

## Matrimony.com

Incorporated in 2001, Matrimony.com (MCL) today is the leader in match making services. The company provides online matchmaking and marriage services through Internet and mobile platforms in India and internationally. Currently, the company has a huge database comprising of 3.08 million active profiles. Its flagship brand, BharatMatrimony, has 15 language based domains under its umbrella.

**A trusted brand with strong consumer base and 140 retail centers:** Strong brand recall and trust are the factors which determine the growth of Matrimony services in India. According to comScore Report, the average number of website pages viewed by unique visitors in June 2017, render Matrimony.com to be the leader in matrimony services. Further, the company 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.

**Leader in online matchmaking service space in India:** According to the comScore Report for June 2017, Matrimony.com is the leader in online matchmaking services in India in terms of the average number of website pages viewed by unique visitors, time spent and total pages viewed vis-à-vis peers, mainly on the back of the large database of profiles.

**Huge untapped market opportunity:** According to a KPMG report, unmarried population in CY2016 was 107mn, in which active seekers were 63mn, out of which only 6mn were active users of online matrimony. Currently, MCL has 3.08mn active profiles, leaving a scope for a huge untapped market opportunity for company.

**Continuous expansion into marriage services:** The company's key strategy for driving monetization is to strengthen the length of relationship with customers and increase the amount of revenue earned by offering additional marriage services to online matchmaking user base like availing wedding-related services i.e. photography & videography, wedding apparel & make-up, venue, stage decoration, catering and honeymoon packages from various vendors to meet customers' wedding needs.

### Outlook & Valuation:

Going forward, we expect the company to perform better on top-line and bottom-line front considering strong brand value, leadership position, robust technology and expansion into marriage services segment. Further, it has strong user data base, which provides competitive edge to the company. At the upper end of the price band, the pre issue P/E multiples works out be 35.7x of 1QFY2018 Annualized EPS, which is lower compared to peers (Info edge is trading at 46.4x its 1QFY2018 Annualized EPS). **Hence, we recommend 'SUBSCRIBE' on the issue for a mid-to-long term period.**

### Key Financial

Y/E March (₹ cr)	FY2014	FY2015	FY2016	FY2017
Net Sales	205	241	255	293
% chg	9%	18%	6%	15%
Net Profit	(18)	(20)	(75)	44
EBITDA (%)	1.0%	-0.3%	2.6%	20.2%
EPS (Rs)	(8.6)	(9.4)	(35.3)	20.6
P/E (x)	254	-	-	47.8
EV/Sales (x)	10.1	8.6	8.2	7.1

Source: RHP, Angel Research; Note: Valuation ratios based on pre-issue outstanding shares and at upper end of the price band

## SUBSCRIBE

Issue Open: Sep 11, 2017

Issue Close: Sep 13, 2017

### Issue Details

Face Value: ₹5

Present Eq. Paid up Capital: ₹10.6cr

Offer for Sale: \*\*0.38cr Shares

Fresh issue: ₹130cr

Post Eq. Paid up Capital: ₹11.3cr

Issue size (amount): \*₹500cr - \*\*501 cr

Price Band: ₹983-985

Lot Size: 15 shares and in multiple thereafter

Post-issue implied mkt. cap: \*₹2220cr - \*\*₹2224cr

Promoters holding Pre-Issue: 56.0%

Promoters holding Post-Issue: 50.6%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	75% of issue
Non-Institutional	15% of issue
Retail	10% of issue

### Post Issue Shareholding Pattern

Promoters	50.6%
Others	49.4%

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## 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.

It is one of the first companies to provide online matchmaking services in India, having a 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.

As of June 30, 2017, they had 140 retail centers distributed across India, where customers can walk in and register on their websites. The 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.

## Issue Details

The issue comprises of Fresh Issue up to ₹130cr and OFS up to 3,767,254 equity shares. The issue comprises Offer For Sale of up to 1,461,006 equity shares by Bessemer India Capital Holdings II Ltd, Offer For Sale of up to 155,760 equity shares by Mayfield XII, Mauritius, Offer for Sale of up to 1,683,207 equity shares by CMDDB II, Offer for Sale of up to 384,447 equity shares by Murugavel Janakiraman (Promoter Selling Shares) and Offer for Sale of up to 82,834 equity shares by Indrani Janakiraman (a member of the Promoter group).

**Note: A discount of up to ₹98 per equity share may be offered to employees and retail individual bidders.**

### Exhibit 1: Pre and Post-IPO shareholding pattern (cr)

	No of shares (Pre-issue)	%	No of shares (Post-issue)	%
Promoter	1.2	56.0%	1.1	50.6%
Public	0.9	44.0%	1.1	49.4%
	2.1	100.0%	2.3	100.0%

Source: RHP, Angel Research; Note: Calculated on upper price band

## Objects of the offer

- Advertising and business promotion activities - ₹ 20cr
- Purchase of land for construction of office premises in Chennai - ₹43cr
- Repayment of overdraft facilities - ₹43cr
- Balance for general corporate purpose

## Investment rationale

**A trusted brand with strong consumer base and 140 retail centers:** Strong brand recall and trust are the factors which determine the growth of Matrimony services in India. According to comScore Report, the average number of website pages viewed by unique visitors in June 2017, render Matrimony.com to be the leader in matrimony services. Further, the company 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.

Further, shift to the organized sector i.e. increasing mobility leading to shift from local media to matrimonial portals would also assist the company's growth. Increased freedom of choice over life decisions by young generation today, is the key growth catalyst for the company.

**Leader in online matchmaking service space in India:** According to the comScore Report for June 2017, Matrimony.com is the leader in 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 149minutes mn, Shaadi.com 26minutes mn, Jeevansathi.com 33minutes mn) and total pages viewed (Matrimony.com 459mn, Shaadi.com 46mn, Jeevansathi.com 48mn) mainly due to the company's large database of profiles.

Considering that internet penetration is expected to grow from 462 mn internet users as of July 1, 2016 to 730 mn users by the end of FY2020, we believe that online matchmaking services would also witness a boom, which will be a positive for the company. Mobile internet users are expected to grow from 358mn in 2016 to 670mn by FY2020, and with the ease and comfort of mobile internet matchmaking facilities, this space would register newer uses, and hence, the company would increase its database of profiles.

**Huge untapped market opportunity:** According to a KPMG report, unmarried population in CY2016 was 107mn, in which active seekers were 63mn, out of which only 6mn were active users of online matrimony. Currently, MCL has 3.08mn active profiles, leaving a scope for a huge untapped market opportunity for company.

### Continuous expansion into marriage services

The company's key strategy for driving monetization is to strengthen the length of relationship with customers and increase the amount of revenue earned by offering additional marriage services to online matchmaking user base like availing wedding-related services i.e. photography & videography, wedding apparel & make-up, venue, stage decoration, catering and honeymoon packages from various vendors to meet customers' wedding needs.

### Outlook & Valuation

Going forward, we expect the company to perform better on top-line and bottom-line front considering strong brand value, leadership position, robust technology and expansion into marriage services segment. Further, it has strong user data base, which provides competitive edge to the company. At the upper end of the price band, the pre issue P/E multiples works out be 35.7x of 1QFY2018 Annualized EPS, which is lower compared to peers (Info edge is trading at 46.4x its 1QFY2018 Annualized EPS). **Hence, we recommend 'SUBSCRIBE' on the issue for a mid-to-long term period.**

### Key risks

- Increased competition from online and offline companies could impact the earnings of the company.
- The company could face adverse effect if they are unable to keep pace with changing technology and evolving industry standards, or fail to develop newer products for business.
- The company is highly dependent on telecommunications and information technology systems, networks and infrastructure to operate its business, however, any interruption or breakdown in such systems, networks, infrastructure or technical systems could hinder the company's products and services and also the efficiency.

**Exhibit 2: Consolidated Income Statement**

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016	FY2017
<b>Total operating income</b>	<b>189</b>	<b>205</b>	<b>241</b>	<b>255</b>	<b>293</b>
% chg	-	8.9	17.5	5.6	14.9
<b>Total Expenditure</b>	<b>175</b>	<b>203</b>	<b>242</b>	<b>248</b>	<b>234</b>
Purchase of traded goods	2	10	19	-	-
Employee	75	88	106	125	117
Adv expenses	46	48	53	54	52
Others Expenses	51	57	64	69	65
<b>EBITDA</b>	<b>14</b>	<b>2</b>	<b>(1)</b>	<b>7</b>	<b>59</b>
% chg	-	(85.7)	-	-	7.9
(% of Net Sales)	7.3	1.0	(0.3)	2.6	20.2
Depreciation & Amortisation	6	6	8	10	10
<b>EBIT</b>	<b>7</b>	<b>(4)</b>	<b>(9)</b>	<b>(3)</b>	<b>49</b>
% chg	-	-	-	-	-
(% of Net Sales)	3.9	(1.8)	(3.7)	(1.2)	16.6
Interest & other Charges	1	1	2	3	4
Other Income	4	5	5	5	4
Extraordinary Items	2	19	14	74	4
Share in profit of Associates	0	0	0	0	0
<b>Recurring PBT</b>	<b>8</b>	<b>(18)</b>	<b>(20)</b>	<b>(75)</b>	<b>44</b>
% chg	-	-	-	-	-
Tax	0.0	0.0	0.0	0.0	0.0
<b>PAT (reported)</b>	<b>8</b>	<b>(18)</b>	<b>(20)</b>	<b>(75)</b>	<b>44</b>
% chg	-	-	-	-	-
(% of Net Sales)	4.4	(8.9)	(8.3)	(29.5)	15.0
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	<b>3.9</b>	<b>(8.6)</b>	<b>(9.4)</b>	<b>(35.3)</b>	<b>20.6</b>
% chg	-	-	-	-	-

**Exhibit 3: Consolidated Balance Sheet**

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016	FY2017
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	6	6	9	9	11
Reserves & Surplus	1	(8)	(10)	(85)	(42)
<b>Shareholders Funds</b>	<b>7</b>	<b>(2)</b>	<b>(1)</b>	<b>(76)</b>	<b>(31)</b>
Total Loans	26	15	28	49	45
Minority Interest	0	0	0	0	-
<b>Total Liabilities</b>	<b>33</b>	<b>13</b>	<b>27</b>	<b>(27)</b>	<b>13</b>
<b>APPLICATION OF FUNDS</b>					
<b>Net Block</b>	<b>18</b>	<b>19</b>	<b>24</b>	<b>28</b>	<b>24</b>
Capital Work-in-Progress	0	4	0	-	-
Investments	0	0	-	-	-
<b>Current Assets</b>	<b>72</b>	<b>59</b>	<b>79</b>	<b>95</b>	<b>95</b>
Inventories	0	0	-	-	-
Sundry Debtors	1	2	1	2	2
Cash	32	37	53	58	58
Loans & Advances	25	6	13	24	16
Other Assets	14	15	12	11	19
<b>Current liabilities</b>	<b>58</b>	<b>70</b>	<b>76</b>	<b>151</b>	<b>106</b>
<b>Net Current Assets</b>	<b>15</b>	<b>(11)</b>	<b>3</b>	<b>(56)</b>	<b>(11)</b>
Mis. Exp. not written off					
<b>Total Assets</b>	<b>33</b>	<b>13</b>	<b>27</b>	<b>(27)</b>	<b>13</b>

**Exhibit 4: Consolidated Cash Flow Statement**

Y/E March (₹cr)	FY2013	FY2014	FY2015	FY2016	FY2017
Profit before tax	12	10	11	(1)	48
Depreciation	6	6	8	10	10
Change in Working Capital	(4)	8	2	13	(9)
Interest / Dividend (Net)	(3)	(2)	(2)	(1)	1
Direct taxes paid	1	(1)	(0)	(1)	(2)
Others	1	(0)	3	1	1
<b>Cash Flow from Operations</b>	<b>10</b>	<b>5</b>	<b>8</b>	<b>-8</b>	<b>14</b>
(Inc.)/ Dec. in Fixed Assets	(10)	(12)	(10)	(10)	(10)
(Inc.)/ Dec. in Investments	4	(2)	3	11	11
<b>Cash Flow from Investing</b>	<b>(6)</b>	<b>(14)</b>	<b>(8)</b>	<b>1</b>	<b>1</b>
Issue of Equity	0	0	4	0	1
Inc./(Dec.) in loans	(6)	10	11	18	(9)
Others	0	(0)	(0)	(0)	0
<b>Cash Flow from Financing</b>	<b>(6)</b>	<b>10</b>	<b>15</b>	<b>18</b>	<b>-8</b>
Inc./(Dec.) in Cash	(1)	0	16	12	7
<b>Opening Cash balances</b>	<b>3</b>	<b>2</b>	<b>37</b>	<b>11</b>	<b>23</b>
<b>Closing Cash balances</b>	<b>2</b>	<b>2</b>	<b>53</b>	<b>23</b>	<b>30</b>

**Exhibit 5: Key Ratios**

Y/E March	FY2013	FY2014	FY2015	FY2016	FY2017
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	254.4	-	-	-	47.8
P/CEPS	142.7	-	-	-	38.7
P/BV	141.3	-	-	-	-
EV/Sales	11.1	10.1	8.6	8.2	7.1
EV/EBITDA	151.1	1,045.7	-	314.8	35.2
EV / Total Assets	63.9	161.3	77.0	-	155.3
<b>Per Share Data (Rs)</b>					
EPS (Basic)	3.9	-	-	-	20.6
EPS (fully diluted)	3.9	-	-	-	20.6
Cash EPS	6.9	-	-	-	25.5
Book Value	7.0	-	-	-	-
<b>Returns (%)</b>					
ROCE	22.6	-	-	11.4	363.3
Angel ROIC (Pre-tax)	1,204.8	14.8	33.4	3.7	-
ROE	117.7	837.6	2,147.7	98.7	-
<b>Turnover ratios (x)</b>					
Inventory / Sales (days)	0	1	-	-	-
Receivables (days)	3	3	2	3	3
Payables (days)	38	41	34	50	20
Working capital cycle (ex-cash) (days)	(35)	(37)	(33)	(48)	(18)

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