IndiaMART InterMESH: Five-Pillar Analysis

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Companion to the IndiaMART investment report (71/100, Selective Positive). This piece grades the business against the five-pillar engine: Sunrise, Leadership, Moat, Iron Fortress, and Free Cash Flow.

Reference price: Rs 1,487 (NSE close, October 30, 2026). Moderate-to-good fit, 3 of 5 pass.

Grades at a glance

Pillar	Grade
Sunrise (SME digitisation demand)	**PARTIAL**
Leadership	**PARTIAL**
Moat	**PASS**
Iron Fortress (balance sheet)	**PASS**
Free Cash Flow	**PASS**

Overall fit verdict: Moderate-to-good fit, 3 of 5 pass. IndiaMART passes Moat, Iron Fortress and Free Cash Flow and is partial on sunrise and leadership: a funnel still holding about 60 percent of online B2B classifieds, cash and investments of Rs 3,234 cr against borrowings of Rs 20 cr, and about 139 percent five-year cash conversion, against enquiries down 14 percent and a paying base down 2 percent in Q2 FY27. Full investment report score: **71/100, Selective Positive**.

Pillar 1: Sunrise, PARTIAL

GRADE: PARTIAL

The direction is right and the near term speed is wrong. Indian SME digitisation is a multi decade runway: millions of small businesses still discover trade offline, IndiaMART already holds 8.9 million supplier storefronts and 135 million live listings, and the accounting software leg grew 38.6 percent in H1 FY27 to Rs 78.3 crore, proof that the same customer buys a second digital product at speed. The B2B discovery market the company serves does not need to be invented. It needs to be kept.

The deduction is the demand the company itself reported in Q2 FY27. Active buyers fell 7 percent year on year to 40 million, unique business enquiries fell 14 percent to 27 million, and revenue growth has decelerated in a clean staircase from 31 percent in FY23 to 13 percent in FY26 and 10.5 percent in H1 FY27. Part of the enquiry decline is a deliberate choice to wall content against AI scraping, and part is Google AI Overviews answering queries before a click exists. A sunrise pillar asks for demand that carries the company. Here the company is having to defend its demand against the interface that used to deliver it free. PARTIAL, with the upgrade test named: enquiries and active buyers stabilising for two straight quarters while the login wall strategy stays in place.

Pillar 2: Leadership, PARTIAL

GRADE: PARTIAL

Grade the record against what was promised, in public, with dates. The operator's record is strong: Busy Infotech was acquired for up to Rs 500 crore and closed on April 6, 2022, Livekeeping was taken from 51.09 percent to 100 percent by May 2025 for a further Rs 26.78 crore, the 33 percent long term EBITDA margin guide was restated on the Q2 FY27 call while the quarter printed 37 percent consolidated, and the FY26 dividend was raised to Rs 60 per share with payout reaching 76 percent of PAT. CEO Dinesh Agarwal's call commentary is unusually candid, including naming Tolexo and the payments platform as the company's own failed experiments while explaining the refusal to go transactional.

The deductions are tempo and the funnel. Paying supplier growth, the engine in every pre 2024 plan and broker model, stalled from FY24 and the base has fallen since Q3 FY26 to 217,000, down 2 percent year on year. Silver tier churn near 40 percent was visible in call disclosures for about two years before additions were deliberately slowed in 2026. The software portfolio of about Rs 900 crore across 13 startups since April 2021, assembled at 2021 and 2022 prices, prints widening associate losses (Rs 15.3 crore in Q2 FY27) and has returned no cash at scale. A founder team that delivers its deals, its margins and its dividends on time, and answers its two biggest market problems slowly, is a partial. PARTIAL.

Pillar 3: Moat, PASS

GRADE: PASS

The moat in a classifieds business is the funnel itself, and this one is still the widest in Indian B2B by an order of magnitude. About 60 percent share of online B2B classifieds on widely cited secondary estimates, 8.9 million supplier storefronts against a paying base of 217,000, 135 million live listings, thirty years of buyer habit, and a brand that functions as the generic name for the category. The proof is the challenger record: JD Mart, launched in February 2021 by a listed rival with its own national sales force, has not disclosed a paying base anywhere near this scale in five years, and the transactional challengers raised billions without touching the listing funnel.

The contest is recorded honestly, because it decides the next grade, not this one. The moat protects the existing base far better than the intake: Gold and Platinum churn is stable at about 11 to 11.5 percent, while Silver churn near 40 percent shows the entry tier's value case failing, and the enquiry layer above the whole structure fell 14 percent in Q2 FY27 as AI answers intercept discovery. A moat that still holds the castle, the premium tenants, and the market's default habit, while its drawbridge traffic thins, passes on the evidence as printed. PASS, with the monitored metric named: paying suppliers holding at or above 215,000 and no second year of double digit enquiry decline.

Pillar 4: Iron Fortress, PASS

GRADE: PASS

The leverage test is passed by a distance few listed Indian internet companies can match. Cash and investments stood at Rs 3,234 crore at September 30, 2026, against borrowings of Rs 20 crore. Total equity was Rs 2,316 crore. The Rs 60 per share FY26 dividend, about Rs 361 crore of which was paid in H1 FY27 alone, was funded from cash generation, and the balance still grew its investment book across the five year table, from Rs 2,722 crore at March 2022 to Rs 3,792 crore at March 2026. Promoters hold 49.07 percent with no pledging disclosed in the sources reviewed.

The structure underneath is the strongest part: customers fund the company. Suppliers pay upfront, deferred revenue stood at Rs 2,029 crore at September 2026 (up 16 percent year on year), working capital days print at about minus 301, and there is no inventory and almost no receivables risk in a listing model. The qualifications are recorded without breaking the grade: reported PAT swings with mark to market moves on the treasury (Rs 50 crore in Q4 FY26, Rs 172 crore in Q1 FY27, Rs 91 crore in Q2 FY27), which is earnings noise, not solvency risk, and the associate portfolio keeps absorbing cash at a small scale. No lender, covenant or refinancing wall can force this company. PASS.

Pillar 5: Free Cash Flow, PASS

GRADE: PASS

The five year record is the finding. Free cash flow on the Screener series: Rs 398 crore in FY22, Rs 460 crore in FY23, Rs 545 crore in FY24, Rs 615 crore in FY25 and Rs 687 crore in FY26, about Rs 2,705 crore in total against cumulative reported PAT of about Rs 1,942 crore, a conversion of about 139 percent. Every year was positive, every year grew, and the conversion is structural rather than borrowed: collections are taken upfront, revenue is recognised over the subscription term, the deferred revenue balance keeps rising, and capex runs at about Rs 7 crore a year. H1 FY27 continued the pattern with operating cash flow of Rs 299 crore.

The weak point is growth quality, not cash quality. Free cash flow per paying supplier is rising because realisation is rising, while the supplier count falls: the cash engine is harvesting a premium cohort (ARPU up 10 percent to about Rs 72,000) rather than widening. That is a reason the Sunrise and Leadership pillars are partial. It is not a reason to mark down a cash record that has converted at 139 percent of profit through a rate cycle, a churn problem and an investment phase. At Rs 1,487 the free cash flow yield is 7.7 percent. PASS, with the monitored metric named: free cash flow staying positive and growing if sales investment rises to rebuild supplier additions, as management has signalled it will once churn improves.

Summary

- **Pillar 1. Sunrise:** PARTIAL, a real SME digitisation runway (8.9m storefronts, 135m listings, accounting software up 38.6% in H1 FY27) against active buyers down 7%, enquiries down 14% in Q2 FY27, and revenue growth decelerating from 31% in FY23 to 10.5% in H1 FY27
- **Pillar 2. Leadership:** PARTIAL, deals, margins and dividends delivered on stated terms (Busy closed April 2022 at up to Rs 500 cr, Livekeeping to 100% by May 2025, 33% margin guide beaten, Rs 60 per share FY26 dividend) against a paying base falling since Q3 FY26, Silver churn near 40%, and about Rs 900 cr of portfolio investments printing widening associate losses
- **Pillar 3. Moat:** PASS, about 60% of online B2B classifieds on secondary estimates, 8.9m storefronts, 135m listings and stable 11 to 11.5% Gold and Platinum churn, against a five year challenger record (JD Mart) that has not approached this scale; the watch item is enquiry traffic, down 14%
- **Pillar 4. Iron Fortress:** PASS, cash and investments of Rs 3,234 cr against borrowings of Rs 20 cr, deferred revenue of Rs 2,029 cr funding operations, working capital days near minus 301, and no promoter pledging disclosed
- **Pillar 5. Free Cash Flow:** PASS, free cash flow positive and rising in all five years, about Rs 2,705 cr cumulative against about Rs 1,942 cr of PAT (about 139% conversion), printing Rs 687 cr in FY26 for a 7.7% yield at the reference price

Moderate-to-good fit, 3 of 5 pass. The engine's read: IndiaMART passes the moat and both money pillars (the funnel is still the market's default, the balance sheet cannot be forced, and profit converts to cash at about 139 percent over five years) and is partial on the two pillars that describe the future path: a sunrise now contested by AI answer engines, and leadership answering the churn problem honestly but slowly. That matches the investment report's 71/100 Selective Positive: the cash and moat quality grades in the 80s, the growth trajectory grades in the 50s, and at Rs 1,487, 17.8 times earnings after a 40 percent one year fall, the market is pricing the second and giving the first away.

What changes the grade: Sunrise upgrades to pass on two straight quarters of stable enquiries and active buyers. Leadership upgrades when paying suppliers return to net growth for two quarters without margin falling below the 33 percent guide, and downgrades if the finance subsidiary becomes a balance sheet lending build. Moat downgrades if paying suppliers fall below 215,000 or a rival discloses a paying base above 100,000. Iron Fortress is re-graded only if borrowings fund acquisitions. Free Cash Flow downgrades if the rebuild of supplier additions takes conversion below 80 percent of PAT for a full year.