary: Sure, sir. Thank you so much.

Operator: Thank you. Next in queue is Amit Chandra from HDFC Securities. Please go ahead with your question, Amit.

Amit Chandra: Hello?

Dinesh Chandra Agarwal: Yes, Amit, we can hear you.

Amit Chandra: Yeah. Yes sir. Thanks for the opportunity. So my simple question is obviously we have seen very strong collections. It has increased quite well. So what factors attribute to that? So maybe you can expand more upon the channel partners, because is it coming from higher sales from channel partners or you attribute it a lot to the sales efficiency or the aggressive sales investment that we have done? Or is it the existing suppliers are doing more -- are actually going up the pyramid or subscribing to more longer-term contracts or more monthly suppliers are getting converted to the Platinum category. So if you can throw some light, which part is actually leading to that?

Dinesh Chandra Agarwal: Effectively, all of above. The answer goes is all of above. But let me see which one is the highest contributor probably. So the highest contributor would be expanded customer base, because earlier we used to expand at max 15%, 16% of the customer. This time we have expanded almost 20%, 21% on the customer base. So that obviously increases the collection. And as the people who came up for renewal, who were acquired, it will see our customer base started to increase about October, November, December of 2021. So from October, November, December 2022, once they come up for renewal, a lot of them are met due to renewal, and at that point of time, they decide to upgrade. So many of them have upgraded. So probably most of the collections comes from 80% of the collections come from these upsells and renewals on the expanded customer base. So most of it would be, so the first year growth, first six months growth or nine months growth happens because we expanded the network, which we did not expand since March 2020. We expanded the network after 18 months. And then I think the later part of the growth on the collection started to come mainly from the renewals and upsells.

Amit Chandra: And on the price hike, what is our strategy here? So is it an annual price hike or what?

Dinesh Chandra Agarwal: We have six, seven different tiers of the packages. Silver monthly is priced at currently Rs. 2,500 plus tax. Silver annual is currently at Rs. 25,000 plus tax. And then TrustSEAL is priced for Rs. 40,000-45,000 for one year, and then Rs. 60,000 for two year and Rs. 80,000 for three years. Similarly for Gold maximiser price and then multiple tiers in the star and leader. So it's not that we do one price hike across all the products at one go. We generally try and see whenever we feel like there is enough traction in one particular product. So then we make a small changes in price, sometimes in Platinum one segment or sometimes in TrustSEAL, sometimes in maximiser. On the bottom of the pyramid, we do maybe one price hike once in three years. And as I said, this price hike that was done in 2018 was actually reverted back in 2020. So we will see about that. So there is no significant trend on price hike.

Amit Chandra: Okay. And sir my last question is on the Busy. So if you can throw some more light on what is the cross sell opportunity? I know there is a huge cross sell opportunity that you talked about. So what is the success that we have got in terms of cross sell and how many of our existing suppliers are using Busy?

Dinesh Chandra Agarwal: Essentially, as we said, the first year for Busy was primarily focused on stabilizing the acquisition itself. As you understand that people, the channel, they all have their own questions and queries. We still think that Busy as a business, initially we would want to focus on growing that business on a standalone basis. Second step, we will take some assistance in terms of getting leads for acquiring additional customers for Busy from IndiaMART. And I think it's only in the first step after that we would start looking at possibilities of cross selling and upselling. As of now, for a year or two, we would still continue to focus on growing Busy first before looking at these cross-sell opportunities for IndiaMART coming in from Busy.

Amit Chandra: Okay. Thank you, sir.

Operator: Thank you. Next in queue is Sarang Sanil from RW Investment Advisors. Please go ahead with your question, Sarang.

Sarang Sanil: Good evening. Am I audible?

Dinesh Chandra Agarwal: Yes, you're audible.

Brijesh Kumar Agrawal: Yes.

Sarang Sanil: Yes. Thank you. I have two questions. So the first one is during our last con call, you had mentioned that we'll be targeting an ARPU growth of 4% to 6% for next year. While early last month on the media you have pushed this number a little higher. So would this be coming from price hike or the adoption of more cities category by the paid suppliers like you all noticed with the Platinum customers?

Dinesh Chandra Agarwal: Both, I think there is no, I mean I can't break it up between the two. Price hike is easier to break up. But some people taking a greater number of city combination or more number of categories versus the mix change also because last year most of the customers were at the bottom of the pyramid. Now they will move up to the TrustSEAL and others or even in the second year. As the customer aging improves, their revenue also improves because of the typically 20% of their customers upsell when it comes to renewal. So I think it's a blend of two, three things. That brings us about 5%, 6% ARPU growth.

Sarang Sanil: Okay, so you're confident 5% to 7%, right. So my other question is on the registered buyer slide, right. Here my understanding is just a customer sign up puts me on the registered buyer figure, but only once I submit an RFQ I get into the active buyer figure, right? I completely understand how you're optimizing the business enquiry side through algorithmic changes and all. Here there's a different situation where paid suppliers are coming in from one side, but the ones interested in submitting an RFQ on the buyer side is just stagnant for past three years, right? So are we plan to improve this engagement metric in some way or are we just fine?

Dinesh Chandra Agarwal: Yes, those who have submitted any RFQ in the last 12 months pre COVID it used to be at 30mn and now it is at 37, 38mn. So there also is the same growth as the unique business enquiries growth. I think the same question comes back to the increase in number of buyers. As I said, another 50,000 customers if the buyers don't increase, I think I'm not worried. But as we add 1 lakh customer, then buyers must increase. And it should be increasing, because otherwise the customers will not increase.

Sarang Sanil: Right. But my understanding is last three years, the paid suppliers have gone up significantly, but the active buyers…

Dinesh Chandra Agarwal: Probably that one-year paid suppliers have gone up significantly. The paid suppliers were 1,47,000 on March 2020, and they were 1,47,000 on October 2021. And if you really see the paying suppliers have been growing at 15%, 16% CAGR versus the buyers have been growing at 20% odd CAGR. So buyers have been growing much higher rate. If you go to the unique enquiries slide. Yeah. So that's been growing at 21% CAGR. So I think we are fine there.

Sarang Sanil: So you're not worried about the active buyers number not increasing?

Dinesh Chandra Agarwal: Not as of now.

Sarang Sanil: Sure. Okay sir. Thank you.

Kushal Maheshwari: Thank you very much. It has been a very engaging session. I would now like Dinesh to give his concluding remarks.

Dinesh Chandra Agarwal: Thank you ladies and gentlemen for joining our quarter four and FY 2023 conference call. We have tried to address your queries in the time available. If you still have questions, please feel free to contact with our Investor Relations team. Their contact details are available on our website and wish you all a very good next financial year and we'll see you soon in July. Thank you.

Operator: Thank you everyone. On behalf of IndiaMART, we now conclude this webinar. Thank you.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
2.