Internet Sector

Looking beyond the dream rally

July 2021

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INTERNET

14 July 2021

Looking beyond the dream rally

- **Rapid increase in India's smartphone and internet penetration shaping new business opportunities backed by structural growth narrative**
- **Pandemic-led growth inflection captured by 50%+ rerating in Indian internet stocks since Apr'20. Similar large returns unlikely in near-to-mid term**
- **Initiate with BUY on top pick AFFLE (TP Rs 6,240), HOLD on INMART (TP Rs 7,170) and SELL on JUST (TP Rs 920)**

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Increased digitisation shaping new opportunities: India's internet economy is booming aided by a surge in smartphone penetration and declining internet costs. India's internet penetration reached 56% in Jan'21 and the country's internet economy is expected to grow from US$ 250bn in 2020 to US$ 335bn in 2025, per TRAI and IBEF respectively. In this report, we evaluate select listed companies that represent a play on the growing digitisation trends, namely Affle India (AFFLE), IndiaMart (INMART) and Just Dial (JUST).

Pandemic-led inflection priced in; fundamentals to govern incremental returns: India's listed internet stocks have rerated 50%+ on average since Apr'20, rallying in the range of 75-240% (110% rise in combined market cap), thus pricing in the pandemic-led inflection in digital adoption and internet penetration. We see little scope for similar large incremental returns in the near-to-medium term and believe stock performance ahead will hinge on business fundamentals, viz. revenue growth recovery, operating margin resilience and earnings growth.

INMART – peak FY21 margin to normalise: While we like INMART for its leadership in online B2B classifieds, strong networking effect and solid financials, growth recovery looks elusive given the challenges faced by its client base. Further, the normalisation of its operating margin as pandemic cost savings retract is likely to weaken EPS growth (15% FY21-FY24E CAGR). Initiate with HOLD and a Jun'22 TP of Rs 7,170.

AFFLE – unique play on digital advertising: AFFLE has gained from the Covid-led digital boom and growth momentum should sustain given a robust portfolio (90% of revenue from digital, Covid-resilient verticals including ecommerce, edtech, fintech, foodtech, healthtech) and marquee clientele (Amazon, Flipkart, Zomato). We forecast a 32% EPS CAGR over FY21-FY24 and initiate with BUY for a Jun'22 TP of Rs 6,240.

JUST – JD Mart holds promise but needs investments to gain scale: In our view, JUST's strategic expansion of its B2B offering via JD Mart carries growth potential but will require heavy investments to scale up. Moreover, financial distress of buyers and suppliers (due to the second Covid wave) signals slow demand recovery. We forecast flat earnings over FY21-FY24 – initiate with SELL and a Jun'22 TP of Rs 920.

Recommendation snapshot

Ticker	Price	Target	Rating
INMART IN	7,227	7,170	HOLD
AFFLE IN	4,431	6,240	BUY
JUST IN	1,068	920	SELL

Price & Target in Rupees | Price as of 13 Jul 2021

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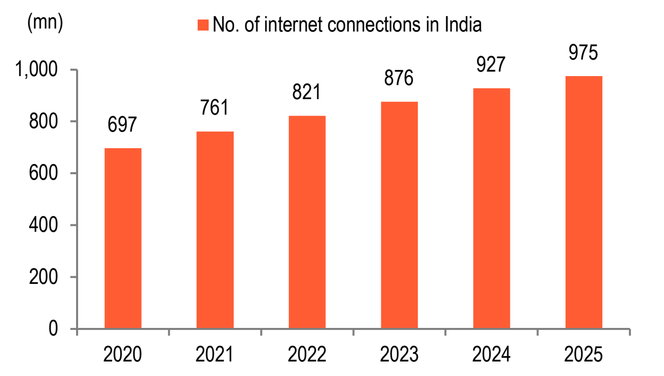

Source: BOBCAPS Research, Statista

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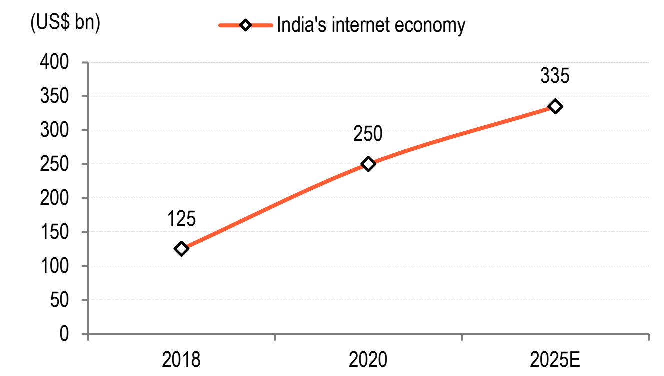

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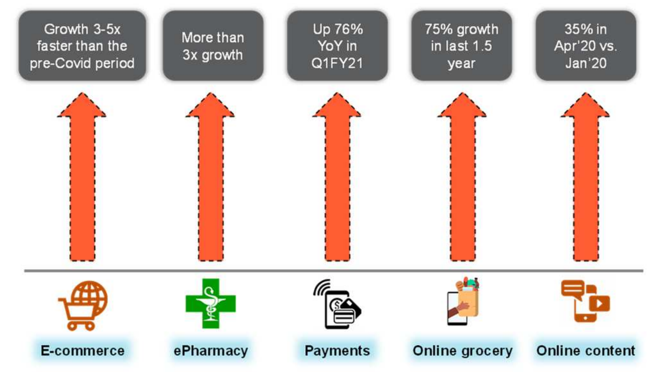

Source: Media articles, BOBCAPS Research

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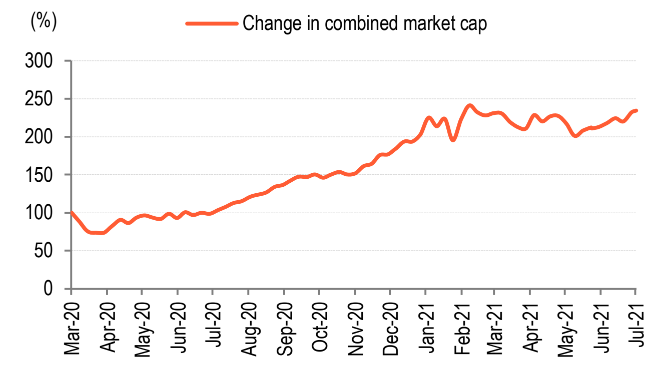

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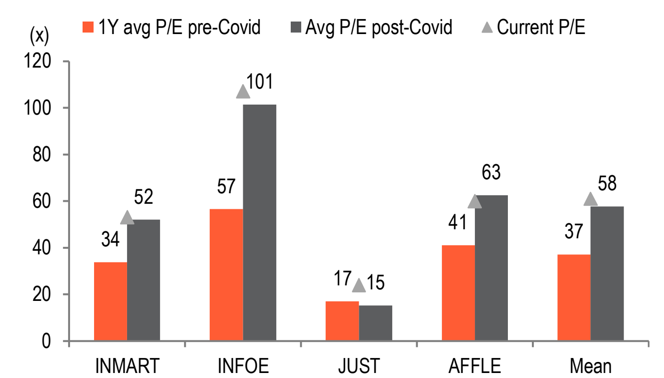

Source: Company, Bloomberg | Note: 1Y forward P/E based on Bloomberg consensus EPS. Pre-Covid average refers to average since Apr'18 for INFOE and JUST and to average since Nov'19 for others. Post-Covid average refers to average since Apr'20 for all stocks

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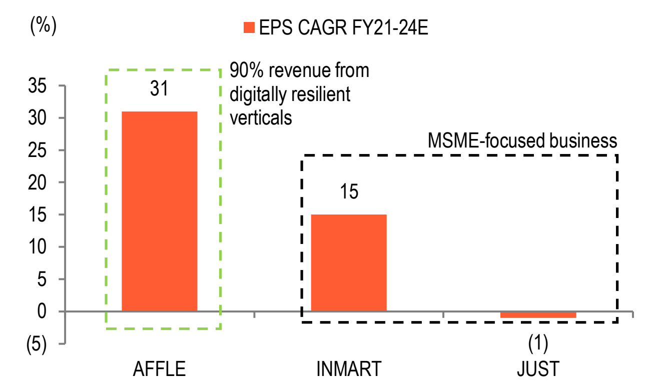

Source: BOBCAPS Research

INMART

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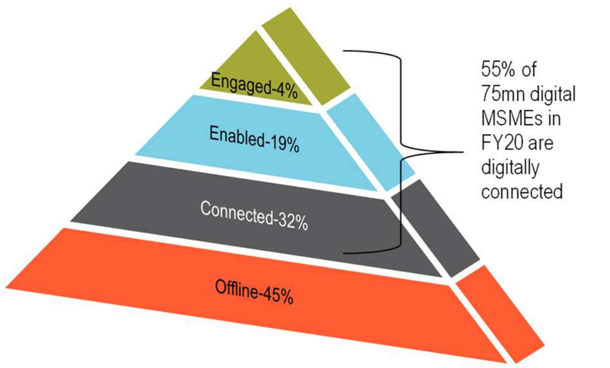

Source: RedSeer Consulting, IndiaMart offer document, BOBCAPS Research. | Engaged: Using digital technology actively to enable business online; Enabled: Have their own website or use social media for business or maintain corporate e-mail id to engage and understand customer base; Connected: Use internet for general information gathering and communication but not for business purposes

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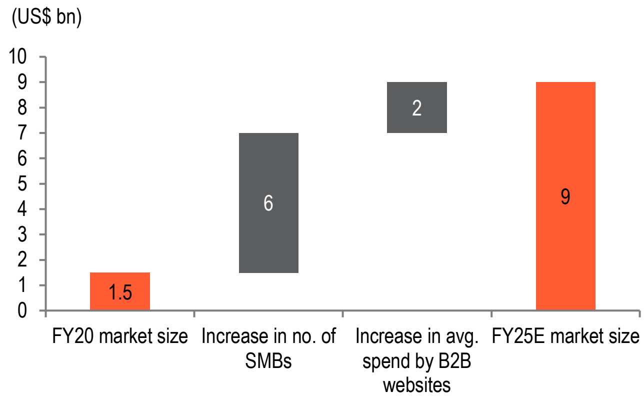

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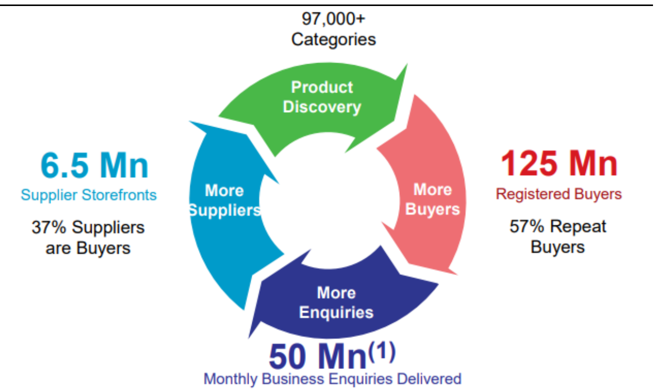

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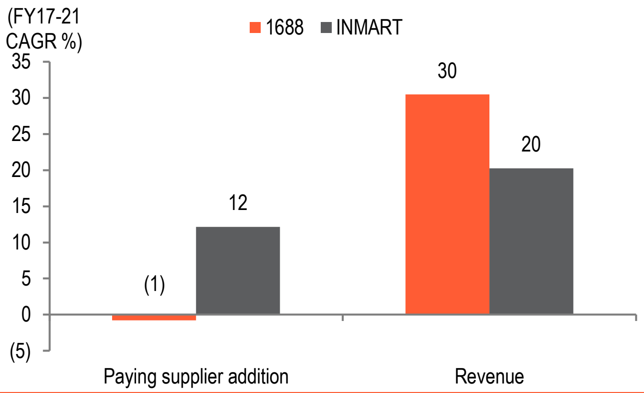

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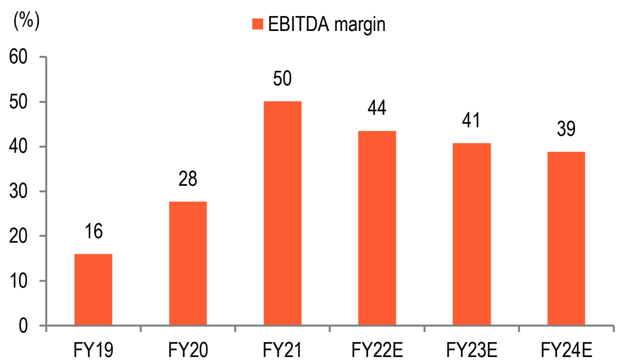

Source: Company, BOBCAPS Research

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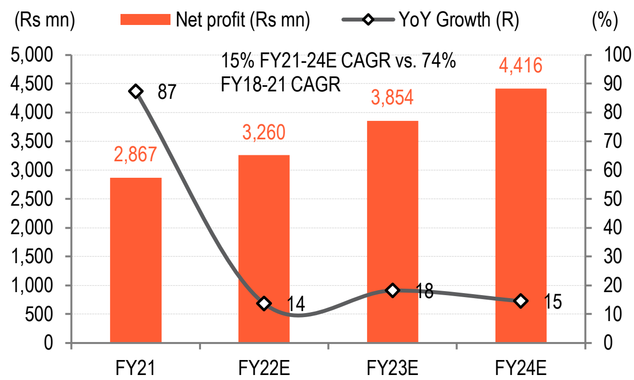

Source: Company, BOBCAPS Research

AFFLE

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Source: Company, BOBCAPS Research

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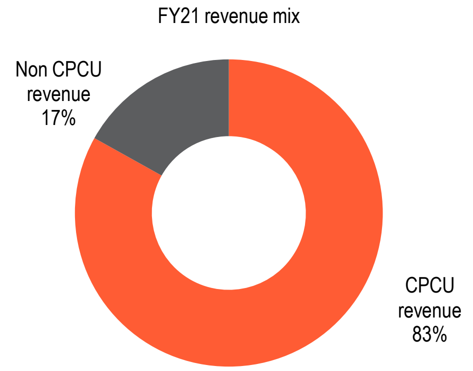

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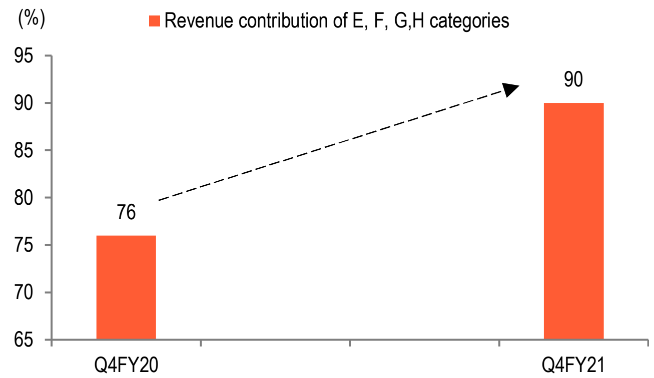

Source: Company, BOBCAPS Research | EFGH – (1) E: ecommerce, edtech, entertainment, (2) F: fintech, foodtech, FMCG, (3) G: gaming, groceries, government, and (4) H: healthtech

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Source: Company, BOBCAPS Research

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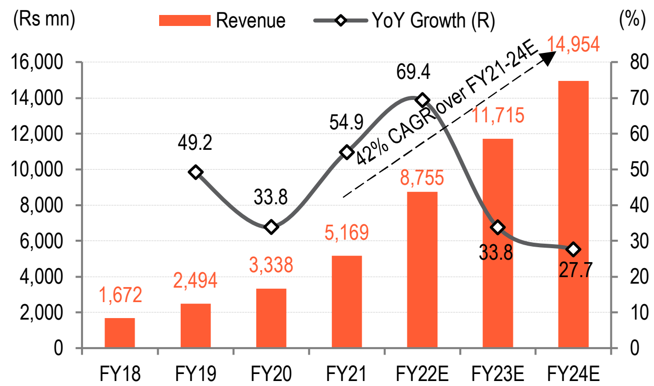

Source: Company, BOBCAPS Research

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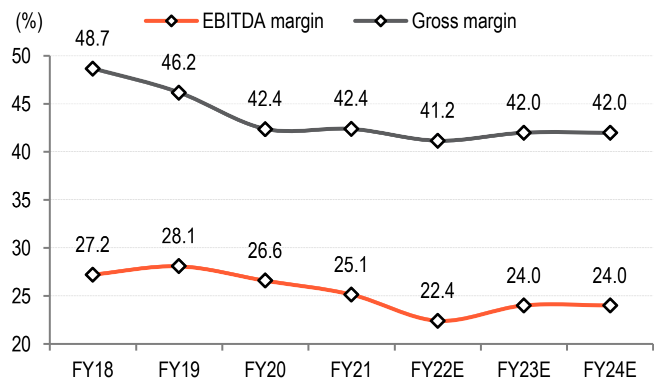

Source: Company, BOBCAPS Research

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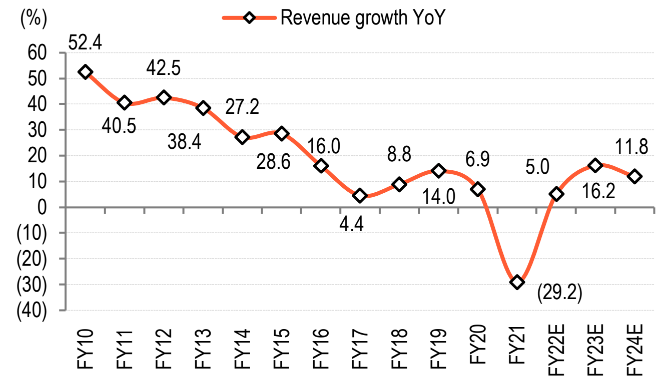

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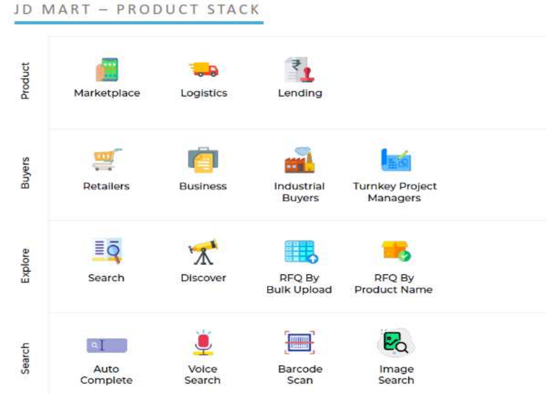

Source: Company, BOBCAPS Research

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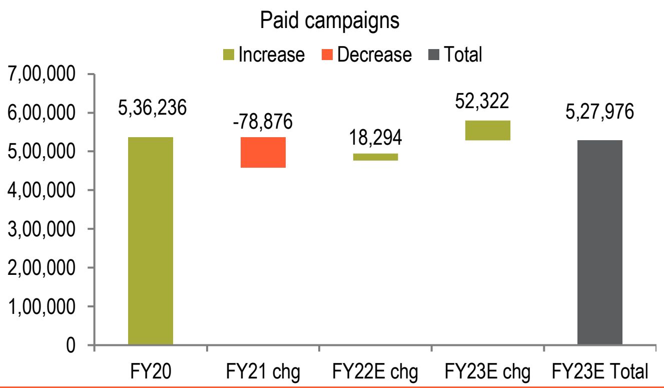

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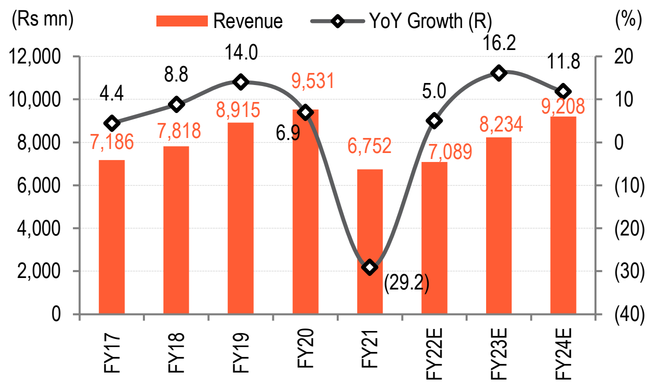

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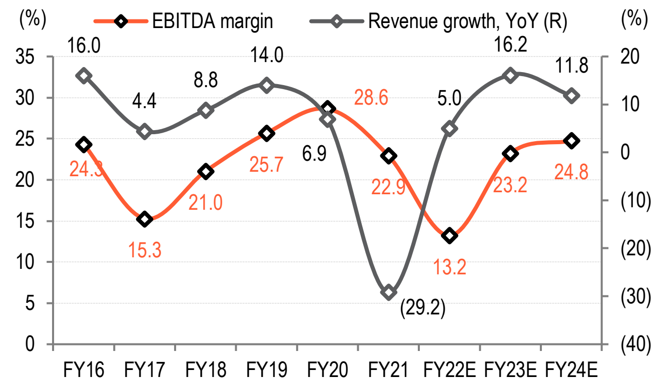

Source: Company, BOBCAPS Research

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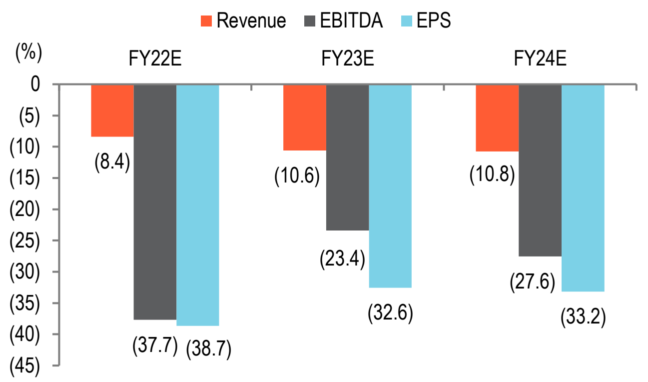


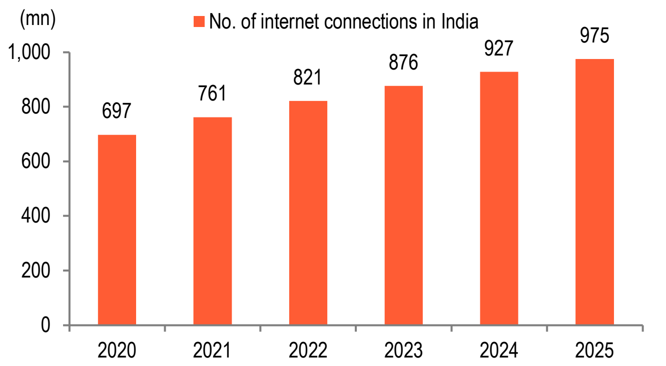
Source: Bloomberg, BOBCAPS Research

Increased digitisation shaping new opportunities

India's internet economy is booming aided by a surge in smartphone penetration and declining internet costs. As per Statista, the number of internet connections in the country will increase at a 2020-24 CAGR of 7% to reach 927mn connections by the end of 2024 and further rise to 975mn by 2025. IBEF estimates that India's internet economy will grow from US$ 250bn in 2020 to US$ 335bn in 2025.

The post Covid era will be particularly beneficial for internet-based companies in India because more and more customers are being compelled to adopt digitisation and ecommerce in order to compete and survive. We note that India lags well behind China when it comes to online service users (80% for China vs. 40% for India) and online shoppers (71% vs. 23%), signifying considerable room for improvement. In this report, we evaluate select listed companies that represent a play on the growing digitisation trends, namely AFFLE, INMART and JUST.

Fig 25 – Digital penetration increasing in India



Source: BOBCAPS Research, Statista

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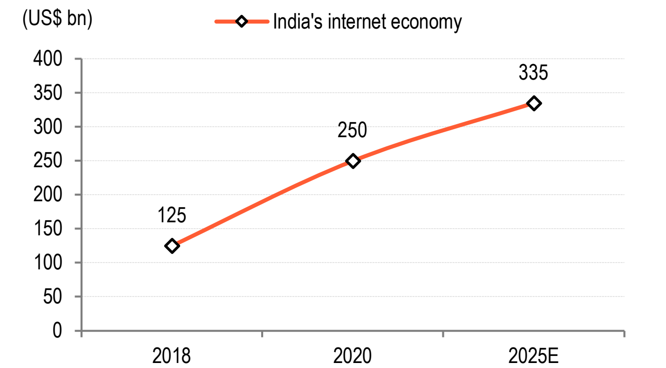

Source: BOBCAPS Research, Company, IBEF

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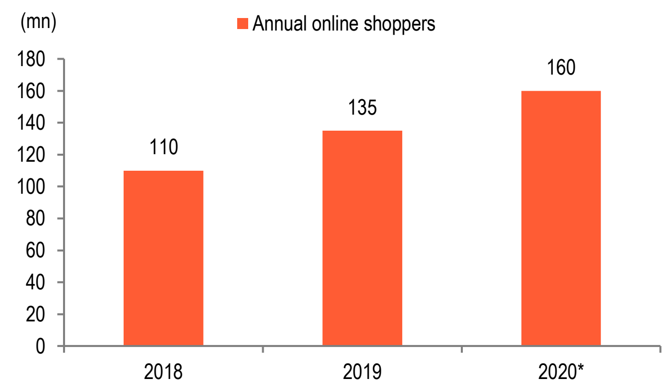

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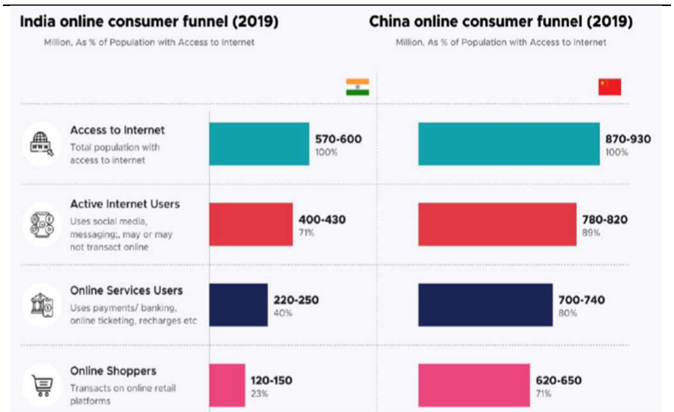


Source: BOBCAPS Research, Zomato RHP

Pandemic benefiting big tech in a big way

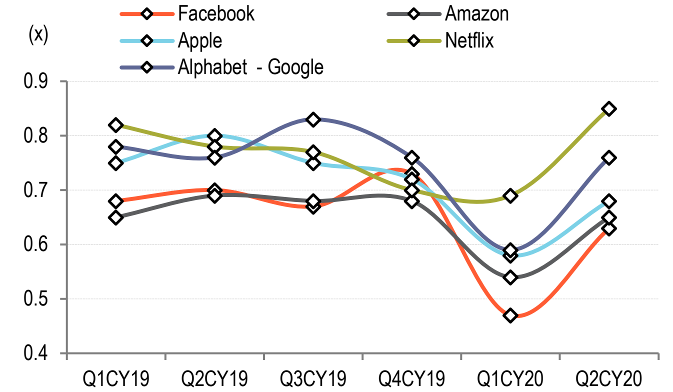
While Covid-19 has had a major impact on small-scale businesses, big technology companies have benefited from the ensuing digitisation wave. We estimate that the pandemic has hastened the digitisation process by 3-5 years as the use of technology became imperative for clients to survive and to capture future demand. In India, the pandemic has particularly fuelled demand in areas such as online entertainment, edtech, ecommerce, fintech, foodtech, gaming and healthtech. With a portfolio focused on these verticals and a client base composed of the larger technology companies, we believe the future looks bright for digital advertising player AFFLE.

Big-5 rebounded amid first wave in Q2CY20

As per data analysis firm Global Data, FAANG (Facebook, Amazon, Apple, Netflix and Google) sentiment scores – which reflect a company's financial and operating metrics – have rebounded in Q2CY20. These scores indicate that big tech companies are poised for a growth boom amid Covid-19 as cloud computing, ecommerce, conferencing and video streaming have energised the industry during the crisis.

The 2021 McKinsey Consumer Pulse survey covering 899 C level executives across all major geographies showed that respondents are now three times likelier to interact with customers digitally across all geographies, indicating the exponential movement of consumers online during the pandemic.

Fig 29 – FAANG sentiment scores rebounded following the Covid outbreak



Source: Globaldata.com, BOBCAPS Research

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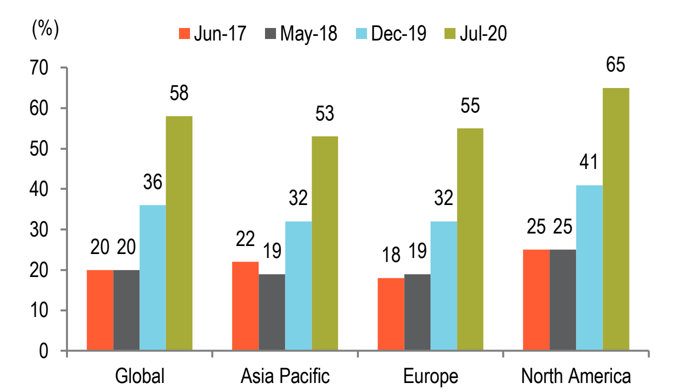


Source: McKinsey, BOBCAPS Research

Surge in digital adoption in India

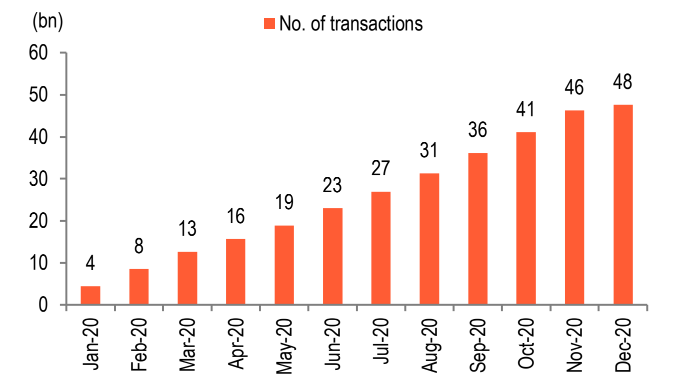
- **Digital payments a key growth area:** The rise of digital payments has been a key aspect of digital transformation in India. As per Times of India, online transactions in Q1FY21 grew 76% YoY with tier-2 and tier-3 cities continuing to contribute >50% of online payments. Ecommerce has also grown 3-5x faster than the pre-Covid period. Jammu & Kashmir has made it to the list of top-10 digitally inclusive states/union territories for the first time.

Unified Payments Interface (UPI), a real-time payment system to facilitate inter-bank transactions (regulated by the RBI), has emerged as the most preferred payment option, followed by debit cards, credit cards and net banking.

- **Spike in ecommerce and other virtual transactions:** Ecommerce sales have skyrocketed in CY20, growing 2-5x YoY as a percentage of total retail sales across various regions of India. Per management consultancy RedSeer, growth in India's online grocery market surged 75% in the past year and a half. FICCI estimates that the number of households in India preferring online pharmaceutical services during the lockdown shot up from 2.8mn to 8.8mn. Several other kinds of virtual transactions have also taken off such as streaming and telemedicine.

- **Dramatic rise in OTT and online gaming:** Over-the-top (OTT) platforms and online gaming have also seen a dramatic rise in the wake of Covid-19, especially in India. The country currently has 95 different OTT platforms across the music, video, podcast and audio streaming categories. As per RedSeer, online content consumption in India grew 35% in Apr'20 vs. Jan'20. BCG estimates that average digital video consumption in the country has doubled in the last two years. OTT platform ZEE5 reflects these trends with the number of subscribers in 2020 tripling versus that of the prior year.

Fig 31 – Cumulative online payment transactions in India (TTM) have risen sharply



Source: digipay.gov.in, BOBCAPS Research

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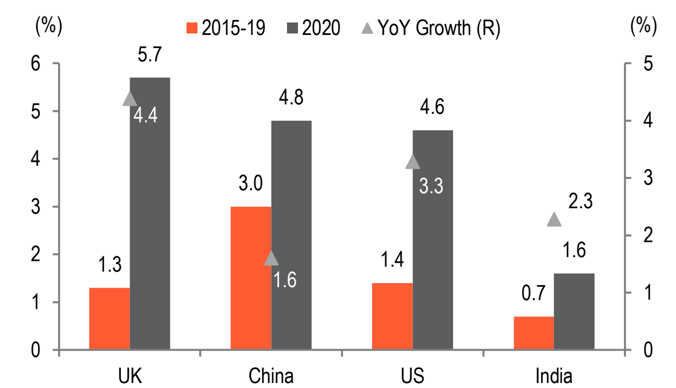

Source: Euromonitor International, McKinsey, BOBCAPS Research

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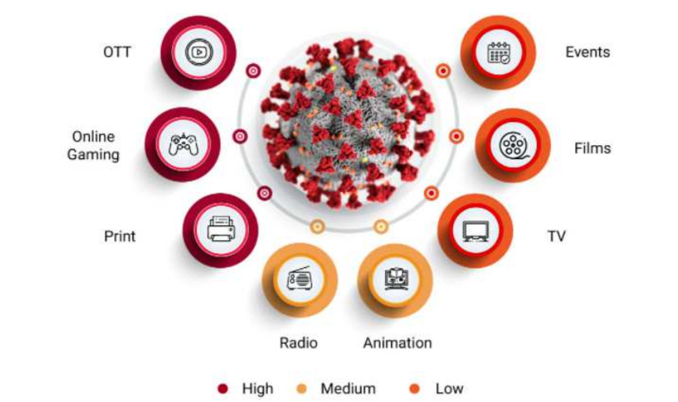

Source: KPMG, BOBCAPS Research | Chart shows degree of boost (high to low) from Covid-19

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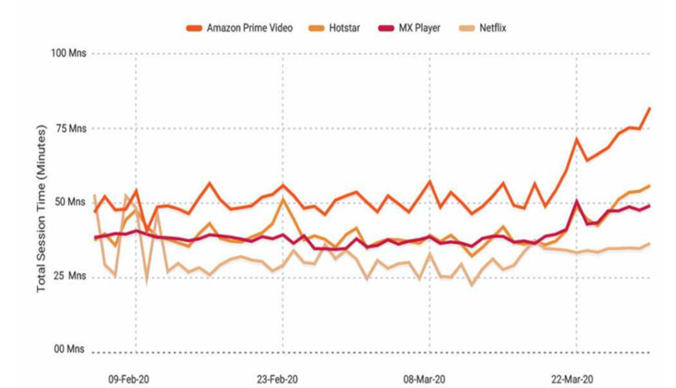


Source: datalabs, BOBCAPS Research

Fig 35 – Growth in India's digital adoption

OTT

In Jan-Sep 2020, Netflix and Amazon Prime both had 20% market share among OTT platforms in India, followed by Disney+ Hotstar at 16% – Justwatch

SonyLIV's market share grew 25% in Q2FY21, whereas Jio Cinema and Zee5 lost 14% and 11% share – Inc42

Cloud

Covid-19 has impacted the migration to hybrid cloud environments — not only because customers are demanding it, but because the old ways (fully cloud-based or fully on-premise) were not working – PWC

Payments

Payment options such as Buy Now Pay Later (BNPL) grew at a whopping 569% in the last 12 months in India – TOI

Education

Online education offerings for classes 1 to 12 are projected to increase 6.3x by 2022 vis-à-vis 2019 – RBSA

Source: Justwatch, PWC, Times of India, RBSA, BOBCAPS Research

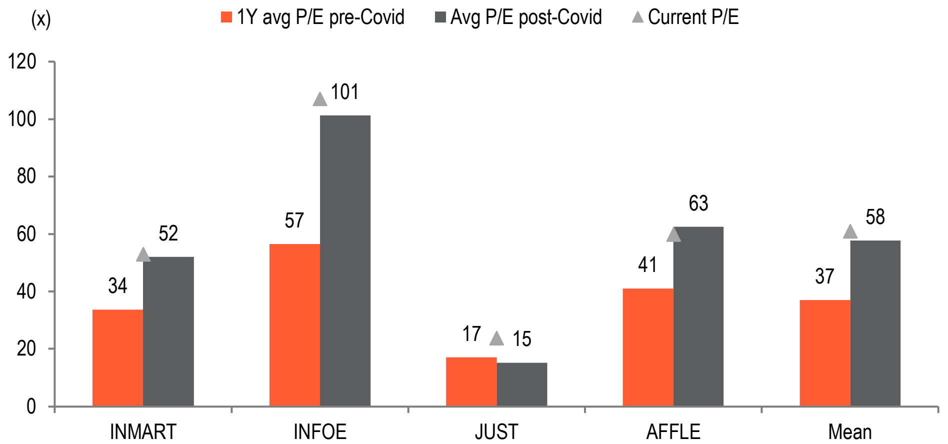
Pandemic-led inflection fully captured by internet stock rerating

The combined market capitalisation of India's listed internet stocks has swelled 230% since onset of the pandemic in Mar'20. INMART has recorded the sharpest upmove with a 198% increase while Info Edge (INFOE) saw the lowest share price rise, albeit still robust at 105%. In contrast, barring INMART, FY22 consensus earnings estimates for internet stocks have undergone downgrades ranging between 2% and 36%. In our view, the share price rally fully captures the pandemic-induced inflection point in terms of accelerated digital adoption and internet penetration in India, and we see little scope for similar heady upsides in the near-to-medium term.

Dizzying run-up at an end; fundamentals to dictate stock performance

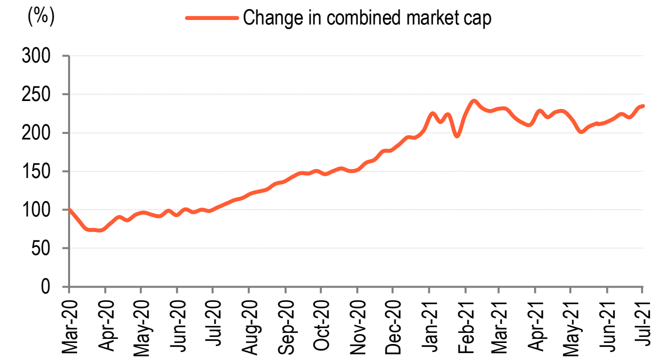
We believe the performance of internet stocks going forward will hinge on business fundamentals, namely (1) revenue growth recovery, (2) operating margin resilience and (3) earnings growth.

Fig 36 – 50%+ rerating of internet stocks post pandemic



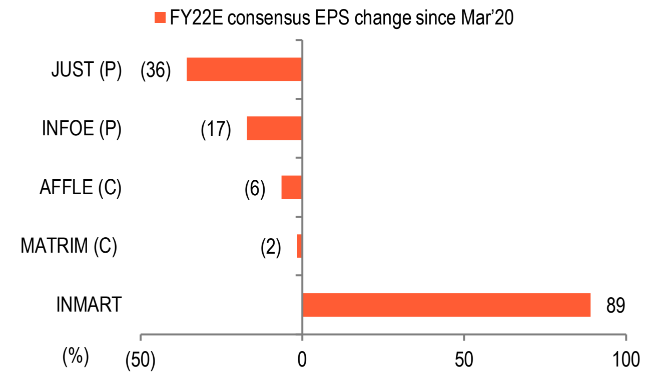
Source: Company, Bloomberg | Note: 1Y forward P/E based on Bloomberg consensus EPS. Pre-Covid average refers to average since Apr'18 for INFOE and JUST and to average since Nov'19 for others. Post-Covid average refers to average since Apr'20 for all stocks

Fig 37 – Internet stock prices in India have doubled since onset of the pandemic in Mar'20…



Source: Bloomberg, BOBCAPS Research | Note: Combined market cap change for INFOE, JUST, INMART, AFFLE and MATRIM

Fig 38 – …even as FY22 consensus earnings estimates have been downgraded over the same period



Source: Bloomberg, BOBCAPS Research

Key recommendations

- **INMART – HOLD:** We expect the online B2B classifieds leader to see slow growth recovery owing to the challenges faced by its client base. Further, normalisation of its operating margin as pandemic cost savings retract is likely to weaken EPS growth (15% FY21-FY24E CAGR). Initiate with HOLD and a Jun'22 TP of Rs 7,170.
- **AFFLE – BUY:** AFFLE has gained from the Covid-led digital boom and its growth momentum should sustain given a robust portfolio (90% of revenue from digital, Covid-resilient verticals including ecommerce, edtech, fintech, foodtech, healthtech) and marquee clientele (Amazon, Flipkart, Zomato). We forecast a 32% EPS CAGR over FY21-FY24 and initiate with BUY for a Jun'22 TP of Rs 6,240.
- **JUST – SELL:** In our view, JUST's strategic expansion of its B2B offering via JD Mart carries growth potential but will require heavy investments to scale up. Moreover, financial distress of buyers and suppliers (due to the second Covid wave) signals slow demand recovery. We forecast flat earnings over FY21-FY24. Initiate with SELL and a Jun'22 TP of Rs 920.

Fig 39 – Recommendation summary

Company	Price (Rs/sh)	Mcap (Rs mn)	Rating.	TP	Revenue CAGR FY21-24E (%)	EPS CAGR FY21-24E (%)	PE (x)		ROE (%)		
							FY22E	FY23E	FY21	FY22E	FY23E
IndiaMart	7,227	219,581	HOLD	7,170	21	17	65	55	30.3	18.5	18.6
Affle (India)	4,431	118,075	BUY	6,240	42	32	74	47	37.6	14.1	18.3
Just Dial	1,068	66,529	SELL	920	11	(1)	65	38	16.8	7.9	12.2

Source: Company, Bloomberg, BOBCAPS Research

Companies

HOLD

TP: Rs 7,170 | ∀ 1%

INDIAMART INTERMESH | Internet | 14 July 2021

Peak FY21 operating margins to normalise – initiate with HOLD

- **Digitisation of MSMEs – INMART's primary market – a structural growth opportunity but their frail financial health post Covid poses near-term risks**
- **We expect INMART, leader in India's online B2B classifieds market, to post a mere 12% EBITDA CAGR in FY21-FY24 as peak margins normalise**
- **While we like the company for its deep-rooted leadership, near-term growth concerns lead us to initiate with HOLD; TP Rs Rs 7,170**

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INMART enjoys pole position: With 60% market share, INMART is a leader in India's online B2B classifieds segment. The networking effect from the company's 6.5mn suppliers, 125 mn buyers and 100% organic traffic (960mn visits in Q4FY21) constitutes a deep business moat and enables it to leverage MSME digitisation trends.

Digitisation of MSMEs to grow 6x in five years…: According to a recent survey by RedSeer, only 4% of MSMEs in India leveraged internet and digital technologies in FY20 (from 2% in FY16). The pandemic has catalysed digital adoption by these enterprises and consequently MSME digital market size is expected to increase at a 43% CAGR over FY20-FY23, translating into a US$ 9bn market, per RedSeer.

…but Covid-19 impact to dampen near-term growth: While we like INMART for its leadership in India's digital B2B classifieds industry, we are skeptical of its growth rate due to successive blows from two Covid waves on its client base. We forecast another slow year for the company in FY22 with 13.6% revenue growth (vs. a 25.2% FY17-FY20 CAGR). EBITDA growth is likely to lag revenue as a return of pre-pandemic cost leads peak FY21 margins to normalise. We forecast a 12% EBITDA CAGR for FY21-FY24 with margins falling from 50% in FY21 to an estimated 39% in FY24.

Difficult to replicate 1688's success: Alibaba's 1668.com is a China-focused peer of INMART and the only truly comparable business. Besides having ~20x the revenue, 1688 has superior operating metrics in terms of higher revenue per supplier (3.3x vs. INMART) and a higher monetisation factor, i.e. the number of paying suppliers to total suppliers on its platform (9% vs. 2.3%). Replicating such success will be difficult for INMART due to its relatively shallow technological know-how and value-added offerings vs. the Alibaba Group, as well as the sticky nature of the monetisation factor.

Initiate with HOLD: We like INMART's business model but recommend HOLD given the disruptive impact of the pandemic on clients, cooling margins and full valuations after a ~200% rally in the last 12 months. Our Jun'22 TP of Rs 7,170 is based on 52x one-year forward P/E – in line with the stock's average post Covid multiple that captures the pandemic-led inflection for internet businesses.

Ticker/Price	INMART IN/Rs 7,227
Market cap	US$ 2.9bn
Free float	42%
3M ADV	US$ 14.4mn
52wk high/low	Rs 9,950/Rs 2,035
Promoter/FPI/DII	50%/28%/23%

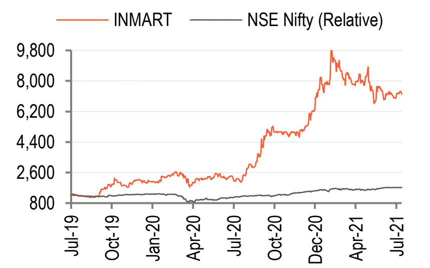
Source: NSE | Price as of 13 Jul 2021

Key financials

Y/E 31 Mar	FY21P	FY22E	FY23E
Total revenue (Rs mn)	6,650	7,558	9,807
EBITDA (Rs mn)	3,333	3,289	3,996
Adj. net profit (Rs mn)	2,867	3,260	3,861
Adj. EPS (Rs)	94.5	112.4	133.1
Consensus EPS (Rs)	94.5	115.8	133.3
Adj. ROAE (%)	30.3	18.5	18.6
Adj. P/E (x)	76.5	64.3	54.3
EV/EBITDA (x)	65.9	66.9	54.7
Adj. EPS growth (%)	89.8	19.0	18.4

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Investment thesis

Growing market opportunity as MSMEs go digital

India is at the cusp of riding the ‘digital’ tide. In the wake of Covid-19, digitisation is no longer a strategic go-to business model, but an imperative for survival and will dominate client wallet share in 2021 and beyond. Since the pandemic, customers and businesses have been increasingly opting for the online medium as brick-and-mortar stores down shutters. As per a report by RedSeer Consulting, Covid has catalysed digital adoption by Indian MSMEs and will spur a ~43% CAGR in their digital demand over FY20-FY25, translating to a US$ 9bn market. With 60% market share, INMART is a leader in the online MSME B2B classifieds segment, positioning it well to leverage the digital demand boom.

One-third of MSMEs have embraced digitisation in the past year

Digitisation plays a key role in the growth of small and midsize businesses as it fuels better revenue and profitability compared to enterprises that conduct business offline. B2B ecommerce platforms such as INMART’s help match the product requirements of MSME buyers with respective suppliers on their platforms. Moreover, their automated trading processes increase opportunities for businesses to collaborate with suppliers and distributors.

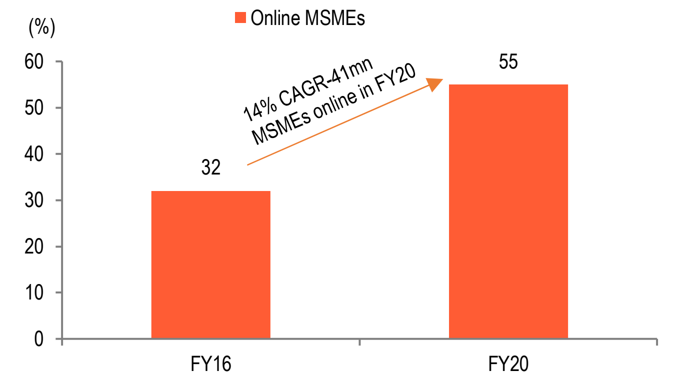
Nearly 30% of Indian MSMEs (defined as enterprises with turnover of <Rs 50mn) started a business website and enabled ecommerce functionality since pandemic-induced lockdowns began in early FY21, according to the Economic Times’ citation of a survey by Endurance International Group.

MSME digital adoption to grow six-fold in five years

With more Indian businesses going digital, the percentage of online MSMEs has risen from 32% in FY16 to 55% in FY20, as per RedSeer. However, this number lags far behind other countries. In China, 89% of MSMEs were already digitally connected by 2015 and 54% of US small businesses used emails in 2017. This indicates substantial headroom for growth in terms of digital connections in India itself.

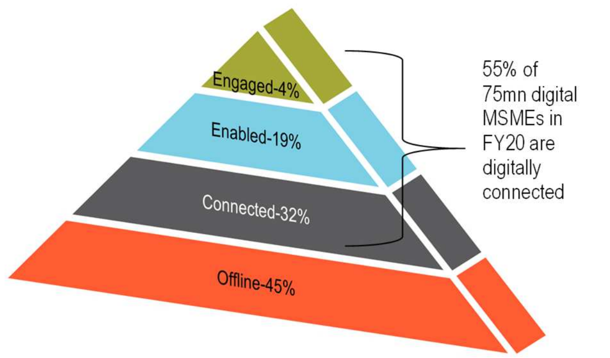
Currently, only 4% of MSMEs in India are truly digitally engaged. According to RedSeer, the Indian MSME digital services market will grow 6x over the next five years, taking the market opportunity from US$ 1.5bn to US$ 9bn by FY25, a CAGR of 43%. About 73% of the growth is estimated to come from a rise in the number of digital businesses and 27% from higher average spend on digital services.

Fig 1 – Percentage of online MSMEs in India



Source: Redseer Consulting, INMART offer document, BOBCAPS Research

Fig 2 – Only 4% of MSMEs digitally engaged as of FY20

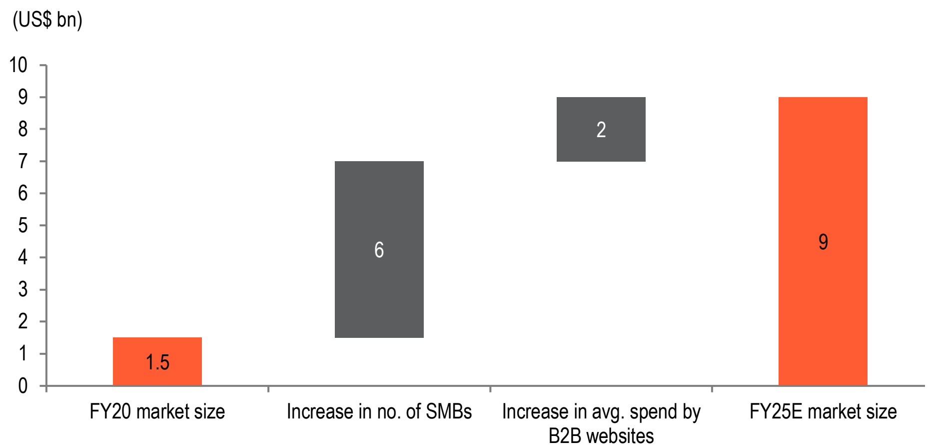


Source: RedSeer Consulting, INMART offer document, BOBCAPS Research | Note: Engaged: Using digital technology actively to enable business online; Enabled: Have their own website or use social media for business or maintain corporate email ID to engage and understand customer base; Connected: Use internet for general information gathering and communication but not for business purposes

We note that merely being 'digitally connected' – which RedSeer defines as using the internet for general information gathering and communication but not for business purposes – does not render much benefits for a business. To realise the full potential of being digital, MSMEs need to be 'digitally engaged', i.e. using technology actively to enable business online.

At present, out of the 75mn MSMEs in India, only 4% are digitally engaged, 19% are digitally enabled (i.e. have their own website or use social media for business or maintain corporate email IDs to engage and understand their customer base), and 32% are digitally connected. Digitally enabled MSMEs are estimated to grow twice as fast as non-digital businesses. This data implies that the remaining 45% of MSMEs are not actively selling or promoting their businesses online

Fig 3 – Digital market size for MSMEs to grow 6x over FY20-FY25



Source: BOBCAPS Research, Company, RedSeer report on Indian MSMEs, IndiaMart OFS | SMB – Small and Midsize Businesses

INMART leads in B2B classifieds market with strong moats

INMART is the undisputed leader in India's digital B2B classifieds segment with double the market share of its nearest rival TradeIndia (<30% share). The networking effect from the company's 6.5mn suppliers, 125mn buyers and 100% organic traffic (960mn visits in FY21) constitutes a deep business moat and lays the ground for it to leverage MSME digitisation trends. Further, constant technological enhancement and a slew of recent acquisitions have helped the company augment its platform and strengthen customer acquisition.

Dominant player in India

B2B ecommerce has two segments: (1) classifieds and (2) transactional. INMART is the leader in the Indian B2B classifieds segment with 60% market share (Source: Insync). Besides INMART, TradeIndia and Exporters India offer B2B classifieds services. Exporters India targets the export business, making TradeIndia the only comparable Indian peer.

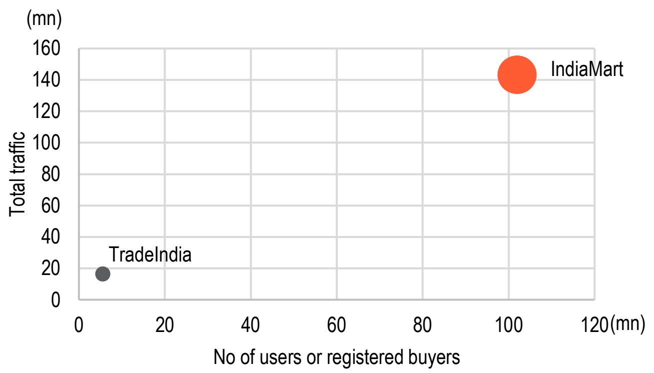
INMART is well ahead of TradeIndia in terms of traffic (143mn in FY20 vs.~16mn) and paying subscribers (147mn vs. 50mn). Its strong networking effect and competitive strengths have helped it achieve leadership in market share (~2x of TradeIndia's) and revenue (~5x with ARPU at ~1.7x as of FY20).

Fig 4 – Topline drivers: INMART vs. TradeIndia, FY20

Parameter	INMART	TradeIndia
Total suppliers (mn)	6	4
Paying subscribers (in thousands)	147	50
ARPU (Rs/user)	42,416	25,400
Revenue FY20 (Rs mn)	6,235	1,270
Monetisation rate (%)	2.4	1.3

Source: BOBCAPS Research, Company

Fig 5 – Competitive map, FY20



Source: BOBCAPS Research, Company

Fig 6 – Operational parameters, FY20

Parameter	INMART	TradeIndia
No. of industry categories	56	39
No of users (mn)	102	5.6
Total traffic (mn)	143.3	16.3
Direct traffic (% of total traffic)	14.8	15.1
Search traffic (% of total traffic)	83	82
Organic search (% of total search)	83	82
Country (India) website rank (based on traffic)	68	612

Source: BOBCAPS Research, Company

Fig 7 – Website rank and market share comparison, FY20

Parameter	INMART	TradeIndia
Country (India) website rank (based on traffic)	68	612
Market share (%)	60	<30

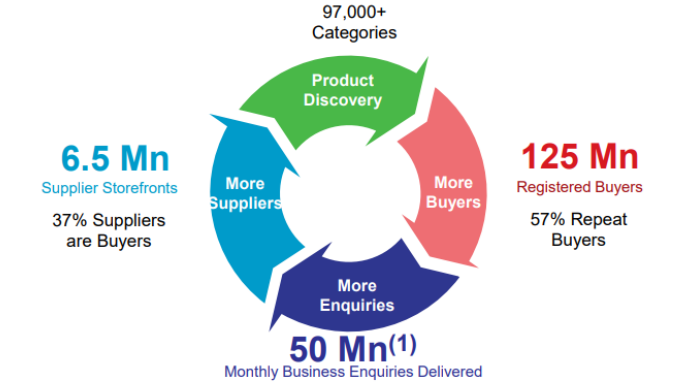
Source: BOBCAPS Research, Company | Website rank based on traffic during Oct'20-Dec'20

Strong networking effect

INMART benefits from a robust networking effect, viz. as more and more buyers join, more suppliers come on board, prompting even more buyers to join, thus creating a positive feedback loop. The company has 125mn registered buyers, 6.5mn suppliers and 72mn products across 97,000+ categories on its platform, making for a deep business moat. The networking effect drives unmatched competitive strengths for INMART namely:

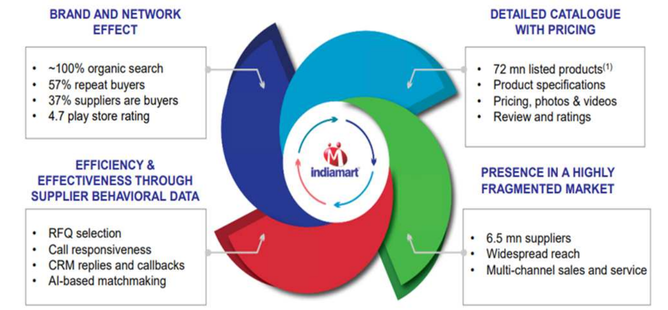
- Robust traffic generating 50mn business enquiries per month (in Q4FY21)
- 100% organic traffic with 57% repeat buyers
- High platform efficiency and effectiveness led by supplier behavioural insights

Fig 8 – Deep networking effect



Source: Company, BOBCAPS Research

Fig 9 – Key competitive strengths



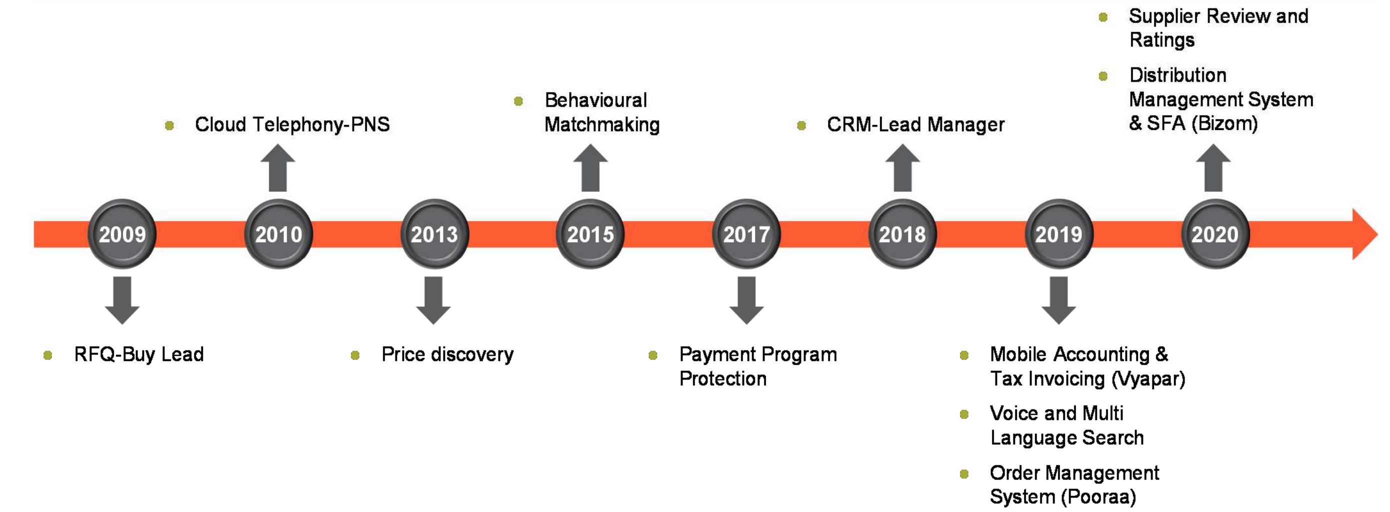
Source: Company, BOBCAPS Research

Augmented technological platform

Technology has remained a focal point of INMART's success story. Throughout the last decade, the company has taken various measures to improve its supplier-buyer matchmaking process. The introduction of cloud telephony was a major step in routing calls through the INMART platform and helps suppliers to avoid missing any leads. An in-house customer relationship management (CRM) system facilitates conversations between suppliers with buyers via a WhatsApp-type interface with more enhanced features and payment protection.

The company's request for quote (RFQ) platform informs suppliers of buyer RFQs, product, location, price and quantity while its lead management system is used by large enterprises with scale. Suppliers can also upload videos of their offerings. Lately, by collaborating with Google, INMART has reduced its average page load time, leading to improved customer experience, and has also migrated web properties to Google cloud.

Fig 10 – Platform technological enhancement timeline



Source: BOBCAPS Research, Company

Acquisitions paving way for digital transformation

In 2019-20, INMART made various acquisitions that have helped augment and digitally transform the platform as listed in the table below.

Fig 11 – INMART's recent acquisitions

Subsidiaries and Investments	Remarks
Pay with INMART	Facilitates online collections via UPI, credit/debit cards and net banking
Tolexo Online Pvt Ltd (Pooraa)	End-to-end business management system
Tentimes Online Pvt Ltd	Leading B2B event discovery platform; event recommendation, rating and review platform
Simply Vyapar Apps Pvt Ltd	Mobile-based business accounting software for MSMEs
Mobisy Technologies Pvt Ltd (Bizom)	Integrated platform for distribution and salesforce management of businesses
Shipaway Technology Pvt Ltd	SaaS solution for automating shipping
Legistify Services Pvt Ltd	Legal tech platform that automates legal workflow for businesses
Truckhall Pvt Ltd	SaaS solution for dispatch monitoring and freight sourcing

Source: Company, BOBCAPS Research

Difficult to replicate success of global peer Alibaba 1688

Alibaba's 1668.com is a China-focused peer of INMART and the only truly comparable business. Besides having ~20x the revenue, 1688 has superior operating metrics in terms of higher revenue per supplier (3.3x vs. INMART) and a higher monetisation factor, i.e. the number of paying suppliers to total suppliers on its platform (9% vs. 2.3%). Replicating such success will be a challenge for INMART due to its relatively weak technological know-how and shallow value-added offerings versus the Alibaba Group, besides the sticky nature of the monetisation factor.

1688's scale of operations dwarfs INMART's

Alibaba's 1688.com and INMART are both online B2B classifieds businesses that help match the requirements of MSME buyers with respective suppliers on their platforms. Both platforms have a wide range of product offerings (Fig 14), both are market leaders in their respective geographies, both are still growing in terms of new subscription-based suppliers, and their renewal rate/repeat buying is more than 50%. 1688 is, however, far bigger than INMART in that it has ~6x more paying members, 3x more revenue per supplier and deeper technological know-how (backed by the Alibaba Group).

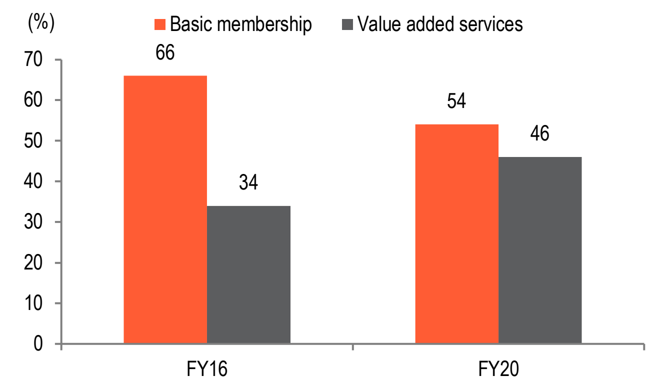
Value-add services a key differentiator for 1688

In FY16, 34% of 1688's revenue came from value-added services (VAS) which rose to 46% in FY20. We note that INMART relies solely on paying-subscription suppliers for its revenue (95% of total revenue), whereas 1688 has been able to diversify away from basic membership-driven income (Fig 12).

Paying subscribers at 1688 pay extra to avail of additional services such as premium data analytics, customer management, upgraded storefront management tools and P4P (Pay for Performance) marketing services. These value-added offerings include features such as intelligent marketing which helps suppliers place ads targeted at relevant buyers, omni-channel data visualisation and financial services.

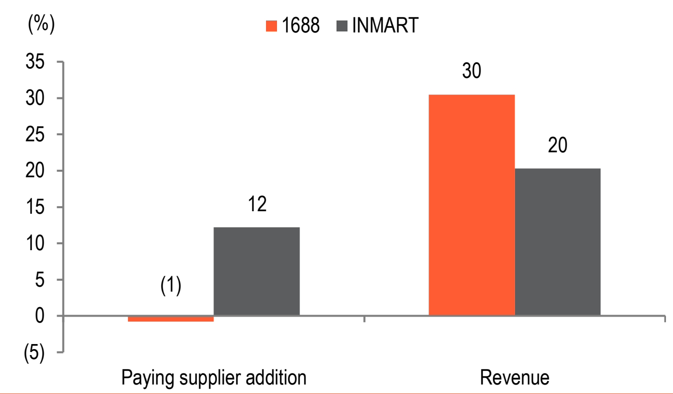
In contrast, INMART's peripheral offerings draw barely any revenue – for instance, its 'Pay with INMART' payments gateway is not widely used by customers and is more of a convenience factor.

Fig 12 – Alibaba 1688 membership and VAS revenue share



Source: BOBCAPS Research, Company

Fig 13 – FY17-21 CAGR in revenue, paying supplier addition



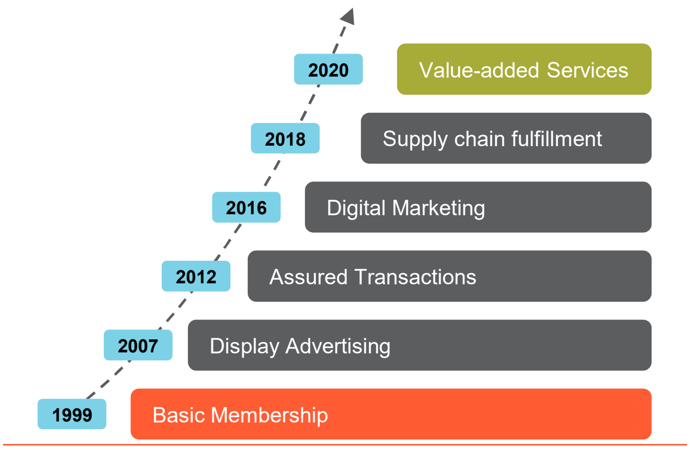
Source: BOBCAPS Research, Company

Fig 14 – Alibaba 1688 operational data

Operational data	Alibaba 1688	INMART
Paying members ('000)	920	152
Number of companies (mn)	10	6.5
Product listings (mn)	550+*	72
Renewal rate of paying members (%)	69	57
Number of buyers (mn)	120**	125

Source: BOBCAPS Research, Company | *1688+ alibaba.com; **Investor PPT, Alibaba

Fig 15 – Alibaba + 1688: Services and year of launch



Source: BOBCAPS Research, Company

Long road ahead

After dominating the B2B online classifieds space, we believe INMART needs to go beyond buyer-supplier matchmaking and offer an end-to-end solution to its users which includes payment options, intelligent marketing and omnichannel capabilities. Full-stack B2B platforms are essential to create synergies across fulfilment, working capital, distribution and sales, making it easier for MSMEs to grow their businesses.

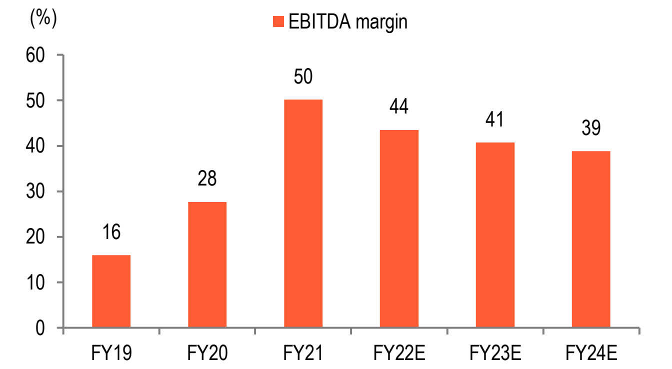
INMART's current strategy is to improve engagement through fintech, SaaS and vertical commerce – this coupled with balance-sheet strength (Rs 23.6bn cash on books as at end of Mar'21) should help the company unlock growth potential led by VAS. However, we believe mimicking 1688's success will be an uphill task given INMART's relatively weak technological know-how compared to the Alibaba Group, its slow slog to add VAS into its bouquet of offerings, and the sticky characteristic of the monetisation factor.

Expect a muted FY22; margin to come off peaks

While we like INMART for its deep-rooted leadership in India's B2B classifieds industry, we are skeptical of its margin sustainability as pre-Covid costs return and growth remains muted due to the impact from the second pandemic wave. We forecast another slow year for the company in FY22 with 13.6% revenue growth vs. a 25.2% CAGR over FY17-FY20. EBITDA growth is expected to lag revenue as a reversal of cost savings will likely cause peak FY21 margins to fall.

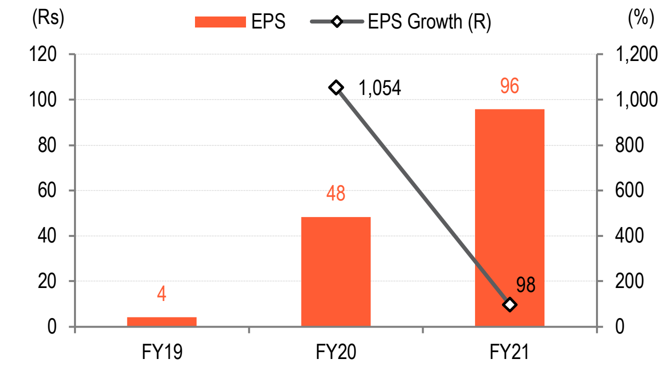
INMART's EBITDA margin skyrocketed from 28% in FY20 to 50% in FY21 led by stringent cost control amid the first wave of the pandemic. Manpower and outsourced sales costs stood at 30% of revenue in FY21 vs. 41% in FY20 and other operating expenses stood at 20% vs. 31%. Management has indicated that 50% of these savings are temporary and thus EBITDA margin is unlikely to sustain at FY21 levels. We forecast a muted 12% EBITDA CAGR for INMART over FY21-FY24 as we expect EBITDA margin to moderate gradually from 50% in FY21 to 39% in FY24.

Fig 16 – Operating margin expected to normalise



Source: Company, BOBCAPS Research

Fig 17 – Expect muted 15% EPS CAGR over FY21-FY24E



Source: Company, BOBCAPS Research

Valuation methodology

We like INMART for its industry leadership and deep business moats but see near-to-medium-term challenges because of slower client growth following the second wave of Covid-19. In addition, the expected reversion of peak FY21 operating margins to normal levels implies low earnings growth of 15% over FY21-FY24 vs. a 74% CAGR over the prior three years.

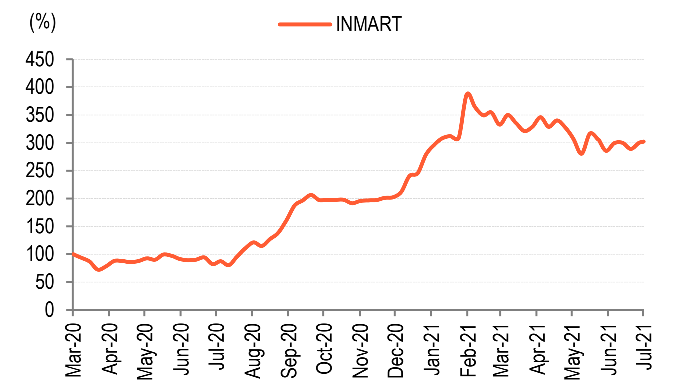
After a 200%+ upmove in stock price over the last 12 months, current valuations look full and we see little scope for similar sizable upsides. We initiate coverage with HOLD and a Jun'22 TP of Rs 7,170, set at a one-year forward P/E of 52x – in line with the stock's average post Covid multiple that captures the pandemic-led inflection for internet businesses.

Fig 18 – Key assumptions

Parameter	FY20	FY21	FY22E	FY23E	FY24E
Paying subscription suppliers (in '000)	147	152	175	210	252
YoY Growth (%)	13	3	15	20	20
ARPU (Rs)	42,272	43,640	44,949	47,197	49,556
YoY Growth (%)	10	3	3	5	5
Revenue (Rs mn)	6,235	6,650	7,558	9,807	11,901
YoY Growth (%)	25.4	6.7	13.6	29.8	21.3
EBITDA Margin (%)	28	50	44	41	39

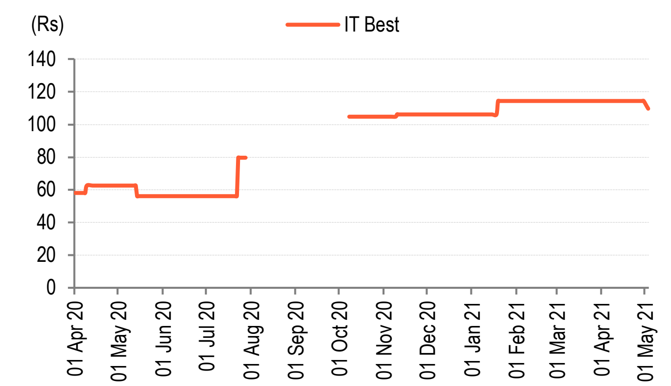
Source: BOBCAPS Research, Company

Fig 19 – INMART stock performance



Source: Company, BOBCAPS Research

Fig 20 – Bloomberg EPS change



Source: Bloomberg, BOBCAPS Research

Key risks

- Upside risks to our estimates include swift recovery in the MSME segment and quick success in new value-added services.
- Downside risks are significant competition leading to price corrections and deeper-than-expected MSME stress.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
Total revenue	**6,235**	**6,650**	**7,558**	**9,807**	**11,901**
EBITDA	1,727	3,333	3,289	3,996	4,621
Depreciation	209	159	166	216	238
EBIT	1,517	3,175	3,123	3,781	4,383
Net interest inc./(exp.)	33	67	76	98	119
Other inc./(exp.)	684	852	1,419	1,606	1,807
Exceptional items	69	0	0	0	0
EBT	2,169	3,960	4,466	5,289	6,071
Income taxes	638	1,093	1,206	1,428	1,639
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**1,531**	**2,867**	**3,260**	**3,861**	**4,432**
Adjustments	0	0	0	0	0
Adjusted net profit	**1,531**	**2,867**	**3,260**	**3,861**	**4,432**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
Accounts payables	0	0	0	0	0
Other current liabilities	0	0	0	0	0
Provisions	4,875	5,399	5,591	5,374	4,891
Debt funds	612	526	526	526	526
Other liabilities	2,955	3,065	3,065	3,065	3,065
Equity capital	289	303	303	303	303
Reserves & surplus	2,456	15,863	18,731	22,127	26,026
Shareholders' fund	2,745	16,166	19,034	22,430	26,329
Total liab. and equities	**11,188**	**25,155**	**28,215**	**31,394**	**34,810**
Cash and cash eq.	129	350	3,152	6,927	11,475
Accounts receivables	11	12	10	13	16
Inventories	0	0	0	0	0
Other current assets	267	539	774	197	217
Investments	8,972	22,475	22,475	22,475	22,475
Net fixed assets	48	22	52	81	141
CWIP	0	0	0	0	0
Intangible assets	799	626	626	626	626
Deferred tax assets, net	244	0	0	0	0
Other assets	716	1,130	1,272	1,442	1,646
Total assets	**11,186**	**25,154**	**28,361**	**31,761**	**36,596**

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
Cash flow from operations	**2,642**	**3,264**	**3,314**	**4,386**	**5,260**
Capital expenditures	(41)	3	(197)	(245)	(298)
Change in investments	(2,747)	(13,570)	0	0	0
Other investing cash flows	429	141	76	98	119
Cash flow from investing	**(2,359)**	**(13,425)**	**(121)**	**(147)**	**(178)**
Equities issued/Others	19	10,520	0	0	0
Debt raised/repaid	(166)	(55)	0	0	0
Interest expenses	(33)	(67)	0	0	0
Dividends paid	(333)	(15)	(392)	(465)	(533)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(513)**	**10,383**	**(392)**	**(465)**	**(533)**
Chg in cash & cash eq.	**(230)**	**222**	**2,801**	**3,775**	**4,549**
Closing cash & cash eq.	**129**	**351**	**3,152**	**6,927**	**11,475**

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21P	FY22E	FY23E	FY24E
Reported EPS	49.8	94.5	112.4	133.1	152.8
Adjusted EPS	49.8	94.5	112.4	133.1	152.8
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	94.1	531.8	634.5	747.7	877.6

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21P	FY22E	FY23E	FY24E
EV/Sales	35.2	33.0	29.1	22.3	18.1
EV/EBITDA	127.2	65.9	66.9	54.7	46.6
Adjusted P/E	145.2	76.5	64.3	54.3	47.3
P/BV	76.8	13.6	11.4	9.7	8.2

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21P	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	70.6	72.4	73.0	73.0	73.0
Interest burden (PBT/EBIT)	142.9	124.7	143.0	139.9	138.5
EBIT margin (EBIT/Revenue)	24.3	47.7	41.3	38.5	36.8
Asset turnover (Rev./Avg TA)	64.4	36.6	28.2	32.6	34.8
Leverage (Avg TA/Avg Equity)	4.5	1.9	1.5	1.4	1.4
Adjusted ROAE	70.4	30.3	18.5	18.6	18.2

Ratio Analysis

Y/E 31 Mar	FY20A	FY21P	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	25.4	6.7	13.6	29.8	21.3
EBITDA	27.7	50.1	43.5	40.7	38.8
Adjusted EPS	1054.4	89.8	19.0	18.4	14.8
Profitability & Return ratios (%)					
EBITDA margin	27.7	50.1	43.5	40.7	38.8
EBIT margin	24.3	47.7	41.3	38.5	36.8
Adjusted profit margin	24.6	43.1	43.1	39.4	37.2
Adjusted ROAE	70.4	30.3	18.5	18.6	18.2
ROCE	18.4	14.4	12.3	13.2	13.1
Working capital days (days)					
Receivables	0	1	1	0	0
Inventory	0	0	0	0	0
Payables	0	0	0	0	0
Ratios (x)					
Gross asset turnover	130.1	308.9	146.0	120.8	84.6
Current ratio	1.9	4.4	4.8	5.6	7.2
Net interest coverage ratio	0.0	0.0	0.0	0.0	0.0
Adjusted debt/equity	0.2	0.0	(0.1)	(0.3)	(0.4)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 6,240 | ⮝ 41%

AFFLE (INDIA) | Internet | 14 July 2021

Unique digital advertising play – initiate with BUY

- **AFFLE a unique play on digital mobile advertising with leadership in India's adtech market, an evolved model and comprehensive solutions**
- **Marquee clients and hypergrowth verticals such as ecommerce, edtech and fintech (90% of FY21 revenue) support multiyear growth uptrend**
- **AFFLE the preferred pick among our internet stock coverage – initiate with BUY, Jun'22 TP Rs 6,240**

Ruchi Burde | Seema Nayak
researchreport@bobcaps.in

India's only listed digital mobile advertiser: AFFLE is the only listed play in India's fast-growing digital mobile advertising space, with 95% of its business focused on mobile apps. It leads the Indian advertising technology market which has high entry barriers, and its international business focuses on fast-growing emerging markets. In our view, the company stands out with end-to-end solutions in a complex digital ecosystem crowded with adtech players that merely offer point solutions.

Outcome-based business model aligns with customer objectives: AFFLE's cost per converted user business (CPCU: 83% of FY21 topline) earns revenue upon conversion of targeted users (i.e. after users perform the desired action such as app download or product selection). This outcome-based business model is more evolved and effective compared to the impression or display-based targeted advertising prevalent in the industry. High ROI on marketing campaigns and transparency inherent in the CPCU model enable AFFLE to align with client goals.

Resilient portfolio: AFFLE works with marquee clients such as Amazon, Flipkart, Zomato, Tencent and PayTM, and earned 90% of FY21 revenue from (1) ecommerce, edtech, entertainment, (2) fintech, foodtech, FMCG, (3) gaming, groceries, government, and (4) healthtech. Revenue acceleration in Covid-hit FY21 (up 55% vs. 34% in FY20) validates a growth narrative underpinned by booming verticals and strong clients.

Fortifying moats: The company's strategic roadmap is to expand product scope from mobile to connected devices, to integrate the online to offline journey in an omnichannel platform, and to invest in a 4V strategy of voice, video, vernacular and verticalisation. This positions AFFLE to leverage the boom in connected devices and rising internet reach in India (4.4bn new connected devices to be added globally by 2025 and 90% of new Indian users to have vernacular affinity, per GSMA, RedSeer and KPMG).

Initiate with BUY: High industry growth dynamics, resilient verticals, marquee clientele and a strong technology backbone set the stage for rapid multiyear growth for AFFLE, in our view. We forecast a 42%/32% revenue/EPS CAGR over FY21-FY24. Our TP of Rs 6,240 is set at 62.5x P/E, on par with the stock's post Covid mean – BUY.

Ticker/Price	AFFLE IN/Rs 4,431
Market cap	US$ 1.6bn
Free float	40%
3M ADV	US$ 4.4mn
52wk high/low	Rs 6,286/Rs 1,645
Promoter/FPI/DII	60%/20%/20%

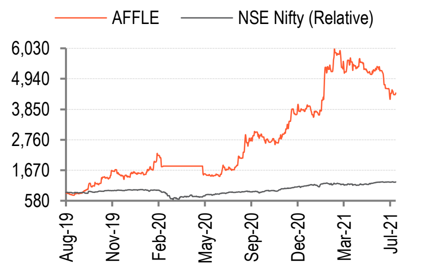
Source: NSE | Price as of 13 Jul 2021

Key financials

Y/E 31 Mar	FY21P	FY22E	FY23E
Total revenue (Rs mn)	5,169	8,755	11,715
EBITDA (Rs mn)	1,300	1,962	2,812
Adj. net profit (Rs mn)	1,350	1,581	2,497
Adj. EPS (Rs)	53.0	59.3	93.7
Consensus EPS (Rs)	53.0	57.9	77.5
Adj. ROAE (%)	37.6	14.1	18.3
Adj. P/E (x)	83.7	74.7	47.3
EV/EBITDA (x)	90.9	60.5	41.6
Adj. EPS growth (%)	102.7	12.1	57.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Investment thesis

End-to-end mobile marketing platform

AFFLE is the leader in India's fast-growing digital mobile advertising space, with 95% of its business focused on mobile apps. In a complex and fragmented digital advertising ecosystem, AFFLE offers an end-to-end integrated mobile marketing platform. Its deep learning AI-powered algorithms help transform advertisements into consumer recommendations and deliver enhanced engagements, conversions and return on investment for marketing campaigns.

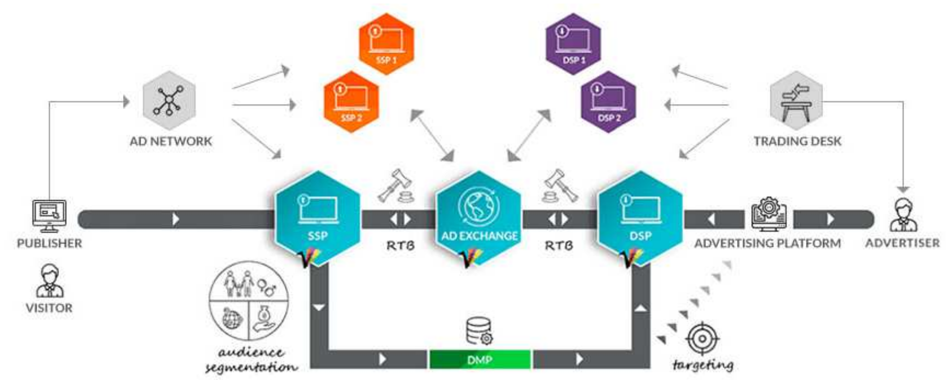
Online advertising is far more complex than traditional advertising due to the numerous avenues for publisher platforms, diverse user devices (mobiles, tablets, laptops) and varied applications (gaming, social media, video). Similarly, the digital advertising value chain is complicated with publishers at one end, advertisers at the other and multiple adtech companies in between.

Some of the key constituents of this value chain are the ad server (similar to a web server which hosts advertising information and passes on the content to various digital platforms such as websites and mobile apps), demand-side platforms (DSP), ad networks, supply-side platforms (SSP), data management platforms (DMP), and media agencies. Numerous companies offer one or more components of this ecosystem; however, only a select few like AFFLE provide end-to-end solutions.

AFFLE's integrated consumer platform comprises the following services to drive user engagement:

- mDMP – enables advertisers to identify interested users
- MAAS2.0, RevX and Appnext – helps advertisers acquire new users and shoppers
- mKr8 – drives conversations and engagements
- RevX and Vizury – aims to re-engage users and maximise transactions
- Mediasmart and Vizury – provides proximity marketing with online to offline platform (O2O)

Fig 1 – Complex and fragmented digital (pragmatic) advertising ecosystem



Source: Company, BOBCAPS Research

Fig 2 – AFFLE offers end-to-end mobile advertising solutions

Source: Company, BOBCAPS Research

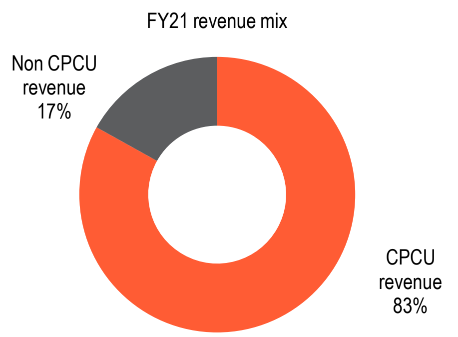
Evolved outcome-based model aligns with client objectives

Compared to regular modes of digital advertising, AFFLE's cost per converted user (CPCU) business model is more evolved and better aligned with customers' objective of generating high returns on advertising spends. CPCU revenues accounted for 84.5% of the company's consumer platform business and 83% of its overall revenue in FY21. A combination of a proprietary data management platform (mDMP) and fraud detection platform (mFaaS) form the backbone of AFFLE's CPCU model.

CPCU conversions are post-click and post-app install events done by consumers on their connected devices, implying the advertising outcomes are more result-oriented as they depend on users performing the desired action (such as app download or product selection). CPCU engagement drives consumer conversion, resulting in high ROI and greater transparency for advertisers. The model also lends differentiation in an industry dominated by peers operating on clicks, views and impressions-based business models.

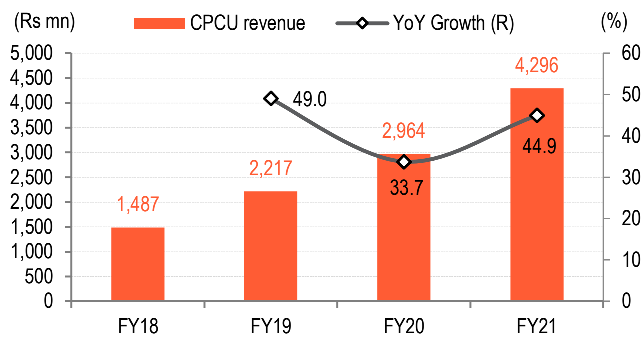
Advertisers/brands are gradually moving away from traditional engagements with adtechs based on percentage of media or cost per thousand impressions (CPM) to performance-based models such as AFFLE's in order to ensure a more focused and targeted reach. Increasing internet traffic and ad fraud (fake clicks, botnet, ghost sites) further favour a performance-based advertising model.

Fig 3 – 83% of FY21 revenue came from outcome-based CPCU model



Source: Company, BOBCAPS Research

Fig 4 – CPCU revenue increased at 42% CAGR over FY18-FY21

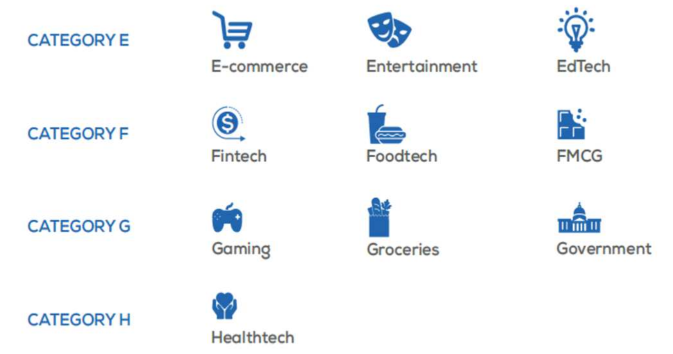


Source: Company, BOBCAPS Research

Marquee clientele and booming verticals power growth

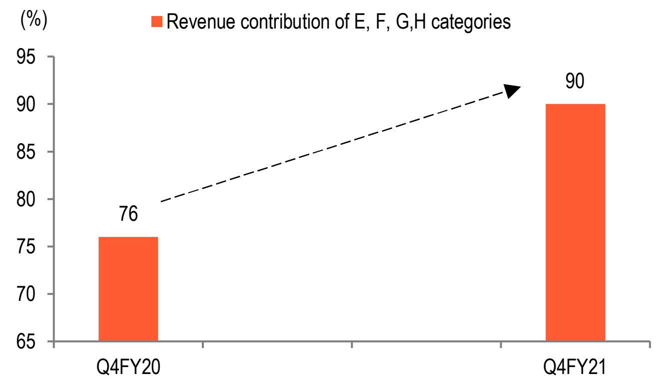
AFFLE's top 10 verticals comprise ecommerce, edtech, entertainment (or E); fintech, foodtech, FMCG (or F); gaming, groceries, government (or G); and healthtech (or H), collectively termed as E F G H. Hyper growth, digital native (i.e. online-only) offerings, and Covid-resilient business are common attributes across many of these verticals. The company also works with marquee clientele such as Amazon, Flipkart, Zivame, Myntra, Spotify, Bookmyshow, PhonePe, PolicyBazaar, PayTM, Grofers, Tencent and 1mg. A strong client roster and focus on hypergrowth verticals underpin its growth prospects.

Fig 5 – Top 10 verticals characterised by high growth and Covid resilience



Source: Company, BOBCAPS Research

Fig 6 – Revenue contribution of E, F, G, H categories has increased to 90% from 76% a year ago



Source: Company, BOBCAPS Research

Fig 7 – Top focus clients post Covid

Source: Company, BOBCAPS Research | E: Ecommerce, Entertainment, Edtech; F: Foodtech, Fintech, FMCG; G: Groceries, Gaming, Government; H: Healthtech

Fig 8 – AFFLE's other important clients

Vertical E	Vertical F	Vertical G, H & Others
ABOF	Adidas	Air Asia
AltBalaji	AsianPAints	Airtel
bewakoof	Cornetto	Almosafer
Elevenia	Firstcry	Axis Bank
Fitbit	Hero	Booking.com
Fox Movie	Honeywell	BTPN
FoxLife	ITC	Byte Dance
Gojek	LEGO	Citibank
Lucky Vitamin	Lenovo	Datsun
Marinedepot.com	Lenovo	Game Hive
Nykaa	Loreal	Goibibo
Shooedazzle	Micromax	Good Game
Shopclues	Modelez	IPG MB
Sivvi	Nescafe	MPL
SmartBuy	Philips	Nissan
Spectacle Hut	Puma	Opera
Wynk	Reebok	RummyCircle
You Tube	Shipt	Telefonica
Yu Mobiles	Swarovski	Tourism Asia
Zalora	Titan	Viacom18
Zivame	UrbanClap	Zoomcar

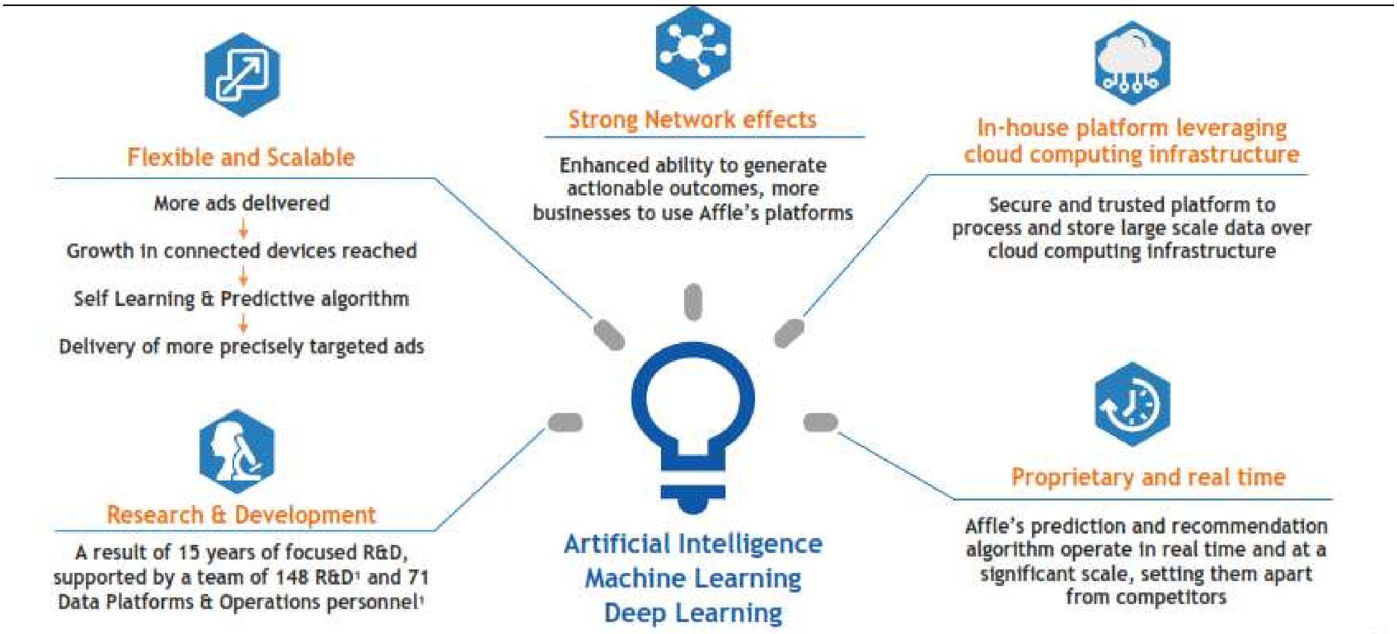
Source: Company, BOBCAPS Research

Robust technology backbone

Strong technological prowess and deep tech assets are the foundation of AFFLE's business –

- The company's consumer intelligence platform is the result of 15+ years of focused R&D aimed at delivering consumer acquisitions, engagements and transactions through relevant mobile advertising. It had ~2.2bn connected devices for the 12 months ended Dec'20 and its predictive optimisation algorithm processed over 900bn data points for the 12 months ended Sep'20, delivering 105.3mn converted users in FY21.
- AFFLE's entire tech stack is accredited by SG Digital (SG:D) for adhering to high standards of data security and maintaining an underlying technology that ensures consumption of data with consumers' due consent but without any personally identifiable or financial data usage. This accreditation significantly enhances its credibility in terms of security, reliability and usability.
- The company has a robust IP portfolio for consumer-acceptable advertising and protection against digital ad fraud.

Fig 9 – Robust technology platform backed by 15+ years of focused R&D



Source: Company, BOBCAPS Research

Fig 10 – IPs for consumer-acceptable advertising and digital ad fraud detection

3	Patents registered in US related to 'Consumer Acceptable Advertising/Digital Advertising'
10	Patents filed in US & India for 'Digital Ad Fraud Detection'
1	Patent filed in US related to 'Retargeting Business'
4	Patents filed in Singapore related to conversational and vernacular engagements

Source: Company, BOBCAPS Research

Strategy to fortify business moats

Management's strategic roadmap aims to –

- expand the scope of products from mobile to connected devices,
- integrate consumers' online to offline journey as an omnichannel platform, and
- invest in the 4Vs of Voice, Video, Vernacular and Verticalisation.

We believe this strategy will fortify business moats and position the company well to leverage the boom in connected devices and increasing internet penetration in India (4.4bn new connected consumer devices to be added globally by 2025 and 90% of new users to have vernacular affinity, as per GSMA, RedSeer and KPMG).

AFFLE has historically focused on building its network of connected devices in tier-1 cities. Management now intends to expand this network in tier-2/3 cities and rural markets to augment the data points processed in vernacular languages.

Financial review

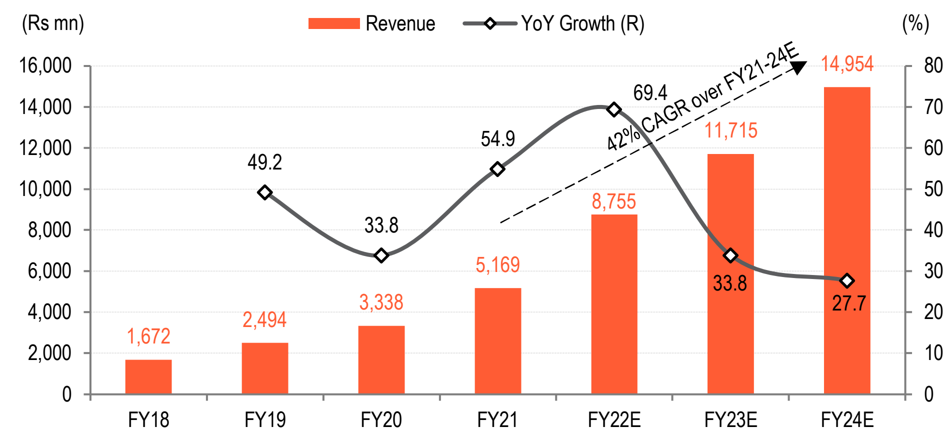
Long runway for revenue growth

AFFLE's revenue increased at a CAGR of 46% over FY18-FY21. We expect the rapid pace of growth to continue and model for a 42% CAGR over FY21-FY24 on the back of:

- **Favourable industry dynamics:** Indian and global mobile advertising spends are estimated to rise at a CAGR of 32.5% and 11.3% respectively over FY20-FY25, as per a Frost & Sullivan forecast.
- **Focus on high-growth markets:** AFFLE has a leading position in India and deep penetration across emerging markets that carry significant growth potential.
- **Robust business model:** A robust and scalable technology platform with end-to-end advertising offerings makes for a strong moat against competitors.

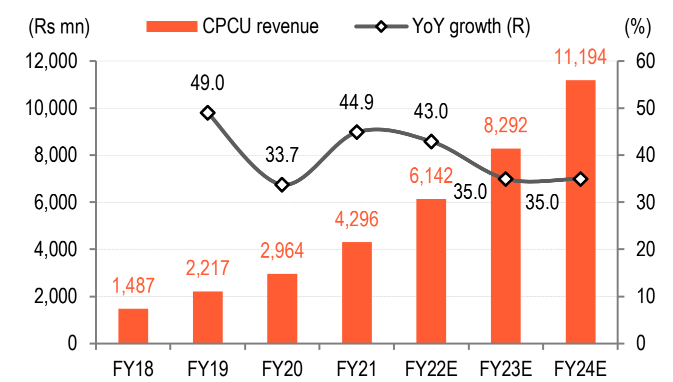
We expect revenue growth to be fuelled by the CPCU business (83% of FY21 revenue) where we bake in a 38% CAGR over FY21-FY24 spurred by 37% growth in the number of converted users (from 105mn to 273mn) and flat average revenue per converted user.

Fig 11 – Growth momentum to continue



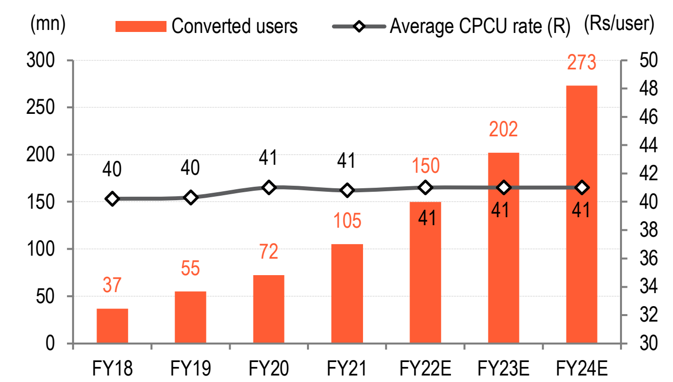
Source: Company, BOBCAPS Research

Fig 12 – CPCU business to drive revenue growth – we forecast 38% CAGR over FY21-FY24E…



Source: Company, BOBCAPS Research

Fig 13 – …backed by an increase in converted users while CPCU rates stay flat



Source: Company, BOBCAPS Research

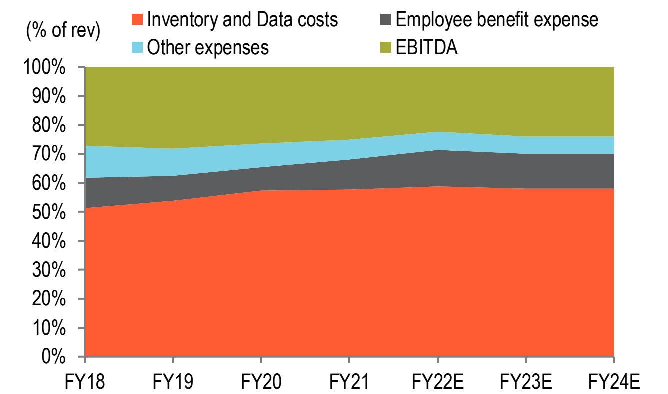
Operating margin to stay rangebound

We expect AFFLE's operating margin to stay largely rangebound even as revenue is projected to rise at a rapid 42% CAGR over FY21-FY24. We estimate static gross margins at 41-42% over our forecast period and build in higher employee cost and SG&A to account for lower profitability of the recently acquired entity Jamp. Our FY22/FY23/FY24 EBITDA margin forecasts are at 22.4%/24%/24%.

Ad inventory and data are major costs for the company (77% of operating cost in FY21). Relationships with OEMs and publishers give AFFLE privileged inventory access. In addition, it accesses inventory through real-time bidding on mobile advertising inventory exchanges and platforms. The company incurs inventory cost irrespective of whether or not the user performs the necessary action or actions for it to earn revenue (such as downloading an application or purchasing goods or services).

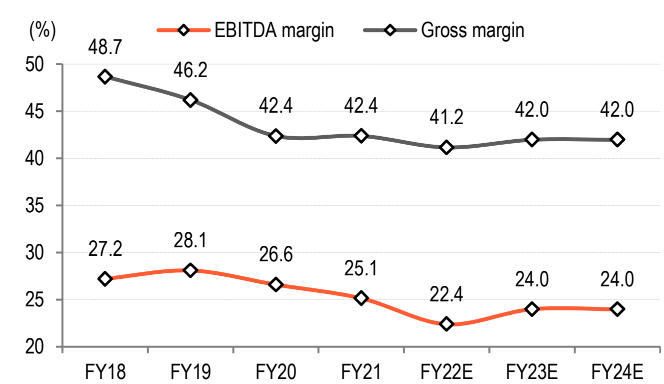
Conversely, ad inventory helps to improve the accuracy of predictions and recommendations made by AFFLE's consumer platform algorithm with every advertisement delivered. Our assumptions build in no such leverage and assume that inventory costs increase in tandem with revenue.

Fig 14 – Inventory and data cost dominate COGS; our conservative assumptions build in no operating leverage



Source: Company, BOBCAPS Research

Fig 15 – We forecast flat gross margins and largely range-bound operating margins



Source: Company, BOBCAPS Research

Earnings growth to mimic revenue growth

We model a 32% EPS CAGR over FY21-FY24 driven by revenue growth as operating margin likely remains rangebound. AFFLE raised Rs 6bn through an offer for sale in May'21, which we estimate will lower ROE from 38% in FY21 to 14% in FY22

Valuation methodology

AFFLE is a unique play on the fast-growing digital mobile advertising market. The company's resilient vertical exposure (90% of revenue from EFGH) and marquee clientele further reinforce its growth narrative. We initiate coverage with BUY and a Jun'22 TP of Rs 6,240, set at a one-year forward P/E of 62.5x – in line with the stock's post Covid average which bakes in the pandemic-led inflection for internet businesses.

Fig 16 – Key assumptions

Operating metrics	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Converted users (mn)	37	55	72	105	150	202	273
Average CPCU rates (Rs.)	40	40	41	41	41	41	41
CPCU revenue (Rs mn)	1,487	2,217	2,964	4,296	6,142	8,292	11,194
% of revenue	89	89	89	83	70	71	75
YoY Growth (%)		49	34	45	43	35	35
Non-CPCU revenue (mn)	185	278	374	873	2613	3423	3760
EBITDA margin (%)	27	28	27	25	22	24	24

Source: BOBCAPS Research, Company

Key risks

Downside risks to our estimates are:

- **Inability to collect adequate data:** Any limitations imposed on consumer data collection will impair the performance of AFFLE's platform and significantly affect its business.
- **High client concentration:** The company's top 10 clients accounted for 42.8% of FY21 revenue. Slower business from top clients thus poses a risk.
- **Failure to exploit M&A synergies:** M&A is a key element of AFFLE's strategy. Inability to integrate acquisitions and realise synergies can expose the company to risk.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
Total revenue	**3,338**	**5,169**	**8,755**	**11,715**	**14,954**
EBITDA	888	1,300	1,962	2,812	3,589
Depreciation	134	197	204	255	285
EBIT	754	1,103	1,757	2,557	3,304
Net interest inc./(exp.)	14	37	60	72	80
Other inc./(exp.)	52	415	83	325	453
Exceptional items	0	0	0	0	0
EBT	792	1,481	1,781	2,810	3,677
Income taxes	138	129	196	309	404
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	2	4	4	4
Reported net profit	**654**	**1,350**	**1,581**	**2,497**	**3,268**
Adjustments	0	0	0	0	0
Adjusted net profit	**654**	**1,350**	**1,581**	**2,497**	**3,268**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
Accounts payables	750	1,260	2,159	2,889	3,687
Other current liabilities	128	352	600	802	1,024
Provisions	19	27	40	48	57
Debt funds	655	1,180	1,180	1,180	1,180
Other liabilities	176	1,115	1,115	1,115	1,115
Equity capital	255	255	266	266	266
Reserves & surplus	2,037	3,337	10,910	13,411	16,683
Shareholders' fund	2,292	3,592	11,177	13,678	16,950
Total liab. and equities	**4,019**	**7,526**	**16,269**	**19,711**	**24,012**
Cash and cash eq.	696	491	4,521	6,647	9,555
Accounts receivables	744	1,079	1,799	2,407	3,073
Inventories	0	0	0	0	0
Other current assets	881	936	1,580	2,067	2,599
Investments	23	1,009	1,009	1,009	1,009
Net fixed assets	10	13	16	18	20
CWIP	0	0	0	0	0
Intangible assets	523	828	1,078	1,296	1,490
Deferred tax assets, net	0	0	0	0	0
Other assets	1,143	3,168	6,266	6,266	6,266
Total assets	**4,020**	**7,526**	**16,269**	**19,711**	**24,012**

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
Cash flow from operations	**719**	**1,016**	**1,560**	**2,348**	**3,016**
Capital expenditures	(1,188)	(1,616)	(3,555)	(475)	(481)
Change in investments	(439)	22	83	325	453
Other investing cash flows	0	(154)	0	0	0
Cash flow from investing	**(1,627)**	**(1,748)**	**(3,471)**	**(150)**	**(28)**
Equities issued/Others	858	0	6,000	0	0
Debt raised/repaid	548	567	0	0	0
Interest expenses	(9)	(21)	(60)	(72)	(80)
Dividends paid	0	0	0	0	0
Other financing cash flows	(10)	(15)	0	0	0
Cash flow from financing	**1,387**	**531**	**5,940**	**(72)**	**(80)**
Chg in cash & cash eq.	**478**	**(201)**	**4,029**	**2,127**	**2,908**
Closing cash & cash eq.	**696**	**491**	**4,521**	**6,647**	**9,555**

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21P	FY22E	FY23E	FY24E
Reported EPS	26.1	53.0	59.3	93.7	122.7
Adjusted EPS	26.1	53.0	59.3	93.7	122.7
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	89.9	140.9	418.6	512.3	634.8

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21P	FY22E	FY23E	FY24E
EV/Sales	35.4	22.9	13.5	10.0	7.6
EV/EBITDA	133.2	90.9	60.5	41.6	31.7
Adjusted P/E	169.6	83.7	74.7	47.3	36.1
P/BV	49.3	31.4	10.6	8.6	7.0

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21P	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	82.6	91.1	88.8	88.9	88.9
Interest burden (PBT/EBIT)	105.0	134.3	101.3	109.9	111.3
EBIT margin (EBIT/Revenue)	22.6	21.3	20.1	21.8	22.1
Asset turnover (Rev./Avg TA)	83.0	68.7	53.8	59.4	62.3
Leverage (Avg TA/Avg Equity)	1.8	2.1	1.5	1.4	1.4
Adjusted ROAE	28.5	37.6	14.1	18.3	19.3

Ratio Analysis

Y/E 31 Mar	FY20A	FY21P	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	33.8	54.9	69.4	33.8	27.7
EBITDA	26.7	46.4	50.9	43.3	27.7
Adjusted EPS	30.0	102.7	12.1	57.9	30.9
Profitability & Return ratios (%)					
EBITDA margin	26.6	25.1	22.4	24.0	24.0
EBIT margin	22.6	21.3	20.1	21.8	22.1
Adjusted profit margin	19.6	26.1	18.1	21.3	21.9
Adjusted ROAE	28.5	37.6	14.1	18.3	19.3
ROCE	19.4	15.4	11.2	13.5	14.4
Working capital days (days)					
Receivables	67	64	60	66	67
Inventory	0	0	0	0	0
Payables	69	71	71	79	80
Ratios (x)					
Gross asset turnover	327.9	386.3	545.9	641.0	744.3
Current ratio	1.8	1.7	2.8	2.9	3.2
Net interest coverage ratio	53.9	29.8	29.3	35.5	41.3
Adjusted debt/equity	0.0	0.2	(0.3)	(0.4)	(0.5)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

SELL

TP: Rs 920 | ⋎ 14%

JUST DIAL | Internet | 14 July 2021

New foray puts margins at risk – initiate with SELL

- **JUST's search engine business performing well but its foray into B2B classifieds will need heavy investments to scale up**
- **Deteriorating health of MSME clients (JUST's core addressable market) and A&P costs to build out JD Mart likely to subdue operating performance**
- **We see downside risk to consensus earnings from JD Mart and are 33-39% below the street on FY22-FY24 EPS. Initiate with SELL, TP Rs 920**

Ruchi Burde | Seema Nayak
researchreport@bobcaps.in

Eroding business moats: JUST is one of India's oldest local search engines that has evolved into a variety of online services such as bill payments, restaurant, movie and travel bookings. Given the emergence of various vertical-specific internet businesses (or apps) and the ready availability of information on Google, the utility of JUST's search engine has diminished for users. Services beyond search have garnered little success for the company, failing to arrest or reverse the disruption in its core B2B listing business. We expect a slow 10.9% revenue CAGR over FY21-FY24 as new-age competitors steadily chip away at business.

JD Mart holds promise but is an investment sinkhole: In Feb'21, JUST launched JD Mart, an exclusive B2B portal for wholesale commerce. We believe the platform holds mid-to-long-term growth potential as digital adoption by Indian MSMEs is low – at just 4% of the country's 75mn enterprises per Redseer. However, JD Mart is at a nascent stage with only 7mn-8mn product listings (vs. 72mn for market leader INMART). Management has committed Rs 1.2bn-1.5bn in branding/A&P spend for the current fiscal, but we anticipate the spillover of heavy investments to build out this platform beyond FY22.

Covid2.0 to weigh on near-term performance: The second wave of the pandemic in India has further sapped the financial health of JUST's core addressable market. We expect revenue and paid campaigns to stay below pre-Covid levels through FY22-FY23, with the number of paid campaigns estimated to fall by ~8,000 in Q1FY22. Given a likely reversal of lockdown cost savings and high promotional costs on JD Mart, we build in a 13.2% EBITDA margin for FY22 vs. 22.9% in FY21.

Initiate with SELL: We estimate a 14% EBITDA CAGR and nil EPS growth for JUST over FY21-FY24 as investments to scale up JD Mart coupled with weakness at MSME clients will likely subdue operating performance. In our view, consensus earnings do not bake in buildout costs for the new B2B platform and hence are at risk of sharp downgrades. We initiate with SELL and a Jun'22 TP of Rs 920, valuing the native business at Rs 800/sh (27.5x forward P/E baking a 25% markup for JD Mart-related costs into JUST's post pandemic avg. multiple) and valuing JD Mart at Rs 120/sh.

Ticker/Price	JUST IN/Rs 1,068
Market cap	US$ 886.9mn
Free float	66%
3M ADV	US$ 40.9mn
52wk high/low	Rs 1,124/Rs 332
Promoter/FPI/DII	34%/40%/26%

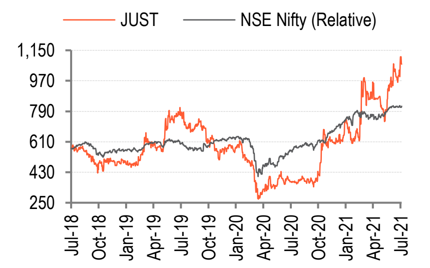
Source: NSE | Price as of 13 Jul 2021

Key financials

Y/E 31 Mar	FY21P	FY22E	FY23E
Total revenue (Rs mn)	6,752	7,089	8,234
EBITDA (Rs mn)	1,549	936	1,912
Adj. net profit (Rs mn)	2,142	1,042	1,770
Adj. EPS (Rs)	33.8	16.4	27.9
Consensus EPS (Rs)	33.8	27.0	41.0
Adj. ROAE (%)	16.8	7.9	12.2
Adj. P/E (x)	31.7	65.1	38.3
EV/EBITDA (x)	42.7	70.8	34.3
Adj. EPS growth (%)	(19.2)	(51.4)	69.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

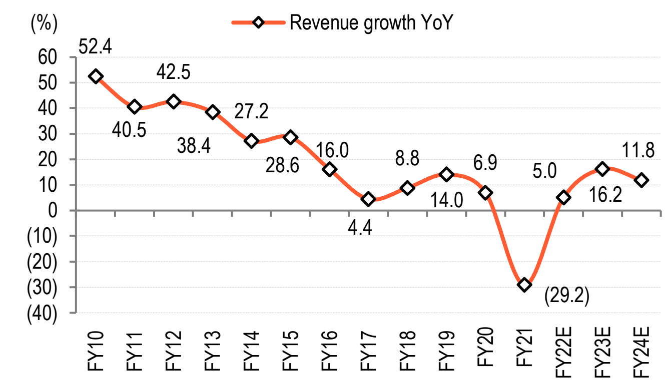
Investment thesis

Eroding business moats

JUST is one of India's first local search engines and was established in 1996 as a phone-based local directory. Today, it has over 25 verticals with online services such as bill payments, restaurant, movie, cab and travel bookings. However, its business moat is eroding with evolution of the internet ecosystem. Given the emergence of various vertical-specific internet businesses (or apps) and the ready availability of information on Google, the utility of JUST's search engine has diminished for users.

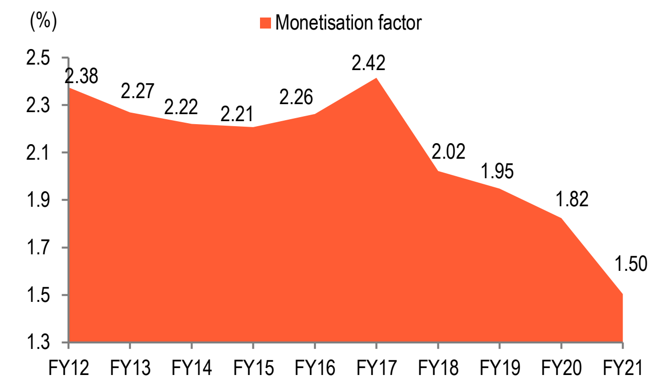
Services beyond search have garnered little success for the company, failing to arrest or reverse the disruption in its core B2B listing business. As a result, revenue growth has been on a downtrend. We expect a slow 10.9% revenue CAGR over FY21-FY24 as new-age competitors steadily chip away at business.

Fig 1 – Eroding business moats reflected in growth downturn…



Source: Company, BOBCAPS Research

Fig 2 – …and contraction of monetisation factor (number of paid-to-total listings)



Source: Company, BOBCAPS Research

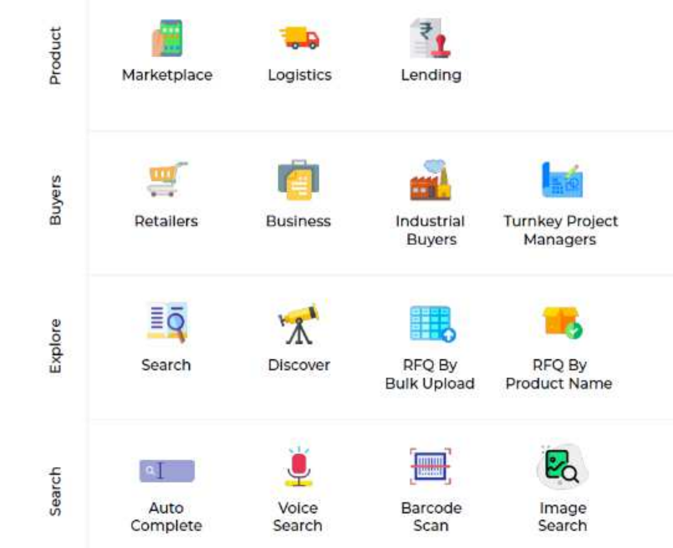
JD Mart holds promise but an investment sinkhole

In Feb'21, JUST launched JD Mart, an exclusive B2B portal for wholesale commerce. IndiaMart (INMART) is currently market leader in the B2B classifieds segment with 60% market share and 152k paying suppliers. We see space for another B2B search platform given the nascent digital adoption by MSMEs – at just 4% of the 75mn enterprises in India, per a Redseer 2020 MSME survey. Moreover, the survey highlighted MSMEs' willingness to avail of services from more than one B2B search platform for sales lead generation.

JD Mart is, however, a late entrant with only 7mn-8mn product listings (vs. 72mn for market leader INMART) and 85k-90k paying suppliers (vs. 152k for INMART). Also, its launch in February was followed by a Rs 500mn television branding campaign (during the cricket IPL) in April that coincided with the second Covid wave in India, making for an ill-timed promotion. Lockdowns across several states in India hampered mobility of the sales team, curbing monetisation of the campaign.

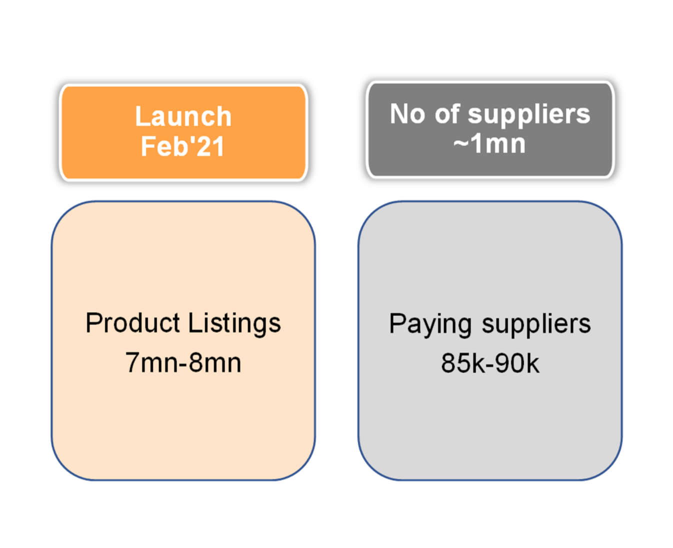
Management has committed Rs 1.2bn-1.5bn in branding/promotional spend for FY22 (including Rs 500mn on the ill-fated IPL campaign), which will put a squeeze on operating margins and contributes a bulk of our 10ppt margin contraction estimate for the year. In addition, we anticipate the spillover of heavy investments beyond FY22, further dampening profitability.

Fig 3 – JD Mart: Product stack



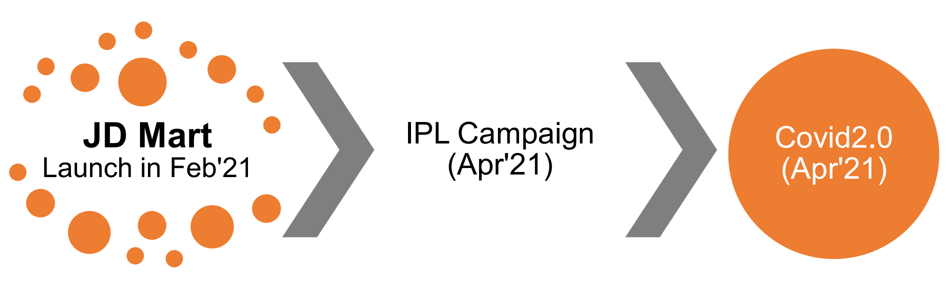
Source: Company, BOBCAPS Research

Fig 4 – JD Mart: Listings and suppliers



Source: Company, BOBCAPS Research

Fig 5 – Overlap of JD Mart launch campaign with second Covid wave



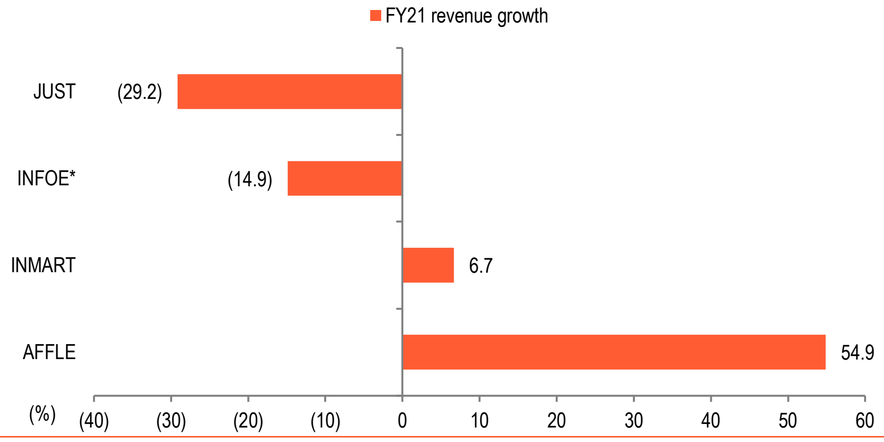
Source: BOBCAPS Research

Covid2.0 to weigh on topline growth

Prior to the pandemic, JUST's revenue increased at a CAGR of 8.5% over FY16-FY20. The first Covid wave in Mar'20 and ensuing lockdown in India led to a 29% revenue contraction in FY21 due to a 14.7% reduction in paying campaigns and also lower revenue per campaign. Covid2.0 in India has further sapped the financial health of JUST's core addressable market. We thus believe the company's operating performance in FY22 will remain subpar.

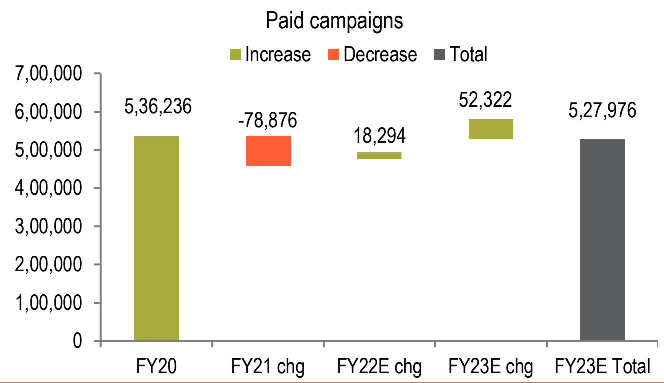
We expect revenue and paid campaigns to stay below pre-Covid levels through FY22 and FY23, with the number of paid campaigns estimated to reduce by ~8,000 in Q1FY22 (vs. a total of 91,300 in Q1FY21) before staging a gradual recovery. Over FY21-FY24, we build in a slow 10.9% revenue CAGR for the company.

Fig 6 – JUST's revenue performance was weakest among internet (B2B) businesses in pandemic-hit year



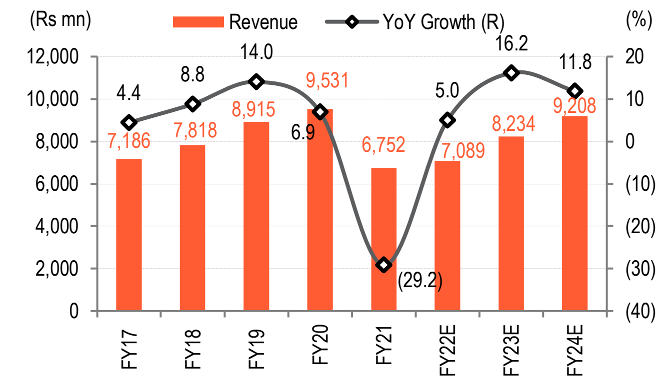
Source: Company, BOBCAPS Research | *Refers to 9MFY21

Fig 7 – Second Covid wave to derail paid campaign recovery...



Source: Company, BOBCAPS Research

Fig 8 – …capping FY22E-FY23E revenue below pre-Covid levels



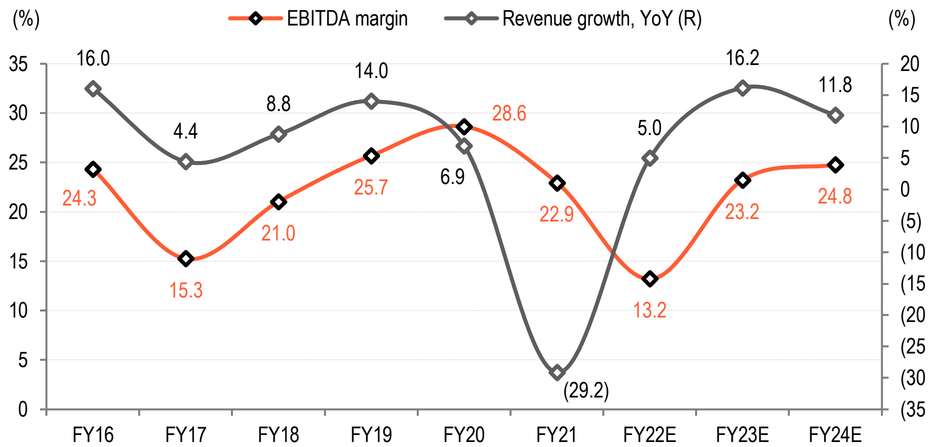
Source: Company, BOBCAPS Research

Margin pressures to cap earnings

JUST's operating margin has a strong correlation with revenue performance, though the pandemic-hit year of FY21 saw a divergence from this trend. Despite 29% revenue contraction, EBITDA margin held relatively strong at 23% (down only 570bps YoY) in FY21 due to stringent cost control initiatives that cut operating expenses by a quarter.

A repeat performance is unlikely, in our view, as cost savings during the lockdown are expected to reverse in FY22 once operations gather pace. In addition, promotional expenses toward JD Mart will further weigh on profitability. We build in a 13.2% EBITDA margin for FY22 vs. 22.9% in FY21. Though we model for recovery to 23.2% and 24.8% levels in FY23 and FY24 respectively, we believe investments to scale up the B2B business could present a downside risk to our estimates. As such, we expect a 14% EBITDA CAGR and nil EPS growth for the company over FY21-FY24.

Fig 9 – JD Mart promotional investments to subdue EBITDA margin in FY22E



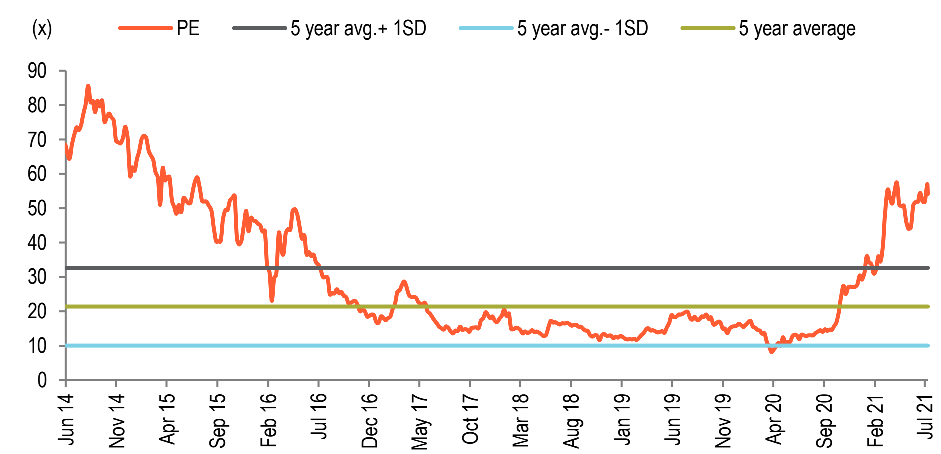
Source: Company, BOBCAPS Research

Valuation methodology

We initiate coverage on JUST with a SELL and a Jun'22 SOTP-based TP of Rs 920. We value the company's native business at Rs 800/sh based on a one-year forward P/E of 27.5x – baking a 25% markup for JD Mart-related costs into JUST's post pandemic average multiple of 22x. We separately assign Rs 120/sh as the value for JD Mart assuming that JUST captures 20% of the B2B online classified market after 10 years.

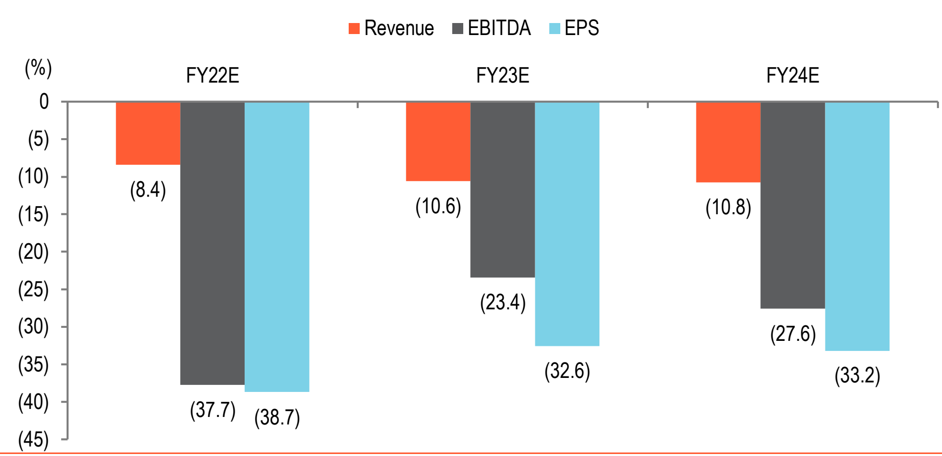
In our view, the cost to scale up JD Mart coupled with the hit from the second Covid wave will mar operating performance. We expect the company to clock a 14% EBITDA CAGR but nil EPS growth over FY21-FY24. Our earnings forecasts are 33-39% below consensus as we believe the street is not factoring in buildout costs for JD Mart beyond FY22.

Fig 10 – JUST is trading at 56% premium to 5-year average



Source: BOBCAPS Research, Company

Fig 11 – Our earnings estimates are 33-39% below consensus



Source: BOBCAPS Research, Bloomberg

We expect India's online B2B classifieds industry to reach US$ 830mn over the next 10 years based on the following assumptions: (1) 50% of small sized businesses will adopt online B2B classified platforms to broaden their reach vs. <10% in 2020; (2) monetisation factor of 2.34%, the same as IndiaMart's FY21 level; and (3) steady average realisation growth of 5% p.a.

Our valuation for JD Mart assumes the platform will garner 20% market share and will generate 20% operating margins. We assign a 25x P/E (50% discount to IndiaMart's) and discount it to present using a cost of equity of 12%. We bake in 50% discount for execution risk to arrive at the final JD Mart valuation of Rs 120/sh.

Fig 12 – Key assumptions

Parameter	FY20	FY21	FY22E	FY23E	FY24E
No. of paid suppliers	5,36,236	4,57,360	4,75,654	5,27,976	5,86,054
Revenue / supplier (Rs)	17,774	14,763	14,904	15,596	15,712
Revenue YoY change (%)	7	(29)	5	16	12
EBITDA Margin (%)	29	23	13	23	25

Source: BOBCAPS Research, Company

Key risks

Upside risks to our estimates are:

- swift success of JD Mart without the need for further investments, and
- softer-than-estimated business impact from Covid2.0 and weak MSME health.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
Total revenue	**9,531**	**6,752**	**7,089**	**8,234**	**9,208**
EBITDA	2,729	1,549	936	1,912	2,281
Depreciation	520	423	420	486	552
EBIT	2,209	1,125	516	1,426	1,729
Net interest inc./(exp.)	(89)	(74)	(71)	(71)	(71)
Other inc./(exp.)	1,397	1,495	944	1,005	1,143
Exceptional items	0	0	0	0	0
EBT	3,517	2,547	1,389	2,360	2,801
Income taxes	793	405	347	590	700
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**2,724**	**2,142**	**1,042**	**1,770**	**2,101**
Adjustments	0	0	0	0	0
Adjusted net profit	**2,724**	**2,142**	**1,042**	**1,770**	**2,101**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
Accounts payables	0	0	0	0	0
Other current liabilities	732	608	641	744	833
Provisions	90	139	146	169	189
Debt funds	764	630	630	630	630
Other liabilities	3,858	3,845	3,950	4,546	5,053
Equity capital	649	619	619	619	619
Reserves & surplus	12,228	12,022	13,063	14,833	16,934
Shareholders' fund	12,877	12,641	13,682	15,452	17,553
Total liab. and equities	**18,321**	**17,861**	**19,048**	**21,542**	**24,258**
Cash and cash eq.	396	608	1,634	3,938	6,549
Accounts receivables	0	0	0	0	0
Inventories	0	0	0	0	0
Other current assets	679	746	777	902	1,009
Investments	15,523	15,118	15,118	15,118	15,118
Net fixed assets	637	466	596	660	658
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	1,087	924	924	924	924
Total assets	**18,322**	**17,861**	**19,048**	**21,542**	**24,258**

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
Cash flow from operations	**1,464**	**1,263**	**704**	**1,920**	**2,089**
Capital expenditures	(21)	(252)	(550)	(550)	(550)
Change in investments	(1,475)	0	0	0	0
Other investing cash flows	227	1,421	873	934	1,073
Cash flow from investing	**(1,269)**	**1,169**	**323**	**384**	**523**
Equities issued/Others	(10)	(2,220)	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(270)	0	0	0	0
Dividends paid	0	0	0	0	0
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(280)**	**(2,220)**	**0**	**0**	**0**
Chg in cash & cash eq.	**(85)**	**212**	**1,026**	**2,304**	**2,611**
Closing cash & cash eq.	**321**	**608**	**1,634**	**3,938**	**6,549**

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21P	FY22E	FY23E	FY24E
Reported EPS	41.8	33.8	16.4	27.9	33.1
Adjusted EPS	41.8	33.8	16.4	27.9	33.1
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	208.3	204.5	221.3	249.9	283.9

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21P	FY22E	FY23E	FY24E
EV/Sales	6.9	9.8	9.3	8.0	6.9
EV/EBITDA	24.0	42.7	70.8	34.3	28.0
Adjusted P/E	25.6	31.7	65.1	38.3	32.3
P/BV	5.1	5.2	4.8	4.3	3.8

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21P	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	77.4	84.1	75.0	75.0	75.0
Interest burden (PBT/EBIT)	159.2	226.3	269.1	165.5	162.0
EBIT margin (EBIT/Revenue)	23.2	16.7	7.3	17.3	18.8
Asset turnover (Rev./Avg TA)	56.4	37.3	38.4	40.6	40.2
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.4	1.4
Adjusted ROAE	23.8	16.8	7.9	12.2	12.7

Ratio Analysis

Y/E 31 Mar	FY20A	FY21P	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	6.9	(29.2)	5.0	16.2	11.8
EBITDA	19.2	(43.3)	(39.6)	104.2	19.3
Adjusted EPS	31.6	(19.2)	(51.4)	69.9	18.7
Profitability & Return ratios (%)					
EBITDA margin	28.6	22.9	13.2	23.2	24.8
EBIT margin	23.2	16.7	7.3	17.3	18.8
Adjusted profit margin	28.6	31.7	14.7	21.5	22.8
Adjusted ROAE	23.8	16.8	7.9	12.2	12.7
ROCE	10.2	5.7	2.3	6.4	15.5
Working capital days (days)					
Receivables	0	0	0	0	0
Inventory	0	0	0	0	0
Payables	46	47	37	40	42
Ratios (x)					
Gross asset turnover	9.7	12.2	13.3	13.1	14.0
Current ratio	0.2	0.3	0.5	0.9	1.3
Net interest coverage ratio	0.0	0.0	0.0	0.0	0.0
Adjusted debt/equity	0.0	0.0	(0.1)	(0.2)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

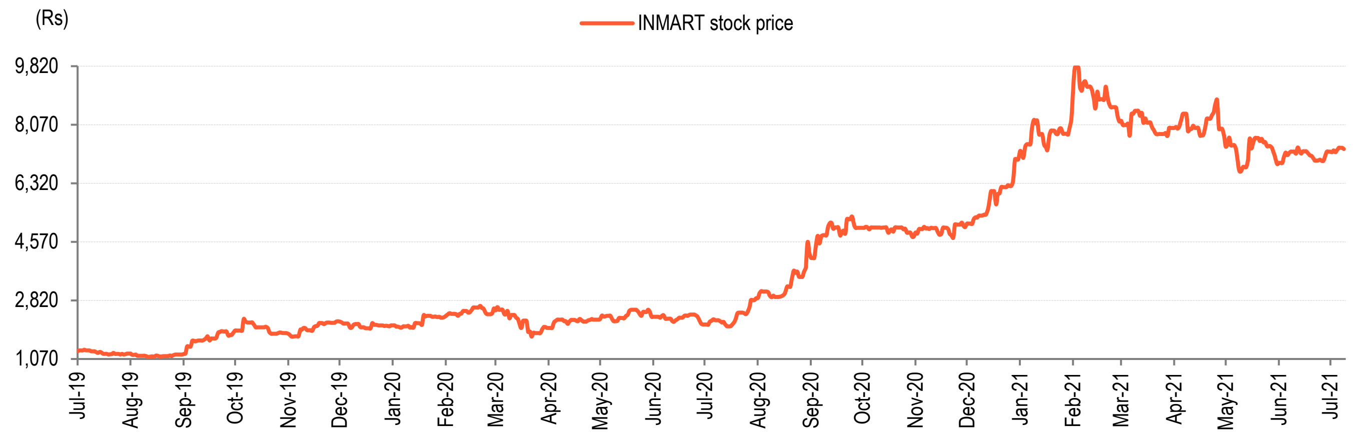
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

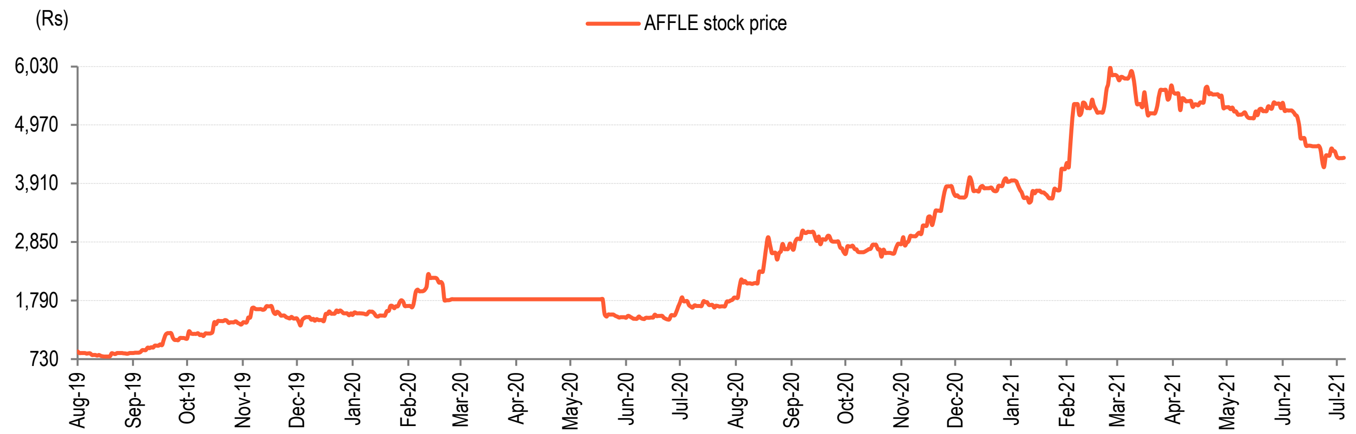
Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): INDIAMART INTERMESH (INMART IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Ratings and Target Price (3-year history): AFFLE (INDIA) (AFFLE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Ratings and Target Price (3-year history): JUST DIAL (JUST IN)

B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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