

Firing on all cylinders...

About the stock: Info Edge provides internet based service delivery like recruitment services (Naukri), real estate (99 acres), Jeevansathi and Shiksha.

- Quasi play on Indian start up like Zomato, PolicyBazaar, Shoekonet, Ustra, Gramophone and job market, matrimony services & real estate market
- Prudent capital allocation and recruitment business EBITDA margin >50%

Q1FY23 Results: Info Edge reported strong Q1FY23 results.

- Revenues increased 11.4% QoQ aided by recruitment business growth of 12.4% QoQ
- EBITDA margin improved 400 bps QoQ to 32.1%
- Continued to remain invested in Zomato & PolicyBazaar despite lock in for pre-IPO investors expired

What should investors do? Info Edge's share price has grown by ~4.6x over the past five years (from ~₹ 956 in August 2017 to ~₹ 4,431 levels in August 2022).

- We maintain **BUY** rating on the stock

Target Price and Valuation: We value Info Edge at ₹ 5,230 on SOTP basis.

Key triggers for future price performance:

- Improving hiring trend in IT, healthcare, education, telecom and improving billing trend to drive recruitment revenues
- Continued pent up demand in housing as well as rental market driving 99acres revenues despite increasing home interest rates. Traction in Jeevansathi, Shiksha to further drive revenues
- Expect revenues to grow at a CAGR of 20.2% over FY22-24E

Alternate Stock Idea: Apart from Info Edge, in IT coverage we also like Affle India.

- Key beneficiary of a shift of advertising budget to digital medium, continued strong growth in converted users
- BUY with a target price of ₹ 1,295

infoedge

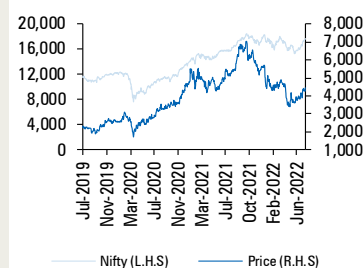
Particulars

Particular	Amount
Market Cap(₹ Crore)	57,396
Total Debt (₹ Crore)	0
Cash and Invests (₹ Crore)	573
EV (₹ Crore)	56,823
52 week H/L	3313/ 7465
Equity capital	129
Face value	₹ 10

Shareholding pattern

	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	38	38	38	38
FII	38	36	34	33
DII	14	14	16	16
Public	10	11	12	13

Price Chart



Recent event & key risks

- Change of strategy in Jeevansathi business
- **Key Risk:** (i) Lower than expected Naukri revenues (ii) Lower than expected margins

Research Analyst

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Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	CAGR (FY22-24E)
Net Sales	1,098	1,273	1,128	1,562	14.3%	1,951	2,256	20.2%
EBITDA	341	403	302	464	15.3%	647	763	28.3%
EBITDA margins (%)	31.1	31.6	26.8	29.7		33.2	33.8	
Net Profit	315	329	299	440	16.1%	615	698	25.9%
EPS (₹)	25.9	26.8	23.0	34.2		47.8	54.2	
P/E	171.2	165.4	194.3	6.4		92.8	81.7	
RoNW (%)	13.6	13.5	6.5	3.2		4.3	4.7	
RoCE (%)	18.6	18.0	8.2	4.2		5.7	6.3	

Key takeaways of recent quarter & conference call highlights

- The company reported strong revenue growth of 11.4% QoQ, 58.8% YoY to ₹ 507.7 crore while revenue including acquired business (Zwayam & DoSelect) was ₹ 521 crore, up 58.7% YoY. Revenue for recruitment business increased 12.4% QoQ, 73.9% YoY to ₹ 387.1 crore while that of 99 acres increased 8.3% QoQ, 34.9% YoY to ₹ 66.3 crore. Jeevansathi revenue dip 9.8% QoQ, 9.1% YoY to ₹ 22.9 crore while Shiksha revenue reported robust growth of 28% QoQ & 37.3% YoY to ₹ 31.3 crore
- EBITDA increased 27.4% QoQ to ₹ 163.1 crore while margins improved 400 bps QoQ to 32.1% due to 9.5% QoQ decline in promotional expenses as well as strong revenue growth. EBITDA margins for recruitment business declined marginally by 30 bps QoQ at 58.2%. EBITDA loss at 99 acres widened marginally to ₹ 35.4 crore while EBITDA loss for Jeevansathi has come down to ₹ 27.6 crore due to change of strategy wherein the company started offering some features complimentary vs. paid earlier. The company reported EBITDA of ₹ 6.2 crore in Shiksha vertical
- For the quarter, billing at the company level continue to be strong and improved 66.8% YoY to ₹ 524.1 crore. Billing at the Naukri business was up 64.6% YoY to ₹ 415 crore while that of Jeevansathi declined 29.9% YoY to ₹ 17.6 crore. Billing for 99 acres was up 172.8% to ₹ 61.1 crore on a YoY basis on a favourable base. Shiksha reported growth of 5.9% QoQ to ₹ 30.4 crore
- The company's deferred revenue increased 62.8% YoY to ₹ 825.3 crore. Recruitment business reported deferred revenue growth of 68.8% YoY to ₹ 695.1 crore while 99 acres & others (Jeevansathi & Shiksha) reported increase of 63% & 1.5% YoY, respectively, to ₹ 30.4 crore
- The company indicated that the recruitment business witnessed strong hiring across sectors. Info Edge indicated that continued high attrition, healthy deal pipeline & elevated fresher hiring is driving the IT sector hiring, which contributes about 35.9% revenue of recruitment business. Apart from IT sector, the company indicated that it has witnessed increased traction in the education & health verticals, which have seen very strong growth mirroring IT sector. BFSI and insurance also reported healthy growth. Info Edge also indicated that it is witnessing a revival in retail, travel & tourism sector hiring as Covid impact got minimised. The management indicated that so far they do not see any impact of US recession on IT hiring. IT hiring is expected to be strong, going forward also. The company also indicated that due to strong network/traffic share as well as integration of iimjobs, it is getting better price realisations. Info Edge also indicated that start-up funding issue has no meaningful impact on its recruitment business as this category's contribution is less than 10%. The company also indicated that the following factors will help the growth of recruitment business: i) economic growth; ii) increased pricing from clients; iii) addition of new clients; iv) new products & platforms growing at rapid pace
- The company indicated that it is witnessing robust growth in the real estate vertical despite rising home loan interest rates as well as on the rental category. Info Edge also indicated that the third Covid wave had negligible/no impact on business. The company indicated that the advertisement & promotion expenses will remain elevated in this business as the competitive intensity continues to be high and it needs to invest to remain relevant. Info Edge indicated that it spends ~₹ 30-35 crore on advertisement & promotion and will continue for a few more quarters
- The company had announced in the last quarter that it is changing its strategy in Jeevansathi by providing some services free of cost to consumers, which were paid earlier. Info Edge indicated that it has witnessed strong growth in traffic across the network. It is also helping to acquire new customers at a rapid pace. The company indicated that the

strategy will continue for a few more quarters till they reach a certain level of network traffic share and subscriber market share. Info Edge said that after reaching that milestone they may try out certain models of monetisation, which may include advertising. The company indicated that its billing and revenues will take a hit in that period but at this point, it is willing to take that risk. Info Edge also indicated that, on the other hand, it now needs to spend less on marketing, which will improve margins, going forward

- In Shiksha, the company indicated that strong growth for the quarter was on account of i) seasonality change due to Covid as now Q1 is seasonally strong quarter ii) some of its products 'Study Abroad' has been gaining strong traction across student looking to travel abroad for education as travelling opens
- Info Edge indicated that despite lock in period for pre-IPO investors expired now, it is not in a hurry to divest stake in Zomato and PolicyBazaar and would like to remain invested for some time on account of i) the company believing that it may fetch better value of these investments in future, ii) divestment also requires further investment into potential start-up companies that will also consume management bandwidth for which it is not yet ready

Exhibit 1: P&L

	Q1FY23	Q1FY23E	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Revenue	507.7	465.2	319.7	58.8	455.5	11.4	Revenue was aided by strong growth in recruitment business/ 99 acres
Employee expenses	224.4	209.3	151.8	47.8	203.9	10.1	
Marketing expenses	87.6	100.0	45.9	90.9	96.7	-9.5	
Network & other charges	9.8	9.3	6.3	56.4	8.5	15.7	
Other expenses	22.8	23.3	16.1	41.6	18.5	23.1	
EBITDA	163.1	123.3	99.7	63.6	128.0	27.4	
EBITDA Margin (%)	32.1	26.5	31.2	95 bps	28.1	403 bps	EBITDA margins were aided by strong revenues as well as stable marketing spends
Depreciation & amortisation	9.9	9.8	10.3	-4.2	9.7	2.3	
EBIT	153.2	113.5	89.4	71.5	118.3	29.5	
EBIT Margin (%)	30.2	24.4	28.0	223 bps	26.0	421 bps	
Other income (less interest)	41.9	37.2	41.0	2.2	42.1	-0.6	
PBT	195.1	150.7	130.3	49.7	160.4	21.6	
Tax paid	45.7	37.4	28.1	63.0	38.8	18.0	
PAT	148.4	112.3	101.0	47.0	120.7	23.0	
APAT	148.4	112.3	101.0	47.0	120.7	23.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(\$ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,796	1,951	8.7	2,015	2,256	12.0	Revenue re-aligned on strong billings in naukri as well as in 99 acres
EBITDA	542	647	19.4	614	763	24.3	
EBITDA Margin (%)	30.2	33.2	298 bps	30.5	33.8	334 bps	Margins re-aligned on strong performance in Q1 as well as management indication on moderation of marketing spends going forward
Reported PAT	536	615	14.7	586	698	19.2	
EPS (₹)	41.6	47.8	14.7	45.5	54.2	19.2	

Source: Company, ICICI Direct Research

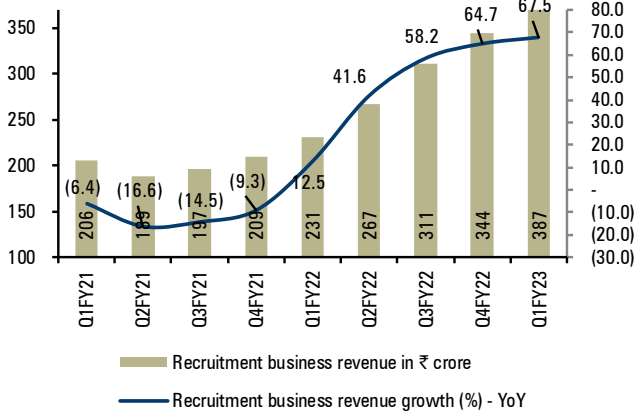
Exhibit 3: SOTP based valuation

New	Valuation Method	Basis	Multiple (x)	Valuation	₹/share
Business					
Recruitment Business	PE Method	FY24E EPS	60	41,889	3,255
99 Acres	EV/Sales	FY24E Revenues	13	3,703	288
Jeevansathi & Other business	EV/sales	FY24E Revenues	5	1,038	81
Investee					
Zomato		15.23% stake	Mcap	7449	579
Other Business	P/BV		5	5291	411
Policybazaar		15.1% stake	Mcap	3890	302
Net Cash & financial investments				4100	319
Target Valuation				67360	5234
Rounded Off Target Price					5230

Source: Company, ICICI Direct Research

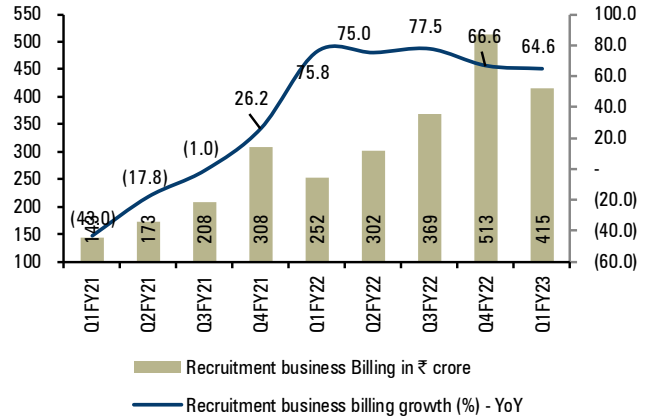
Key Metrics

Exhibit 4: Naukri revenue grows 67.5% YoY



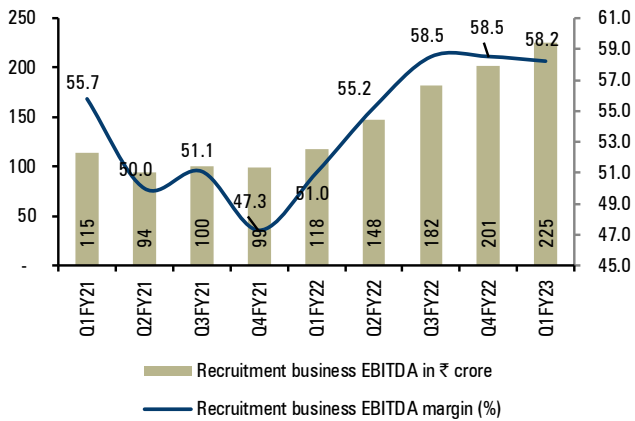
Source: Company, ICICI Direct Research

Exhibit 5: While billing grows 64.6% YoY



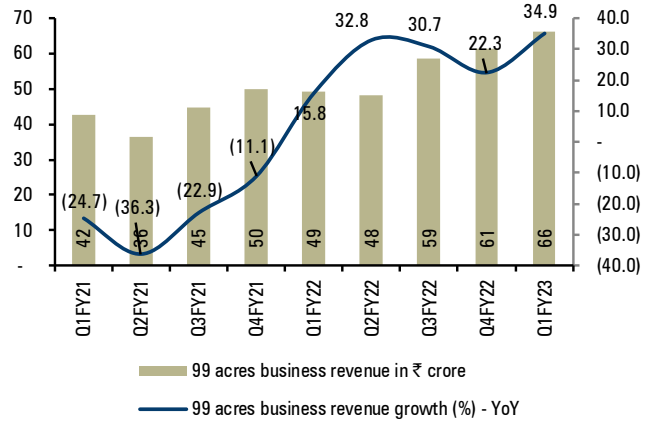
Source: Company, ICICI Direct Research

Exhibit 6: Naukri margins remain stable



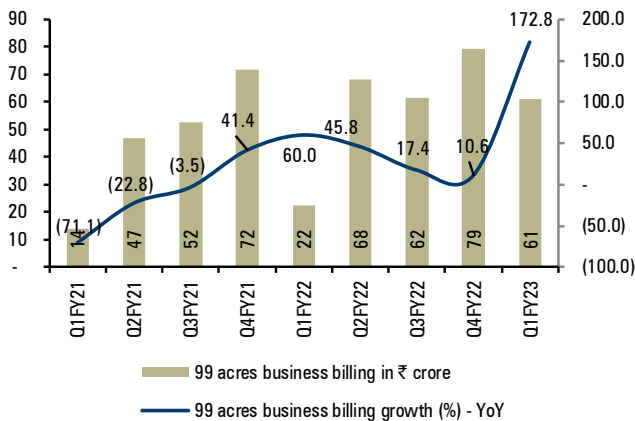
Source: Company, ICICI Direct Research

Exhibit 7: 99 acres revenue up 35% YoY



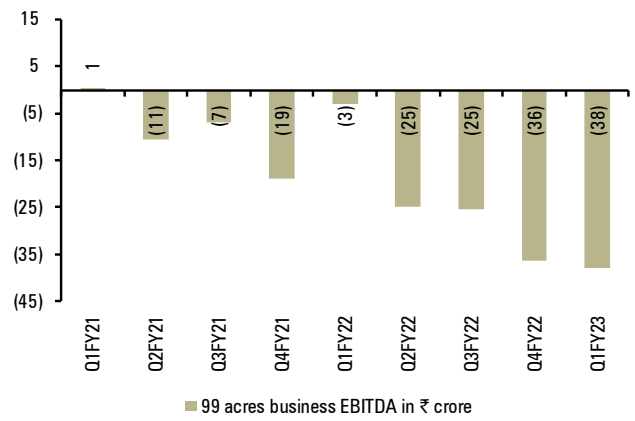
Source: Company, ICICI Direct Research

Exhibit 8: 99 acres billing benefits on favourable base



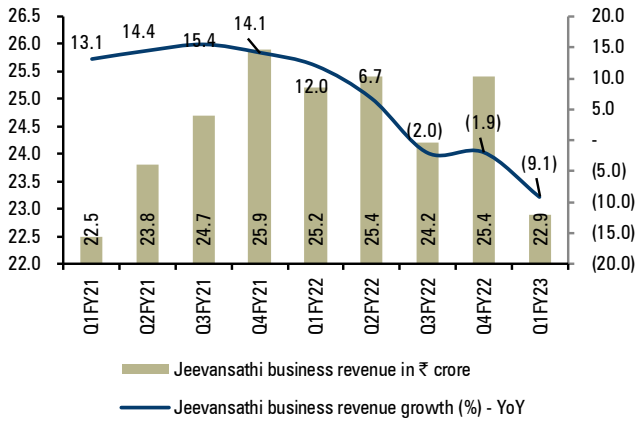
Source: Company, ICICI Direct Research

Exhibit 9: While it continues to make losses, it stabilised



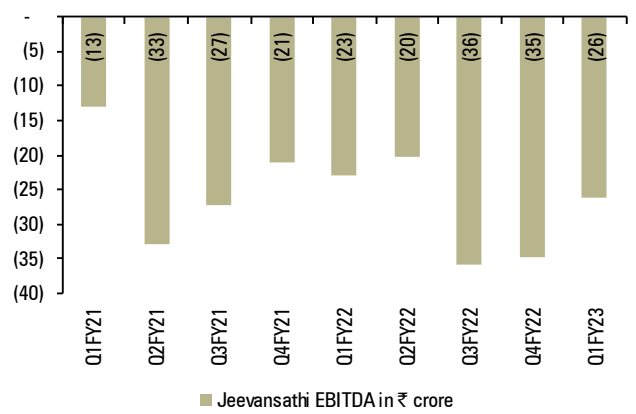
Source: Company, ICICI Direct Research

Exhibit 10: Jeevansathi revenue hit by change in strategy



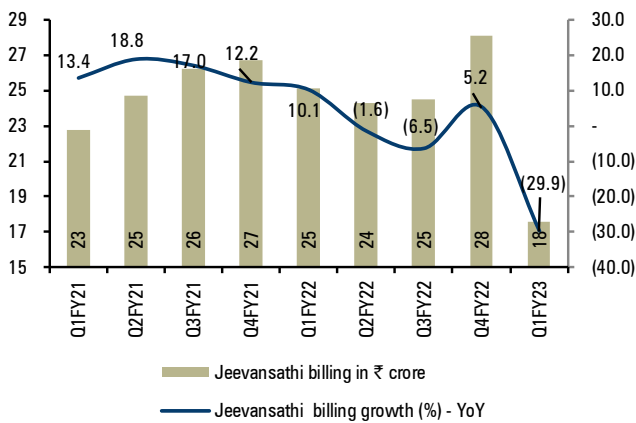
Source: Company, ICICI Direct Research

Exhibit 11: Which is helping cash burn in marketing



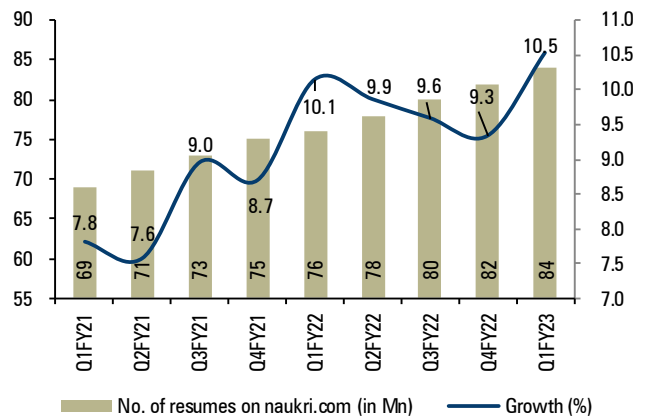
Source: Company, ICICI Direct Research

Exhibit 12: Billing also hit by change in strategy



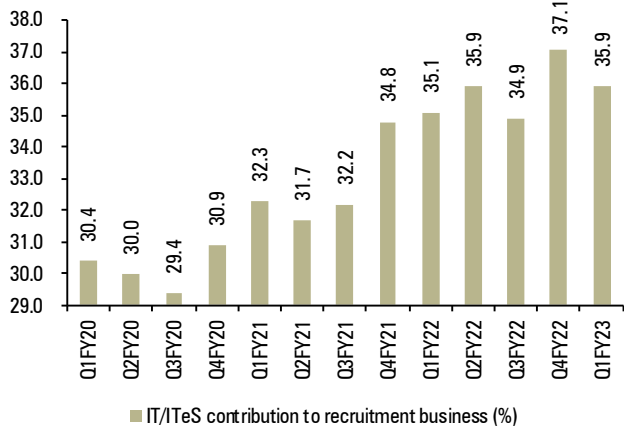
Source: Company, ICICI Direct Research

Exhibit 13: No. of resumes on Naukri continues to inch up



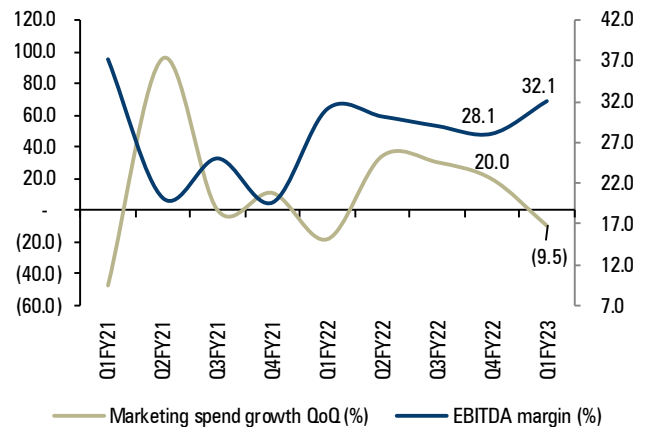
Source: Company, ICICI Direct Research

Exhibit 14: IT/ITeS continue to drive Naukri business



Source: Company, ICICI Direct Research

Exhibit 15: Marketing spend moderation aiding margins



Source: Company, ICICI Direct Research

Financial summary

Exhibit 16: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total operating Income	1,128	1,562	1,951	2,256
Growth (%)	(11)	39	25	16
Employee Expenses	553	711	832	925
Marketing Expenses	182	285	351	429
Network and Other Charg	26	32	33	38
Other Expenditure	65	70	88	102
EBITDA	302	464	647	763
Growth (%)	(25)	54	40	18
Depreciation	44	40	46	51
EBIT	258	424	601	712
Interest	6	5	5	5
Other Income	119	170	220	220
PBT	371	589	817	927
Total Tax	73	1,178	202	229
Reported PAT	295	8,923	615	698
Adjusted PAT	299	440	615	698

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	295	8,923	615	698
Add: Depreciation	44	40	46	51
(Inc)/dec in Current Assets	(2)	(6)	(13)	(8)
Inc/(dec) in CL and Provisions	15	12	84	154
Others	(25)	272	(361)	(181)
CF from operating activit	309	725	553	715
(Inc)/dec in Investments	(1,925)	(692)	10,432	(275)
(Inc)/dec in Fixed Assets	(8)	(24)	(24)	(24)
Others	50	(339)	440	220
CF from investing activiti	(1,883)	(1,054)	10,628	(79)
Proceeds from fresh issue of s	-	-	(0)	0
Inc/(dec) in loan funds	1,829	1	-	-
Dividend & DDT	-	(206)	(246)	(279)
Others	(6)	(5)	(5)	(5)
CF from financing activiti	1,806	(224)	(265)	(298)
Net Cash flow	232	(553)	10,915	338
Exchange difference				
Opening Cash	427	635	132	11,048
Closing Cash	635	132	11,048	11,385

Source: Company, ICICI Direct Research

Exhibit 18: Balance sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Liabilities				
Equity Capital	129	129	129	129
Reserve and Surplus	4,436	13,843	14,212	14,631
ESOP	-	-	-	-
Secured Loan	0	0	0	0
Minority interest	-	-	-	-
Other non-current liabilitie	45	32	32	32
Sources of funds	4,609	14,004	14,373	14,792
Assets				
Gross Block	249	287	326	364
Less: Acc Depreciation	146	186	231	282
Net Block	103	88	95	82
Capital WIP	-	-	-	-
Net Intangible assets	4	3	3	3
Other Investments	-	-	-	-
Liquid Investments	-	441	441	441
Inventory	-	-	-	-
Debtors	5	8	9	11
Loans and Advances	-	-	-	-
Cash	635	132	11,048	11,385
Other Current Assets	2,353	2,522	2,533	2,539
Other Non-Current Assets	2,206	11,896	1,464	1,739
Creditors	60	104	104	120
Provisions	66	79	115	132
Other current liabilities	570	902	986	1,141
Net Current Assets	2,296	2,018	12,826	12,983
Application of Funds	4,609	14,004	14,374	14,792

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Reported EPS	23.0	34.2	47.8	54.2
Cash EPS	26.2	695.9	51.3	58.2
BV	352.3	1,084.9	1,113.6	1,146.1
DPS	8.7	13.0	19.1	21.7
Cash Per Share	49.0	10.3	857.8	884.1
Operating Ratios (%)				
EBITDA Margin	26.8	29.7	33.2	33.8
EBIT Margin	22.9	27.1	30.8	31.5
PAT Margin	26.5	28.2	31.5	30.9
Debtor days	2	2	2	2
Creditor days	19	24	19	19
Return Ratios (%)				
RoE	6.5	3.2	4.3	4.7
RoCE	8.2	4.2	5.7	6.3
RoIC	6.5	3.2	20.7	23.9
Valuation Ratios (x)				
P/E	194.3	6.4	92.8	81.7
EV / EBITDA	187.9	122.5	70.9	59.7
EV / Net Sales	50.3	36.4	23.5	20.2
Market Cap / Sales	50.9	36.7	29.4	25.4
Price to Book Value	12.6	4.1	4.0	3.9
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.4	2.3	2.1	1.8
Quick Ratio	3.4	2.3	2.1	1.8

Source: Company, ICICI Direct Research

Exhibit 7 : ICICI Direct coverage universe (IT)

Company Name	CMP	TP (₹)	Rating	Mcap (₹)	EPS (₹)			P/E			RoCE (x)			RoE(x)		
					FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
HCL Tech (HCLTEC)	956	1,050	HOLD	2,59,440	49.8	50.5	55.2	19.2	18.9	17.3	24.2	24.8	26.0	21.8	21.0	21.9
Infosys (INFTEC)	1,595	1,760	BUY	6,70,905	52.1	58.1	67.5	30.6	27.5	23.6	36.0	35.0	37.7	29.2	29.1	31.1
TCS (TCS)	3,400	3,785	BUY	12,44,004	104.7	115.1	130.4	32.5	29.5	26.1	51.4	49.2	48.7	43.0	41.9	41.0
Tech M (TECMAH)	1,066	1,170	BUY	1,03,722	63.1	66.2	77.9	16.9	16.1	13.7	22.5	21.8	22.7	20.7	19.4	20.3
Wipro (WIPRO)	436	460	HOLD	2,39,066	22.3	23.3	27.1	19.6	18.7	16.1	18.8	18.9	21.0	19.6	18.7	20.8
LTI (LTINFC)	4,912	4,480	HOLD	86,063	130.8	140.3	165.9	37.5	35.0	29.6	32.3	29.0	29.6	26.1	24.1	24.4
Mindtree (MINCON)	3,535	3,320	BUY	58,259	100.3	109.8	127.9	35.3	32.2	27.6	38.0	35.4	34.5	30.2	27.4	26.6
Coforge (NIITEC)	3,793	4,375	BUY	23,099	106.5	147.8	175.0	35.6	25.7	21.7	25.6	31.5	31.8	24.2	28.4	28.3
TeamLease (TEASER)	3,275	4,240	BUY	5,599	22.5	85.6	124.6	145.7	38.2	26.3	15.4	17.6	20.8	(4.7)	17.4	20.4
Infoedge (INFEDG)	4,431	5,230	BUY	55,690	35.8	47.8	54.2	123.8	92.8	81.7	4.2	5.7	6.3	3.2	4.3	4.7

Source: Company, ICICI Direct Research

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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