

Matrimony.com Ltd

A complete package from matchmaking to wedding

Incorporated in 2001, Matrimony.com Ltd (MCL) is engaged in providing online matchmaking and marriage services through internet and mobile platforms in India and internationally. Currently, MCL has a database comprising of 3.3 million active profiles (as of December 31, 2017) and 140 retail centers distributed across India. Its flagship brand, BharatMatrimony, has 15 language based domains under its umbrella.

Huge untapped market opportunity: Unmarried population in CY2016 was 107mn, out of which active seekers were 63mn. However, active users of the online matrimony segment were only 6mn in CY2016, according to KPMG report. Currently, MCL has 3.08mn active profiles on Matrimony.com. Hence, there is a huge untapped market opportunity for the company.

Leading provider of online matchmaking services in India: According to the comScore Report for June 2017, Matrimony.com is the leader for online matchmaking services in India in terms of the average number of website pages viewed by unique visitors, time spent and total pages viewed mainly due to the company's large database of profiles.

Strong consumer brand recall: Matrimony.com has high degree of brand recall and trust in India, as evidenced by the average number of website pages viewed by unique visitors in June 2017 (comScore Report). BharatMatrimony.com has been ranked as India's most trusted online matrimony brand by The Brand Trust Report India Study 2014. MCL spends 17-18% (% of sales) on ad spends every year.

Foray into marriage services: MCL's key strategy for driving monetization is to increase the length of relationship with customers and increase the amount of revenue earned from customers by offering additional wedding related services such as photography & videography, wedding apparel, venue, stage decorations, make-up, catering and honeymoon packages from various vendors to meet customers' wedding needs.

Outlook & Valuation: We expect MCL to report net revenue CAGR of ~15% to ~450cr over FY2018-20E mainly due to strong growth in online matchmaking and marriage related services coupled by its strong brand recall and large user database. On the bottom-line front, we expect CAGR of ~28% to ~82cr over the same period on the back of margin improvement (due to strong operating leverage & reduction in losses of marriage service business). **We initiate coverage on the stock with a Buy recommendation and target price of ₹984 based on 27x FY20E EPS, indicating an upside of ~26% from the current levels.**

Key financials

Y/E March (₹ cr)	FY2017	FY2018E	FY2019E	FY2020E
Net sales	293	337	389	450
% chg	14.9	15.2	15.3	15.6
Net profit	48	50	68	82
% chg	-	3.6	37.2	20.3
EBITDA margin (%)	18.7	23.0	24.6	25.3
EPS (₹)	21.3	22.1	30.3	36.4
P/E (x)	36.7	35.4	25.8	21.4
P/BV (x)	-	11.9	8.1	5.9
RoE (%)	-	33.5	31.5	27.5
RoCE (%)	330.8	44.7	38.6	33.6
EV/Sales (x)	6.0	4.7	4.0	3.3
EV/EBITDA (x)	32.0	20.6	16.4	13.1

Source: Company, Angel Research, Note: CMP as of April 19, 2018

BUY

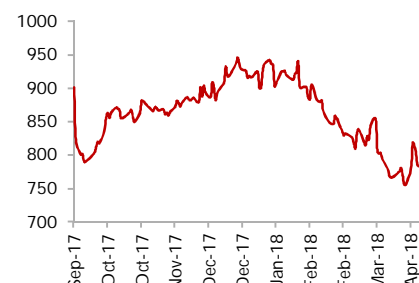
CMP	₹781
Target Price	₹984
Investment Period	12 Month

Stock Info	
Sector	Internet Software & Services
Market Cap (₹ cr)	1,774
Net Debt (₹ cr)	10
Beta	0.3
52 Week High / Low	1025/703
Avg. Daily Volume	251
Face Value (₹)	5
BSE Sensex	34,427
Nifty	10,565
Reuters Code	NA
Bloomberg Code	MATRIM IN

Shareholding Pattern (%)	
Promoters	50.6
MF / Banks / Indian FIs	24.1
FII / NRIs / OCBs	22.4
Indian Public / Others	2.9

Abs.(%)	3m	1yr	3yr
Sensex	(3.1)	17.4	23.5
MCL	(13.7)	NA	NA

3-year price chart



Source: Company, Angel Research

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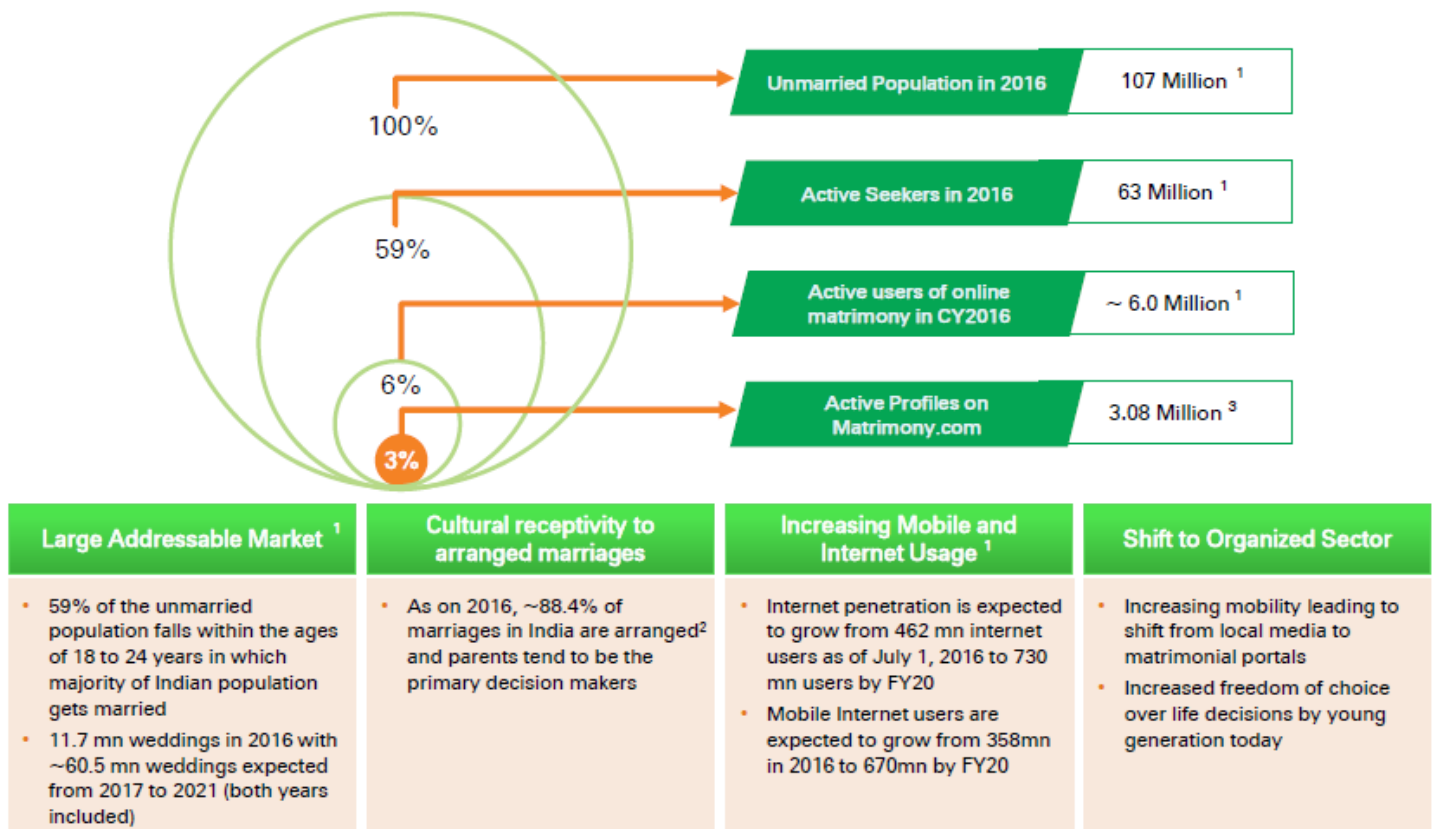
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Key investment arguments

Huge untapped market opportunity

Unmarried population in CY2016 was 107mn, out of which active seekers were 63mn. However, active users of the online matrimony segment were only 6mn in CY2016, according to KPMG report. Currently, MCL has 3.08mn active profiles on Matrimony.com. Hence, there is a huge untapped market opportunity for the company.

Exhibit 1: Matrimony Industry India

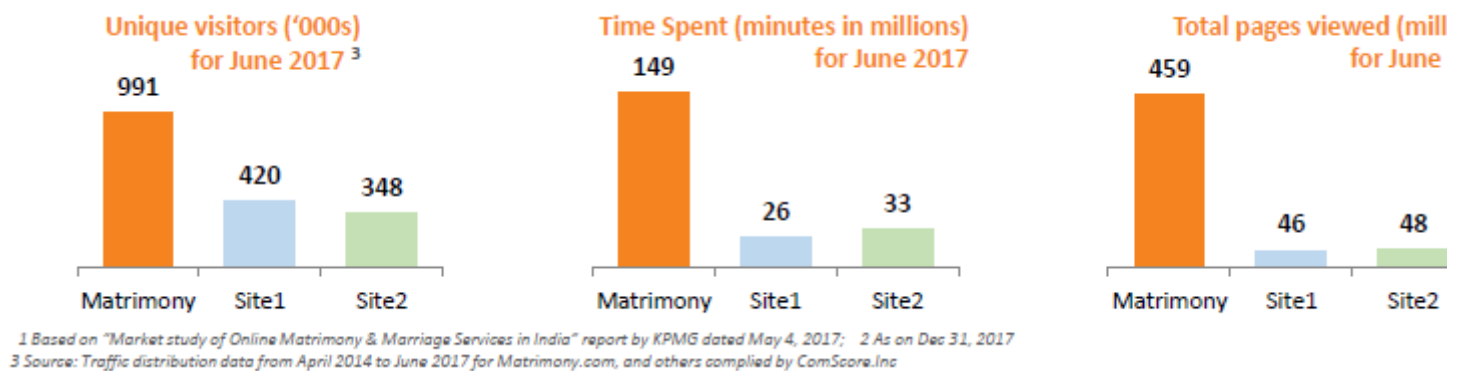


Source: Company, Angel Research

Leading provider of online matchmaking services in India

According to the comScore Report for June 2017, Matrimony.com is the leader for online matchmaking services in India in terms of the average number of website pages viewed by unique visitors (Matrimony.com 9,91,000, Shaadi.com - 4,20,000, Jeevansathi.com-3,48,000), time spend (Matrimony.com - 149mn minutes, Shaadi.com - 26mn minutes, Jeevansathi.com - 33mn minutes) and total pages viewed (Matrimony.com - 459mn, Shaadi.com - 46mn, Jeevansathi.com -48mn) mainly due to the company's large database of profiles.

Exhibit 2: Matrimony.com has strong online visibility

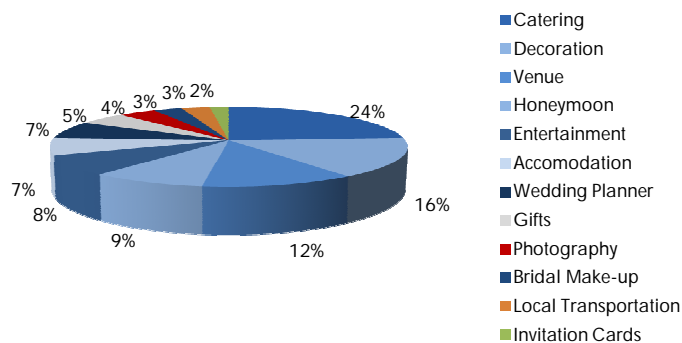


Source: Company, Angel Research

Foray into marriage services

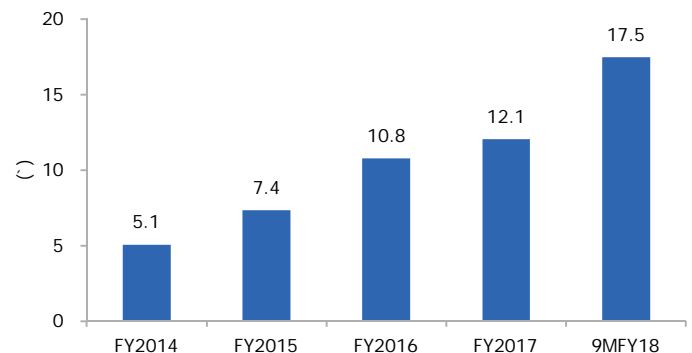
Marriage Services Industry is estimated to be ₹3,681bn offering an opportunity for an organized player like Matrimony.com Ltd. to cater to this fragmented market. MCL's key strategy for driving monetization is to increase the length of relationship with customers and increase the amount of revenue earned from customers. It has extended its matchmaking services by offering additional marriage services to the existing online matchmaking user base like photography & videography, wedding apparel, venue, stage decorations, make-up, catering and honeymoon packages from various vendors to meet customers' wedding needs.

Exhibit 3: Estimated % spends on marriage services



Source: Company, Angel Research

Exhibit 4: Marriage related services picking-up



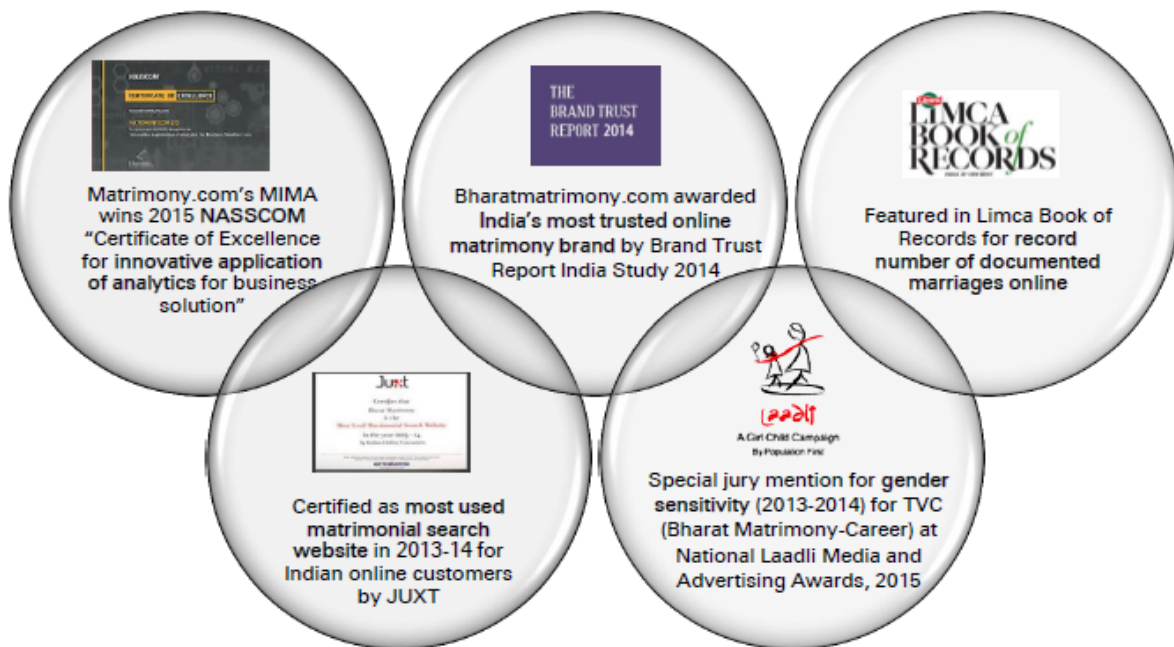
Source: Company, Angel Research

Strong consumer brand with 140 retail centers

Matrimony.com's high degree of brand recall and trust in India, is evidenced by the average number of website pages viewed by unique visitors in June 2017 (comScore Report). BharatMatrimony.com has been ranked as India's most trusted online matrimony brand by The Brand Trust Report India Study 2014. Further, Matrimony has 140 retail centers distributed across India where potential or existing customers can walk in and seek the assistance of retail executives to register on websites and/or make payment for the matchmaking product or service of their choice.

Exhibit 5: Strong brand recall

Matrimony.com has a high degree of brand recall and trust in India which is evidenced by:



Profile authentication features such as "Identity Trust Badge" help in maintaining and continuously improving the quality of database further increasing consumer trust

Source: Company, Angel Research

Outlook and Valuation

We expect MCL to report net revenue CAGR of ~15% to ~`450cr over FY2018-20E mainly due to strong growth in core online matchmaking services coupled with its strong brand recall and large user database. Further, MCL has also started other marriage related services which will boost the additional revenues of the company. On the bottom-line front, we expect a CAGR of ~28% to ~`82cr over the same period on the back of margin improvement (due to strong operating leverage & reduction in losses of marriage service business). **At the current market price of `781, the stock trades at PE of 21.4x its FY2020E EPS of `36.4. We initiate coverage on the stock with a Buy recommendation and target price of `984 based on 27x FY20E EPS, indicating an upside of ~26% from the current levels.**

Downside risks to our estimates

- Any increase in competition from online and offline companies could impact the MCL's earnings.
- If MCL is unable to keep pace with changing technology, evolving industry standards and does not develop new products for business, its profitability could be impacted.
- The company is dependent on telecommunications and information technology systems, networks and infrastructure to operate its business. Any interruption or breakdown in such systems, networks or infrastructure or its technical systems could impair MCL's products and services.

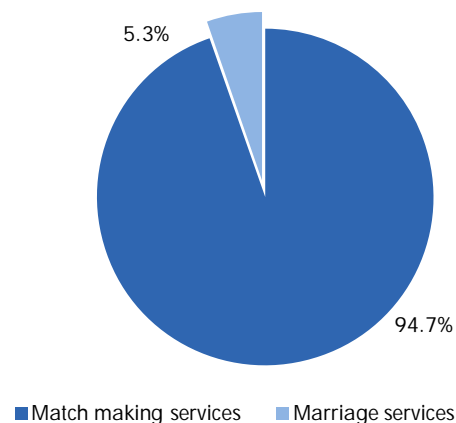
Company Background

Incorporated in 2001, Matrimony.com is engaged in providing online matchmaking and marriage services. They offer their services through Internet and mobile platforms in India and internationally.

MCL is one of the first companies to provide online matchmaking services in India, having database comprising of 3.08 million active profiles (being profiles that have been published or logged in at least once during the prior 180 day period). They offer a range of targeted and customized products and services that are tailored to meet the specific requirements of customers based on their religious or caste preferences or other criteria such as marital status and age bracket.

Currently, they have 140 retail centers distributed across India where customers can walk in and register on their websites. Its flagship brand, BharatMatrimony, has 15 language based domains under its umbrella. They also have other portals like EliteMatrimony, CommunityMatrimony, MatrimonyDirectory, MatrimonyPhotography, MatrimonyBazaar, MatrimonyDirectory and MatrimonyMandaps.

Exhibit 6: Revenue – break up for 9MFY2018



Source: Company, Angel Research

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Total operating income	255	293	337	389	450
% chg	5.6	14.9	15.2	15.3	15.6
Total Expenditure	322	238	260	293	336
Employee	125	117	128	148	171
Selling & Administrative Expenses	54	52	57	59	65
Others Expenses	143	69	75	86	100
EBITDA	(67)	55	78	96	114
% chg	-	-	41.9	23.3	18.9
(% of Net Sales)	(26.4)	18.7	23.0	24.6	25.3
Depreciation & Amortisation	10	10	10	11	12
EBIT	(77)	44	67	85	101
% chg	-	-	52.0	25.5	20.0
(% of Net Sales)	(30.2)	15.1	20.0	21.7	22.6
Interest & other Charges	3	4	2	1	1
Other Income	5	4	13	2	2
(% of PBT)	(6.4)	8.9	16.6	2.3	1.9
Share in profit of Associates	-	-	-	-	-
Recurring PBT	(75)	44	78	86	103
% chg	-	-	79.0	9.2	20.3
Tax	-	0	16	17	21
(% of PBT)	-	0.0	20.0	20.0	20.0
PAT (reported)	(75)	44	63	68	82
Minority Interest (after tax)	0	-	-	-	-
Profit/Loss of Associate Company	-	-	-	-	-
Extraordinary Items	(74)	(4)	13	-	-
ADJ. PAT	(1)	48	50	68	82
% chg	-	-	3.6	37.2	20.3
(% of Net Sales)	(0.5)	16.4	14.8	17.6	18.3
Basic & Fully Diluted EPS (₹)	(0.6)	21.3	22.1	30.3	36.4
% chg	-	-	3.6	37.2	20.3

Consolidated Balance Sheet

Y/E March (Cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
SOURCES OF FUNDS					
Equity Share Capital	9	11	11	11	11
Reserves & Surplus	(85)	(42)	137	206	288
Shareholders Funds	(76)	(31)	149	217	300
Minority Interest	0	-	-	-	-
Total Loans	49	45	2	2	2
Deferred Tax Liability	23	2	2	2	2
Total Liabilities	(5)	16	153	221	304
APPLICATION OF FUNDS					
Gross Block	63	24	34	77	87
Less: Acc. Depreciation	34	-	10	21	34
Net Block	28	24	24	56	54
Capital Work-in-Progress	-	-	-	-	-
Investments	-	-	-	-	-
Current Assets	95	95	263	311	412
Inventories	-	-	-	-	-
Sundry Debtors	2	2	23	27	31
Cash	58	58	169	195	273
Loans & Advances	24	16	20	31	40
Other Assets	11	19	51	58	67
Current liabilities	128	104	134	146	162
Net Current Assets	(33)	(9)	129	166	250
Deferred Tax Asset	-	-	-	-	-
Mis. Exp. not written off	-	-	-	-	-
Total Assets	(5)	16	153	221	304

Source: Company, Angel Research

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Profit before tax	(1)	48	78	86	103
Depreciation	10	10	10	11	12
Change in Working Capital	13	(9)	(27)	(11)	(7)
Interest / Dividend (Net)	(1)	1	0	0	0
Direct taxes paid	(1)	(2)	(16)	(17)	(21)
Others	(27)	(34)	0	0	0
Cash Flow from Operations	(8)	14	46	69	88
(Inc.)/ Dec. in Fixed Assets	(10)	(10)	(10)	(43)	(10)
(Inc.)/ Dec. in Investments	11	11	0	0	0
Cash Flow from Investing	1	1	(10)	(43)	(10)
Issue of Equity	0	1	130	0	0
Inc./(Dec.) in loans	21	0	(43)	0	0
Dividend Paid (Incl. Tax)	0	0	0	0	0
Interest / Dividend (Net)	(3)	(9)	15	0	0
Cash Flow from Financing	18	(8)	103	0	0
Inc./(Dec.) in Cash	12	7	139	26	78
Opening Cash balances	11	23	30	169	195
Closing Cash balances	23	30	169	195	273

Key ratios

Valuation Ratio (x)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
P/E (on FDEPS)	-	36.7	35.4	25.8	21.4
P/CEPS	-	32.6	24.2	22.2	18.6
P/BV	-	(56.7)	11.9	8.1	5.9
EV/Sales	6.9	6.0	4.7	4.0	3.3
EV/EBITDA	-	32.0	20.6	16.4	13.1
EV / Total Assets	-	112.3	10.4	7.1	4.9
Per Share Data (Rs)					
EPS (Basic)	-	21.3	22.1	30.3	36.4
EPS (fully diluted)	-	21.3	22.1	30.3	36.4
Cash EPS	-	24.0	32.3	35.2	41.9
Book Value	-	-	65.8	96.1	132.5
Returns (%)					
ROCE	280.8	330.8	44.7	38.6	33.6
Angel ROIC (Pre-tax)	89.7	-	-	349.2	357.4
ROE	1.7	-	33.5	31.5	27.5
Turnover ratios (x)					
Asset Turnover (Gross Block)	4.1	12.1	9.9	5.0	5.2
Inventory / Sales (days)	-	-	-	-	-
Receivables (days)	3	3	25	25	25
Payables (days)	58	22	20	20	18
Working capital cycle (ex-cash) (days)	(55)	(19)	5	5	7

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Disclosure of Interest Statement	Matrimony.com
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15)
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