DALALBYTES RESEARCH

IndiaMART

The Toll Booth Losing Its Entry Lane

India's B2B toll booth: about 60 percent of online B2B classifieds, Rs 687 cr of FY26 free cash flow, and a shrinking entry lane

NSE: INDIAMART · BSE: 542726

October 30, 2026

Reference: Rs 1,487, NSE close of October 30, 2026.
Founding story, marketplace technology, the funnel problem, financials, competition, valuation, FY2029 scenarios.

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VERDICT

71 / 100 : Selective Positive

IndiaMART is the toll booth of Indian B2B trade, and the market has spent a year pricing it like a road being bypassed. The stock closed at Rs 1,487 on October 30, 2026, down 40 percent in a year and at 17.8 times earnings, for a business with Rs 3,234 crore of cash and investments, almost no debt, free cash flow of Rs 687 crore in FY26, and roughly 60 percent of India's online B2B classified market on widely cited estimates. FY26 consolidated revenue rose 13 percent to Rs 1,569 crore. H1 FY27 revenue rose 10.5 percent to Rs 843 crore, and Q2 FY27 EBITDA margin printed at 37 percent consolidated and 40 percent standalone.

The selective part is the engine room, and it is not the P and L. In Q2 FY27 the paying supplier base fell 2 percent year on year to 217,000, active buyers fell 7 percent to 40 million, and unique business enquiries fell 14 percent to 27 million. All of the revenue growth came from realisation: annualised revenue per paying supplier rose 10 percent to about Rs 72,000, carried by Gold and Platinum tiers, while Silver tier churn runs at about 40 percent a year on management disclosures. A marketplace that grows by charging a shrinking base more is borrowing from its own future, and management knows it: gross supplier additions stay deliberately measured until Silver churn is understood, and no timing was offered on the October 2026 call.

What the price now pays for is failure. At Rs 1,487 the free cash flow yield is 7.7 percent, the balance sheet holds cash and investments equal to 36 percent of the market cap, and deferred revenue of Rs 2,029 crore is 2.3 times a half year of revenue already collected from customers. The base case in Section 14, built on 12 percent revenue compounding and no heroics, offers about 58 percent over three years. The bear case is not a broken business. It is a slow one, priced at 16 times a flat EPS. That asymmetry, bought after a 40 percent fall, is the whole argument for a selective positive rather than a neutral.

What would change the score: two straight quarters of net paying supplier growth with enquiries stabilised would lift the score toward 80, and another year of supplier decline carried only by ARPU would cut it toward 60.

Reference price: Rs 1,487 (NSE close, October 30, 2026, down 3.69 percent on the day; previous close Rs 1,544.20 on October 29). Market cap about Rs 8,933 crore. 52 week range Rs 1,465 to Rs 2,526.

FY2029 targets: Bear Rs 1,350 / Base Rs 2,350 / Bull Rs 3,400. See Section 14 for assumptions.

1. SNAPSHOT

Item	Detail
Company	IndiaMART InterMESH Ltd, Noida, India
Founded	April 1, 1996 by cousins Dinesh Agarwal and Brijesh Agrawal; incorporated 1999

Item	Detail
Listed	NSE and BSE, IPO July 2019 at Rs 970 to 973; financial year ends March
Business	India's largest online B2B marketplace (listings and lead discovery), plus accounting software
Mix (FY26 external revenue)	Web and related services Rs 1,443 cr (92%), accounting software Rs 126 cr (8%)
Scale (Q2 FY27)	8.9m supplier storefronts, 135m live listings, 40m active buyers (LTM), 217k paying suppliers
FY26 revenue	Rs 1,569 cr (+13%); PAT Rs 475 cr; company reported consolidated EBITDA Rs 530 cr (34%)
Latest quarter	Q2 FY27 revenue Rs 429 cr (+10%), EBITDA Rs 159 cr (37%), PAT Rs 91 cr (+9.8%)
Balance sheet	Cash and investments Rs 3,234 cr (Sep 2026); borrowings Rs 20 cr; deferred revenue Rs 2,029 cr
Promoters	49.07% (Sep 2026), the two founders; no pledging disclosed in sources reviewed

2. FOUNDING STORY: RS 40,000 AND A DIRECTORY FOR EXPORTERS

The start. Dinesh Agarwal came home from a systems job at HCL in the United States after India announced public internet access in August 1995. In April 1996, from Patparganj in Delhi, he and his cousin Brijesh Agrawal started IndiaMART with about Rs 40,000 of savings. India had roughly 15,000 internet users. The first product was not a marketplace in the modern sense. It was a directory and website building service for Indian exporters and small businesses that had no way to be found. Secondary accounts put the first large client as Nirula's, which paid about Rs 32,000 for a website, and first year revenue at about Rs 6 lakh across roughly 100 clients.

The export decade. For its first decade the company served foreign buyers looking for Indian suppliers, and it raised no venture money in its first ten years. The September 11 attacks in 2001 hit the export enquiry flow hard. The bigger shift came in 2007 and 2008: a strong rupee, rising Chinese export competition, and a booming domestic economy made the Indian buyer, not the foreign one, the larger prize. The company pivoted to domestic B2B discovery, the decision the entire modern business rests on.

The funding and the listing. Intel Capital invested about Rs 50 crore in 2009, and later rounds brought in Amadeus Capital and WestBridge. The IPO in June and July 2019, priced at Rs 970 to 973 to raise about Rs 474 crore, was subscribed about 36 times and made IndiaMART the first online B2B marketplace to list in India. The stock then ran to levels that priced in a decade of flawless compounding, peaked in the 2021 internet rally, and has been de-rating since: the five year price CAGR to October 2026 is minus 16 percent, even though revenue compounded at 19 percent over the same five years on Screener prints.

The founders still run it. Dinesh Agarwal is Managing Director and CEO and the public voice of every result. Brijesh Agrawal is a whole time director. Together the promoter group holds 49.07 percent. This is a founder run company thirty years in, which cuts both ways in Section 10: the strategy is patient and cash disciplined, and the two largest strategic questions of the decade, transactions and entry tier churn, have both been answered slowly.

3. WHAT IT SELLS, TECHNICALLY

The product is a lead, not a transaction. IndiaMART is a classifieds and discovery engine. A buyer searches or posts a requirement. The platform matches the enquiry to supplier storefronts and delivers it as a BuyLead. A paying supplier consumes BuyLeads to see buyer contact details and pitch. IndiaMART does not take the order, hold inventory, move goods, or settle the trade. Revenue is a subscription for visibility and lead flow, recognised over the subscription period, which is why collections and deferred revenue, not billings in the quarter, are the honest demand gauges.

The storefront system. Any supplier can list free and build a storefront: catalogue pages, product listings (135 million live in Q2 FY27), trust signals and enquiry forms. Free listings are the top of the funnel and the data asset. Paid tiers add lead volume, priority placement, more categories and cities, and verification badges such as TrustSEAL. The tier ladder is the pricing machine: Silver is the entry tier, Gold and Platinum are the high value tiers, with Star Supplier style premium placements at the top in earlier plan structures.

The matching layer. The technical core is search and matchmaking over a huge, messy, multilingual SME catalogue: category taxonomy, enquiry routing, supplier ranking, spam and fraud filtering, and call and chat tooling between buyers and suppliers. Management said on the Q2 FY27 call that AI is now central across discovery, matchmaking, content moderation, supplier ranking, buyer verification and conversational tools, and separate coverage reports a plan to double AI spending every six months. Treat the spend claim as a management statement reported by MediaNama, and the direction as real: the moat now has to be defended against AI answer engines, not only against rival directories.

The data protection turn. The most important product decision of 2026 was defensive. The company has moved part of its content behind logins to stop unrestricted scraping by search engines and large language models, and it accepts the cost: management said it is okay to let go of 10 to 20 percent of current business enquiries to protect proprietary data. Google AI Overviews answering supplier queries directly is the other half of the enquiry decline. Section 9 grades this as a risk. As strategy it is coherent: a lead business that gives its catalogue away free to AI intermediaries trains its own replacement.

The software layer. Busy Infotech (100 percent owned) sells BUSY accounting software: billing, inventory, GST, TDS and TCS filing and customer management for SMEs, with over two lakh users at acquisition in 2022. Livekeeping (100 percent owned since May 2025) layers live access and sharing over on premise accounting data such as Tally. Together they form the accounting software segment in Section 4, and they are the credible second engine: small, growing near 40 percent, and sold to exactly the customer the marketplace already knows.

4. SEGMENTS AND BRANDS

Segment (external revenue, Rs cr)	FY26	Q1 FY27	Q2 FY27
Web and related services (marketplace)	1,443	375.9	388.8
Accounting software services (Busy, Livekeeping)	126	38.5	39.8
Total revenue from operations	1,569	414	429

The marketplace is the company. Web and related services were 92 percent of FY26 revenue. Standalone revenue, which is the marketplace plus small other lines, grew 9 percent in FY26 to Rs 1,443 crore and 8 percent in Q2 FY27 to Rs 389 crore. Every increment of standalone growth in the last two years has come from realisation per paying supplier, not from supplier count. That sentence is the investment debate in one line.

Accounting software is the growth leg. The segment grew 38.6 percent in H1 FY27 to Rs 78.3 crore, with Q1 FY27 up 49 percent. Busy alone contributed Rs 36 crore of revenue and Rs 59 crore of collections in Q1 FY27. Management cautioned on the Q2 FY27 call that Busy's prior year billing method change and win back activity created a high base in H1, and more comparable growth is expected from Q3. Even at the guided slower rate, this segment compounds several times faster than the core and carries subscription economics of its own.

The associate portfolio is optionality, not earnings. Stakes include Vyapar (mobile accounting, about 27 to 28.6 percent), Adansa or RealBooks (cloud accounting, 26.01 percent), EasyEcom (omnichannel inventory, 26.01 percent), M1xchange through Mynd Solutions (TReDS invoice discounting, 7.7 percent initially), plus Fleetx, Zimyo, Bizom and Industry Buying. The cost side is visible: the share of losses from associates widened to Rs 15.3 crore in Q2 FY27 from Rs 13.4 crore a year earlier. The portfolio is a set of cheap options on the SME software stack, paid for out of a treasury the core business refills every year.

Payments and finance are pilots, deliberately. Pay With IndiaMART and earlier transaction experiments, including Tolexo, are the cautionary history management itself cites. On the Q2 FY27 call the company restated that it does not aspire to complete the entire transaction or drop the listing model. The forward path is credit facilitation pilots, with no direct lending from its own balance sheet, and a board approved plan from Q1 FY27 to incorporate a wholly owned finance subsidiary, IndiaMART Finance. Grade this as intent with a structure, not as a business.

5. THE FUNNEL PROBLEM: GROWTH BY REALISATION ALONE

The three declines. Q2 FY27 printed the pattern in full: paying suppliers 217,000 (down 2 percent year on year, down about 1,000 in the quarter), active buyers 40 million over twelve months (down 7 percent), unique business enquiries 27 million (down 14 percent). Supplier storefronts still grew 4 percent to 8.9 million, because free listings cost nothing to keep. The paying layer, the buyer layer, and the enquiry layer all shrank at once.

Metric	Q2 FY26	Q1 FY27	Q2 FY27	Read
Paying suppliers (end of period)	About 221k (derived from -2%)	218k	217k	Falling since Q3 FY26
Unique business enquiries	About 31m (derived from -14%)	26m	27m	AI Overviews plus login walls
Active buyers, LTM	About 43m (derived from -7%)	Not disclosed in Q1 release	40m	First sustained decline
Annualised revenue per paying supplier	About Rs 65,500 (derived)	Not in release	About Rs 72,000	+10% YoY, all of the growth
Collections (consol, Rs cr)	406 (derived from +9%)	463	443	Still growing, slower
Deferred revenue (consol, Rs cr)	1,749 (derived from +16%)	2,014	2,029	Forward cover intact

The churn is in Silver. Management disclosures on recent calls, summarised by third party analysis in October 2026, split the base in two. Silver is about 50 percent of paying suppliers by volume and about 25 percent of revenue, with annual churn near 40 percent for annual plans, up from 20 to 24 percent before Q2 FY24, and near 58 percent for monthly plans. Gold and Platinum are about 50 percent by volume and about 75 percent of revenue, with churn stable at about 11 to 11.5 percent. The premium base is loyal and paying more. The entry base is leaving faster than the sales force replaces it, and management has chosen to slow gross additions until the churn is understood rather than buy volume at the old rate.

Why Silver churns. The stated reasons on calls are conversion economics at the small supplier end: buyers demanding steep discounts, suppliers failing to follow up enquiries, and a weaker perceived return on a starter subscription. The structural reason sits underneath: a small supplier joins for leads, and if enquiry quality or quantity slips, the renewal case collapses at exactly the tier least able to absorb a wasted year. An enquiry decline driven by AI search changes therefore hits the funnel twice, once in traffic and once in renewal math a year later.

The honest read. None of this breaks the model this year. Collections grew 9 percent, deferred revenue grew 16 percent, and EBITDA margin expanded, because the company is harvesting its best cohort while spending less on sales. It breaks the compounding story if it persists: a marketplace is worth its funnel, and this funnel's intake has been narrowing for about three years, since Q2 FY24 on the quarterly record.

6. FINANCIALS: A SLOWER, RICHER, LUMPIER P AND L

Fiscal year (ends March)	Revenue (Rs cr)	YoY	Operating profit (Rs cr)	Operating margin	PAT (Rs cr)	EPS (Rs)	Operating cash flow (Rs cr)	Free cash flow (Rs cr)
FY22	753	+12.4%	296	39%	298	48.71	402	398
FY23	985	+30.8%	230	23%	284	46.38	476	460
FY24	1,197	+21.5%	291	24%	334	55.68	559	545
FY25	1,388	+16.0%	474	34%	551	91.73	623	615
FY26	1,569	+13.0%	475	30%	475	79.00	694	687

Read the shape. Revenue compounding is decelerating in a clean staircase: 31 percent in FY23, 21 percent in FY24, 16 percent in FY25, 13 percent in FY26, and 10.5 percent in H1 FY27. The five year sales CAGR is still 19 percent, and the three year print is 17 percent, but the direction of travel is the fact that matters for the multiple. Operating profit in the table is the Screener series; the company reported consolidated EBITDA of Rs 530 crore at a 34 percent margin for FY26 and standalone EBITDA of Rs 520 crore at 36 percent, with the gap sitting in classification of other operating items.

Profit is lumpy because the treasury is huge. Reported PAT swings with mark to market moves on a Rs 3,200 to 3,800 crore investment book. FY25 PAT of Rs 551 crore carried Rs 272 crore of other income. FY26 PAT fell 14 percent to Rs 475 crore even as operating profit held flat, and the quarterly path shows the noise plainly: Q4 FY26 PAT of Rs 50 crore in a quarter with negative other income, Q1 FY27 PAT of Rs 172 crore with Rs 107 crore of other income, Q2 FY27 PAT of Rs 91 crore with negative Rs 7.6 crore. Underlying operating profit, not reported PAT, is the series to value, and it has grown slowly: Rs 474 crore in FY25 to Rs 475 crore on the Screener line in FY26, with company EBITDA up only about 1 percent. That flat year, in a year of 13 percent revenue growth, is the cost of the investment phase in sales, servicing and product that management chose to run.

Returns are still elite for the sector. ROE printed at 20.7 percent and ROCE at 28.0 percent in FY26 on Screener, down from the FY25 spike and still roughly double the listed local search peer in Section 13. Returns are held down arithmetically by the treasury itself: a third of the balance sheet earns bond returns, so the marketplace's own return on capital is far above the blended print.

The quarterly build in FY27. H1 FY27 revenue of Rs 843 crore (up 10.5 percent), PAT of Rs 263 crore, operating cash flow of Rs 299 crore, and an H1 dividend outflow of about Rs 361 crore that took cash and investments from Rs 3,553 crore in June to Rs 3,234 crore in September. Q2 EBITDA margin of 37 percent consolidated is above the 33 percent long term margin guide management restated on the call, and management itself attributes the elevation partly to limited sales investment. Read the fat margin as borrowed against future supplier additions, not as a new normal.

7. BALANCE SHEET AND CASH FLOW: CUSTOMERS FUND THE COMPANY

Metric	FY22	FY23	FY24	FY25	FY26
Cash from operations (Rs cr)	402	476	559	623	694
Free cash flow (Rs cr)	398	460	545	615	687
Borrowings (Rs cr, March)	56	46	41	33	23
Investments on balance sheet (Rs cr, March)	2,722	2,784	2,746	3,453	3,792
Dividend payout (Screener)	2%	22%	36%	54%	76%

The model collects first and delivers later. Suppliers pay subscriptions upfront. The cash arrives as collections, sits in deferred revenue (Rs 2,029 crore at September 2026, up 16 percent year on year), and is recognised as revenue over the subscription term. Working capital days are deeply negative (minus 301 days in FY26 on Screener) and the cash conversion cycle is about one day, because there is almost no receivables or inventory risk in a listing business. Customers are the company's cheapest funding source, and the funding grows with the deferred book.

Free cash flow is the cleanest line in the report. Free cash flow has risen every year in the table, from Rs 398 crore in FY22 to Rs 687 crore in FY26, a cumulative Rs 2,705 crore over five years against cumulative PAT of Rs 1,942 crore, a conversion of about 139 percent. Conversion above 100 percent of reported profit is structural here, not a working capital trick that reverses: the deferred revenue balance keeps growing, and capex is a rounding error (about Rs 7 crore in FY26 on the Screener cash flow bridge). This is why the Free Cash Flow pillar passes outright in the companion analysis.

The fortress. Cash and investments of Rs 3,234 crore at September 2026 against borrowings of Rs 20 crore and total equity of Rs 2,316 crore. The investment book is the balance sheet: Rs 3,792 crore of investments at March 2026 inside total assets of Rs 4,625 crore. No lender can force this company, no refinancing wall exists, and the risk in the treasury is mark to market noise in reported PAT, not solvency.

Capital allocation. The pattern has three legs. First, dividends have scaled hard: a total of Rs 60 per share recommended for FY26 (Rs 30 final plus Rs 30 special), with payout rising from 2 percent of PAT in FY22 to 76 percent in FY26 on Screener. Second, the SME software portfolio: about Rs 900 crore invested across 13 startups since April 2021 on secondary summaries, anchored by Busy at Rs 500 crore. Third, the treasury itself compounds. The deduction is leg two's return so far: associate losses are widening, and no portfolio company has yet returned cash at scale. The defence is sizing: the entire programme costs about sixteen months of free cash flow, and leg one now returns more to shareholders each year than leg two has spent in five.

8. STRENGTHS

What to watch

Q3 FY27 results. Whether paying suppliers stabilise near 217,000, enquiries stop falling after the login wall decision, and sales investment returns without breaking the 33 percent margin guide decide whether the de-rating ends.

- 1. **The default destination.** About 60 percent share of online B2B classifieds on widely cited estimates, 8.9 million storefronts, 135 million listings, and thirty years of buyer habit. In Indian SME trade, the brand is the generic word for the category.
- 2. **A negative working capital cash machine.** Free cash flow of Rs 687 crore in FY26, positive and rising for five straight years, at about 145 percent of reported PAT, funded by upfront collections and a Rs 2,029 crore deferred revenue book.
- 3. **Premium cohort economics.** Gold and Platinum suppliers are about half the base by volume, about three quarters of revenue, and churn at a stable 11 to 11.5 percent. ARPU rose 10 percent to about Rs 72,000 in Q2 FY27 on this cohort's upgrades.
- 4. **A fortress balance sheet.** Cash and investments of Rs 3,234 crore, borrowings of Rs 20 crore, no pledging disclosed, and a Rs 60 per share FY26 dividend paid from cash generation, not from the balance sheet's strength being spent down.
- 5. **A real second engine.** Accounting software revenue grew 38.6 percent in H1 FY27 to Rs 78.3 crore. Busy and Livekeeping sell subscriptions to the same SME the marketplace already serves, with no lead economics involved.
- 6. **Valuation has reset to the cash.** At 17.8 times earnings and a 7.7 percent free cash flow yield, the stock prices the funnel problem as permanent. The FY24 and FY25 prints show what the same assets earn when additions merely stabilise.

9. WEAKNESSES AND RISKS

The funnel risk comes first, because it is the thesis. Paying suppliers have fallen for three straight quarters on the quarterly record, active buyers fell 7 percent and enquiries 14 percent in Q2 FY27, and Silver churn near 40 percent says the entry product is not delivering value a small supplier can feel. If realisation per supplier is doing all the growth, the growth has a ceiling set by the premium cohort's willingness to pay more each year for leads drawn from a shrinking enquiry pool. Management's own sequencing, fix churn before pushing additions, is honest. It is also an admission that the fix is not yet in hand.

The search risk is structural and new. Google AI Overviews and AI Mode answer supplier queries inside the search page, and classified platforms across the world are losing the free traffic that built them. IndiaMART's response, login walls against scraping and a willingness to surrender 10 to 20 percent of enquiries, protects

the data asset and shrinks the top of funnel at the same time. If AI intermediaries become the default SME sourcing interface, the toll booth keeps its existing subscribers and loses the next generation's discovery moment. The company's own AI investment is the hedge, and it is unproven at the scale of the threat.

The third risk is model temptation, and management deserves credit for naming it. A transactional marketplace, payments, and lending all promise to monetise the trade flow the listing model only advertises. The company's own history here is failure, by its CEO's own account on the Q2 FY27 call, citing Tolexo and the payments platform. The finance subsidiary and credit facilitation pilots are deliberately balance sheet light. The risk is not this year's pilot. It is a future year in which slow listing growth makes the transaction prize look worth chasing with real capital.

The remaining risks are smaller and priced. Reported PAT will keep swinging with bond mark to market moves, as the Rs 50 crore to Rs 172 crore to Rs 91 crore quarterly sequence shows, and headline focused holders will keep misreading operating health in both directions. The associate portfolio absorbs cash and prints widening losses (Rs 15.3 crore in Q2 FY27). Employee cost is the largest expense line and rose with the investment phase. And at Rs 1,487, below every major moving average after a 40 percent one year fall, the technical picture says the de-rating has momentum of its own, even where the cash math disagrees.

10. MANAGEMENT AND GOVERNANCE

Leadership. Dinesh Agarwal has run this company since 1996 and speaks plainly on calls, including about failure. The Q2 FY27 call is the exhibit: enquiries, churn and the AI traffic problem were addressed directly, the decision to sacrifice enquiry volume for data protection was stated as a choice, and the refusal to chase a transactional model was explained against the company's own failed attempts. Brijesh Agrawal serves as whole time director. Prateek Chandra has been the CFO voice in results calls in recent years.

Ownership. Promoters held 49.07 percent in September 2026, easing slowly from 49.21 percent in December 2023, with no pledging disclosed in the sources reviewed. Institutions hold the bulk of the rest (FII 20.32 percent, DII 9.61 percent, public 20.97 percent in September 2026). A founder block just under half, unpledged, with a rising dividend, is aligned on cash return. The slow promoter trim is small enough to note and too small to grade.

The governance deduction is tempo, not conduct. Nothing in the record reviewed suggests leakage or self dealing. The deduction is that both live strategic problems, entry tier churn since FY24 and the AI search shift, were visible for years before the response hardened, and the software portfolio was assembled at 2021 and 2022 prices. Patient capital allocation built this fortress. The same patience, applied to a funnel that is actively shrinking, is what the Leadership pillar grades as partial in the companion analysis.

11. COMPETITION: EVERYONE WANTS THE SME, NOBODY HAS THE FUNNEL

Player	Model	Position in Oct 2026
IndiaMART	Listings and leads, subscription	About 60% of online B2B classifieds (secondary estimates); 217k paying suppliers
Justdial / JD Mart	Local search plus B2B marketplace	Listed; JD Mart live since Feb 2021; parent at Rs 644.50, 11.9x earnings (Oct 30, 2026)
TradeIndia	Listings and leads, export heavy	Unlisted, among the oldest B2B portals; no audited public financials
Udaan	Transactional wholesale, own logistics and credit	Unlisted; raised about $1.99B on Tracxn; retrenched from peak ambitions
Moglix	MRO procurement and supply chain	Unlisted; raised about $471M on Tracxn; enterprise focused, not a classified rival
Alibaba.com and Amazon Business	Cross border and procurement platforms	Global scale, limited Indian SME classified depth

The direct rival is JD Mart, and it has not landed. Justdial launched JD Mart in February 2021, after IndiaMART won a temporary Delhi High Court injunction in a copyright case that delayed the launch by months. UBS argued at launch that Justdial's local sales force and paid B2B subscriber base made it the first credible challenger in 24 years. Five years on, JD Mart has not disclosed a paying supplier base anywhere near IndiaMART's 217,000, and Justdial's parent trades at 11.9 times earnings with a book value driven by its own treasury. The challenger exists. The challenge, so far, does not.

The transactional rivals proved the listing model's point. Udaan raised about $1.99 billion to own inventory, logistics and credit in SME wholesale, and spent years retrenching. Moglix built a real enterprise MRO business that does not compete for the classified funnel. The pattern across a decade is consistent: transaction heavy B2B in India burns capital on working capital and collections, while the asset light listing model prints 30 percent plus operating margins and negative working capital. Management's refusal to complete the transaction is a conclusion drawn from watching well funded rivals pay for the lesson.

The real competitor is the search box. No rival directory took IndiaMART's share. What took its growth was the interface above all directories: Google search, now answered by AI Overviews before a click exists. That competition cannot be out sold or out priced, only adapted to, which is why Section 3's login wall decision and the AI spending plan matter more to the next five years than anything JD Mart does.

12. ROADMAP AUDIT: STATED VERSUS DELIVERED

Commitment	Stated	Delivered	Grade
Busy Infotech acquisition	100% for up to Rs 500 cr, Jan 2022	Closed Apr 6, 2022; FY26 segment revenue share growing, H1 FY27 accounting revenue +38.6%	Delivered

Commitment	Stated	Delivered	Grade
Livekeeping control	51.09% for Rs 45.98 cr, 2022	Remainder bought May 2025 for Rs 26.78 cr; now 100% owned	Delivered
Long term EBITDA margin	33% long term guide, restated Q2 FY27	Q2 FY27 printed 37% consol and 40% standalone, flattered by low sales investment on management's own account	Met, with the caveat stated
FY27 growth shape	About 10% revenue growth aim for FY27 (call summaries)	H1 FY27 revenue +10.5%	On track
Paying supplier growth	Additions as the growth engine in pre 2024 commentary and broker models (35k to 40k a year in 2021 broker estimates)	Base peaked and has fallen since Q3 FY26; 217k in Q2 FY27, down 2% YoY	Missed
Transaction and payments expansion	Pay With IndiaMART and Tolexo as transaction steps (2016 to 2021 era)	Both cited by the CEO in Oct 2026 as failed experiments; strategy reset to listings plus facilitation pilots	Missed, then honestly closed
IndiaMART Finance	Wholly owned finance subsidiary approved, Q1 FY27 board	Incorporation in progress in sources reviewed; credit facilitation pilots only, no own book lending	Pending

The pattern. Deals and margin promises get delivered to the rupee: Busy closed on the stated price, Livekeeping was taken to 100 percent, the dividend was raised, and the 33 percent margin guide is being beaten. Market promises slip: the paying supplier engine that every pre 2024 model assumed has stalled for three years, and the transaction roadmap was abandoned after consuming real capital and attention. Grade the operator as excellent and the forecaster as the deduction, which is exactly the split the two documents in this package reach independently.

13. VALUATION VS PEERS

At Rs 1,487 (October 30, 2026): P/E 17.8 times on TTM EPS of about Rs 83, P/B 3.9 times on book value of Rs 385, free cash flow yield 7.7 percent, dividend of Rs 60 per share recommended for FY26 equal to about 4.0 percent of the reference price before tax treatment.

Company	Price (Rs, Oct 30, 2026)	P/E	ROE	Note
IndiaMART	1,487	17.8x	20.7%	B2B classified leader; ROCE 28.0%; net cash Rs 3,234 cr

Company	Price (Rs, Oct 30, 2026)	P/E	ROE	Note
Justdial	644.50	11.9x	About 9.7% (FY26 fact sheet basis)	Local search and JD Mart; treasury heavy; no dividend
Info Edge (NAUKRI)	Not restated here	Premium to both	Not restated here	Classified leader in jobs; valued on its investment book as much as operations

How to read this table. The two clean listed comparators price the same Indian SME attention, and the market pays 17.8 times for the name earning a 20.7 percent ROE with a growing software leg, against 11.9 times for the name earning under 10 percent with a stalled B2B arm. The gap is a quality gap, not an obvious mispricing between the two. The mispricing claim in this report rests instead on IndiaMART's own cash: a 7.7 percent free cash flow yield on a net cash balance sheet is a private equity return profile, offered in a listed price that has fallen 40 percent in a year and 16 percent a year for five years while revenue compounded at 19 percent.

Broker anchors, labelled as estimates. No fresh post Q2 FY27 broker target is used in this report's scenarios. The scenarios below are built from FY26 filed numbers and stated margin guidance only, and they use more conservative realisation assumptions than the FY23 and FY24 consensus era, when the stock traded above Rs 2,500 on supplier addition forecasts that did not arrive.

14. FY2029 SCENARIOS (INR)

Built off FY26 revenue of Rs 1,569 crore, reported PAT of Rs 475 crore and about 6.01 crore shares. FY29 means the year ending March 2029. Every case holds the balance sheet net cash and assumes no transactional marketplace build. PAT margins are on revenue and include a normalised treasury contribution, below the FY25 print and above the FY26 mark to market year.

Case	Target	Revenue CAGR FY26 to FY29	FY29 revenue (Rs cr)	PAT margin	FY29 PAT (Rs cr)	EPS (Rs)	Exit P/E
Bear	Rs 1,350	7%	1,922	26.0%	500	84	16x
Base	Rs 2,350	12%	2,204	32.0%	705	117	20x
Bull	Rs 3,400	16%	2,449	35.0%	857	143	24x

Bear Rs 1,350. Silver churn stays near 40 percent, paying suppliers drift down toward 200,000, enquiries keep leaking to AI answers, and growth settles at collections pace with margins held at the 33 percent guide but a smaller treasury contribution. EPS ends the period where TTM EPS already sits, and the exit multiple de-rates to Justdial territory. The loss from Rs 1,487 is about 9 percent over three years, partly offset by

dividends. This is a stagnation case, not a collapse case, and that is the point of the rating.

Base Rs 2,350. Churn repair and the measured additions policy stabilise the paying base in FY28, ARPU growth moderates to mid single digits, accounting software compounds above 25 percent, and revenue compounds at 12 percent with PAT margin rebuilding to 32 percent as sales investment normalises below the guide margin. At 20 times, still below the multiple the stock held through FY25, the return is about 58 percent over three years plus dividends.

Bull Rs 3,400. The login wall strategy works: proprietary data becomes the scarce input AI tools must license or partner for rather than scrape, enquiries stabilise, supplier additions resume, and the finance facilitation and software legs add a second growth curve. Revenue compounds at 16 percent, margin reaches 35 percent, and the market re-rates the name toward its FY24 multiple. This case needs the AI threat to become an AI toll, which is possible and unproven.

15. WHY IT MATTERS

IndiaMART is the cleanest listed test of what happens to a classifieds monopoly when the search engine above it starts answering the questions itself. The assets under test are formidable: thirty years of SME habit, 8.9 million storefronts, a premium cohort that renews at near 89 percent, a software leg growing near 40 percent, and a cash machine that produced Rs 687 crore of free cash flow in its slowest recent year.

The Q2 FY27 print is the whole argument in one release: revenue up 10 percent on realisation alone, enquiries down 14 percent, paying suppliers down 2 percent, margins up, cash up, dividend up. Harvest mode looks wonderful in the P and L and dangerous in the funnel, and both readings are true at once. At 71/100 Selective Positive, the verdict is that Rs 1,487 already pays you for the dangerous reading. The fortress and the cash flow carry the bear case to a single digit loss, the base case needs nothing more heroic than a stabilised funnel, and the bull case is the one outcome the current price refuses to consider: that the owner of India's SME catalogue ends up selling access to the AI era instead of being scraped by it.

SOURCES

- Company results and releases: Q2 and H1 FY27 release (October 27, 2026) via EquityBulls and company press release; Q1 FY27 release (July 21, 2026) via the company and Inc42 and Outlook Business; Q4 and FY26 press release (April 30, 2026) via the IndiaMART investor site; Q2 FY27 earnings call coverage (October 27 to 29, 2026) via MediaNama and Quartr transcript summaries

- Screener.in, IndiaMART consolidated page (financials, cash flow, ratios, balance sheet, shareholding to September 2026), crawled October 30, 2026; reference price Rs 1,487 on October 30, 2026 from Screener and Finnhub, with Rs 1,544.20 on October 29, 2026 from 5paisa and Sharekhan

- Deals and portfolio: company investor portfolio page (Busy 100 percent, Livekeeping 100 percent, Adansa 26.01 percent, EasyEcom 26.01 percent); Busy acquisition terms (up to Rs 500 crore, January 2022) via company announcement coverage; Livekeeping completion (Rs 26.78 crore, May 2025) via Dalal Street

Journal; portfolio investment total of about Rs 900 crore across 13 startups since April 2021 via StartupTalky, labelled a secondary summary

- Competition and history: Wikipedia and YourStory and Inc42 company histories (1996 founding, about Rs 40,000 seed, 2019 IPO at Rs 970 to 973, about 36 times subscribed); Business Insider and UBS JD Mart launch coverage (2020 to 2021); Tracxn funding totals for Udaan (about $1.99B) and Moglix (about $471M), labelled aggregator figures; Justdial price and multiples (October 30, 2026) via Finnhub and Equitymaster

- Tier mix and churn figures are management disclosures on earnings calls as summarised in October 2026 third party analysis, and are labelled as such wherever they appear; market share of about 60 percent is a widely cited secondary estimate, not an audited company figure