

## Billing trajectory continues to improve...

InfoEdge's Q4FY21 numbers were below our estimates. However, the company has seen improving billing growth both on a YoY and QoQ basis. Billing increased 25.1% YoY, 39.8% QoQ to ₹ 415.3 crore, mainly led by 26% YoY growth in recruitment and 41.5% YoY growth in 99 acres billing. As compared to Q4FY19 (a pre-pandemic quarter), overall billing was up 15.0%. Overall revenues on a QoQ basis increased 6.5% QoQ. EBITDA margins declined from 29.9% in Q4FY20 to 18.3% (below our estimate of 29.6%) mainly led by wage hike, one-time incentive and higher other expenses.

## Recruitment revenues to see healthy improvement

The company's recruitment business was unaffected by the second Covid wave due to digital on-boarding and healthy traction in IT and ITeS segment. Resume addition increased 23.5% YoY. We expect revenues to improve, driven by improving hiring trend in IT, healthcare, education, telecom and recovery in travel. 99Acres saw an impact of the second Covid wave but the company saw a healthy recovery in June. Further, lower interest rate and affordability is expected to drive 99acres revenues. In addition, traction in Jeevansathi, Shiksha and introduction of new products are expected to lead to a gradual improvement in revenues in the long term. Hence, we expect overall revenues to increase at a CAGR of 28.8% over FY21-23E.

## Margins to improve in long term

The company's current quarter revenues were impacted by wage hike, one-time incentive, higher CSR and bad debt expenses. Going forward, Info Edge plans to keep advertising spends higher in Jeevansathi and 99Acres due to higher competition. However, with improving growth, we expect margins to expand in long run. Hence, we expect margins to improve 560 bps to 37.3% in FY21-23E.

## Valuation & Outlook

We believe Info Edge will be a key beneficiary of a shift of advertising on the online medium. In addition, digital on-boarding of talent and strong traction in the IT& ITeS segment bode well for revenue growth. Further, the company is witnessing a healthy billing trend on a QoQ and YoY basis. We expect Info Edge to witness improved traction post the Covid second wave. In addition, prudent capital allocation, quasi-play on the Indian start up ecosystem (Zomato, PolicyBazaar, like Shoekonect, Ustra, Gramophone) and leadership in recruitment with EBITDA margin of above 50% keeps us optimistic on the stock from a long term perspective. Hence, we upgrade the stock from HOLD to **BUY** rating and value the stock on an SOTP basis to arrive at a target price of ₹ 5,740 (earlier ₹ 5,725).

infoedge

### Particulars

Particular	Amount
Market Capitalization (₹ Crore)	64,198.4
Total Debt (₹ Crore)	0.1
Cash and Investments (₹ Crore)	3,650.0
EV (₹ Crore)	60,548.5
52 week H/L	5876/ 2624
Equity capital	128.5
Face value	₹ 10

### Key Risk

- Lower-than-expected improvement in IT segment (that generates substantial revenues for Naukri) could adversely impact the company's financials
- Any deceleration in billing of 99 Acres and Jeevansathi could adversely impact company's financials

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## Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
Net Sales	1,098	1,273	1,099	1,453	1,821	28.8%
EBITDA	341	403	277	458	679	56.4%
EBITDA margins (%)	31.1	31.6	25.3	31.5	37.3	
Net Profit	315	329	274	468	638	52.5%
EPS (₹)	25.9	26.8	21.2	34.5	47.1	
P/E	191.5	184.9	236.9	143.5	105.3	
RoNW (%)	13.6	13.5	6.0	9.7	12.2	
RoCE (%)	18.6	18.0	7.7	12.8	16.2	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Revenue	290.0	299.2	322.8	-10.2	272.3	6.5	Revenues increased QoQ led by 4.8% QoQ increase in recruitment business and 11.7% QoQ increase in 99Acres
Employee expenses	151.5	138.0	139.2	8.9	131.5	15.3	Wage hike and higher incentives led to higher employee expenses
Marketing expenses	55.7	50.3	48.4	15.1	50.3	10.8	
Network & other charges	7.1	6.7	5.8	22.7	6.7	6.2	
Other expenses	22.6	15.7	32.9	-31.5	15.7	43.4	Other expenses were higher QoQ due to higher CSR and bad debt expenses
EBITDA	53.2	88.5	96.5	-44.9	68.2	-22.0	
EBITDA Margin (%)	18.3	29.6	29.9	1156 bps	25.0	-670 bps	Higher employee expenses dented margins
Depreciation & amortisation	10.6	12.0	11.0	-3.9	10.9	-3.4	
EBIT	42.6	76.5	85.5	-50.2	57.2	-25.5	
EBIT Margin (%)	14.7	25.6	26.5	1180 bps	21.0	-632 bps	
Other income (less interest)	40.6	30.0	19.5	108.6	31.6	28.6	
PBT	83.3	106.5	105.0	-20.7	88.8	-6.3	
Tax paid	12.0	26.9	24.6	-51.2	17.5	-31.4	
PAT	66.7	78.2	41.6	60.2	70.0	-4.7	
APAT	69.9	78.2	78.8	-11.3	70.0	-0.1	PAT was below our estimates due to lower-than-expected operating margins

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,457	1,453	-0.3	1,827	1,821	-0.3	We expect shift of advertising to online medium to drive long term growth in the company
EBITDA	516	458	-11.3	686	679	-1.0	
EBITDA Margin (%)	35.4	31.5	-392 bps	37.5	37.3	-26 bps	Margins to stabilise at 37.3% in FY23E
Reported PAT	504	468	-7.2	635.0	638	0.4	
EPS (₹)	37.2	34.5	-7.2	46.9	47.1	0.4	

Source: Company, ICICI Direct Research

## Conference Call Highlights

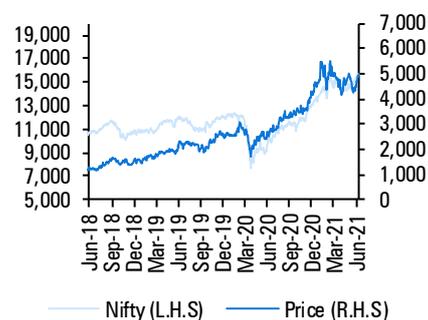
- Naukri Business:** Naukri reported a revenue decline of 13.9% YoY (up 4.8% QoQ) to ₹ 198.6 crore while margins declined 721 bps YoY (down 602 bps QoQ) to 47.0%. Billings in Naukri increased 26% YoY in Q4FY21 and up 47.9% QoQ indicating improving trend. In terms of revenue share, the company generates 67% from database subscription (expects it to hover around this level) and 15% from job listing (aims to improve its share). Naukri occupies 25% share in overall white collar job market and has 75000 companies on its platform. The company saw a healthy improvement IT and ITeS segment, especially on digital transformation side. It was not impacted by the second wave in recruitment side as most of the on boarding happened digitally. Info Edge is also seeing an improving trend in healthcare and pharma. The company saw traffic impacted in April, May but it bounced back in June. The company is also entering new segments like blue collar industry (Jobhai) and is currently focused on the NCR region. Info Edge plans to roll out nationwide in the next few months. The company is also introducing newer products like Talent Pulse (figure out competitive salary & talent) and Naukri learning, which will further boost growth. We believe digital companies will be key beneficiaries in a post-Covid world. Info Edge expects healthy growth in revenues post Covid due to higher online advertising
- 99acres:** Revenues declined 11.1% YoY (up 11.7% QoQ) to ₹ 50.1 crore while the company made losses at the EBITDA level. The company has also seen healthy growth in billing (up 41.5% YoY, 36.8% QoQ). 99 Acres was impacted by the second wave but has seen green shoots in June. The company plans to reorganise products and sales in four categories in new launches, rental, resale and commercial. This will help Info Edge in targeted selling. The company is also improving customer experience by reducing repeat listing, which has impacted broker listing. However, we expect the broker listing to improve in coming quarters
- Jeevansathi:** Jeevansathi reported revenues of ₹ 25.9 crore (growth of 14.1% YoY) and continues to make a loss. Aggressive marketing spends continue to weigh on segment profitability but is key to driving higher growth. The company has seen maximum gain in North and West (commands 20-25% market share). InfoEdge expects market spending to continue in the next few years and believes consolidation is key for the sector to break away
- Shiksha:** Shiksha reported revenue of ₹ 15.4 crore (up 16.7% YoY). The company continued to make efforts to upgrade its content quality and user experience on its platform shiksha.com. The company has also invested in software companies like code ninja, nopaper & university to drive growth. Naukri learning (a medium to cross sell skill upgrade to Naukri job seekers) and study abroad counselling are also expected to drive growth
- Other businesses:** The company is seeing healthy traction Gramophone, Shop kirana and Shopsy. The company has made investment in healthcare start-ups but believes it is hard to drive growth
- QIP:** The company is still evaluating investments

Exhibit 3: SOTP based valuation

	Valuation Method	Basis	Multiple (x)	Valuation	₹/share
<b>Business</b>					
Recruitment Business	PE Method	FY23E EPS	75	47711	3712.3
99 Acres	EV/Sales	FY23E Revenues	14	4053	315.3
Jeevansathi & Other busin	EV/sales	FY23E Revenues	5	924	71.9
<b>Investee</b>					
Zomato		19.3% stake		10051	782.1
Other Business	P/BV		7	3440	267.7
Policybazaar		15.1% stake		3932	305.9
Net Cash & financial investments				3650	284.0
<b>Target Valuation</b>				<b>73762</b>	<b>5739</b>
<b>Rounded Off Target</b>					<b>5740</b>
<b>Price</b>					

Source: Company, ICICI Direct Research

Exhibit 4: Price Performance



Source: ICICI Direct Research, Bloomberg

## Financial summary

Exhibit 5: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	1,273	1,099	1,453	1,821
Growth (%)	16	(14)	32	25
Employee Expenses	540	549	613	663
Marketing Expenses	204	182	240	301
Network and Other Charg	23	25	25	31
Other Expenditure	103	65	118	148
<b>EBITDA</b>	<b>403</b>	<b>277</b>	<b>458</b>	<b>679</b>
Growth (%)	18	(31)	65	48
Depreciation	41	44	41	46
EBIT	361	234	417	633
Interest	7	6	6	6
Other Income	88	119	210	220
PBT	442	347	621	847
Total Tax	113	73	153	209
<b>Reported PAT</b>	<b>206</b>	<b>271</b>	<b>468</b>	<b>638</b>
<b>Adjusted PAT</b>	<b>329</b>	<b>274</b>	<b>468</b>	<b>638</b>
Growth (%)	4	(17)	71	36
Adjusted EPS (₹)	26.8	21.2	34.5	47.1

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Profit after Tax</b>	<b>206</b>	<b>271</b>	<b>468</b>	<b>638</b>
Add: Depreciation	43	44	41	46
(Inc)/dec in Current Assets	(1)	(2)	(9)	(10)
Inc/(dec) in CL and Provisions	(13)	15	184	191
Others	(58)	(25)	(163)	(172)
<b>CF from operating activities</b>	<b>302</b>	<b>285</b>	<b>520</b>	<b>694</b>
(Inc)/dec in Investments	679	(1,925)	192	(332)
(Inc)/dec in Fixed Assets	(24)	(8)	(24)	(24)
Others	(459)	50	210	220
<b>CF from investing activities</b>	<b>197</b>	<b>(1,883)</b>	<b>378</b>	<b>(136)</b>
Proceeds from fresh issue of s	0	-	0	(0)
Inc/(dec) in loan funds	(0)	1,829	-	-
Dividend & DDT	(118)	-	(187)	(255)
Others	(0)	(6)	(6)	(6)
<b>CF from financing activities</b>	<b>(142)</b>	<b>1,806</b>	<b>(210)</b>	<b>(278)</b>
Net Cash flow	357	208	688	280
Exchange difference				
Opening Cash	70	427	635	1,323
<b>Closing Cash</b>	<b>427</b>	<b>635</b>	<b>1,323</b>	<b>1,603</b>

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	122	129	129	129
Reserve and Surplus	2,309	4,436	4,716	5,099
ESOP	-	-	-	-
Secured Loan	0	0	0	0
Minority interest	-	-	-	-
Other non-current liability:	57	45	45	45
<b>Sources of funds</b>	<b>2,489</b>	<b>4,609</b>	<b>4,890</b>	<b>5,273</b>
<b>Assets</b>				
Gross Block	235	249	290	332
Less: Acc Depreciation	106	146	186	233
Net Block	128	103	104	99
Capital WIP	-	-	-	-
Net Intangible assets	4	4	4	4
Other Investments	-	-	-	-
Liquid Investments	255	-	-	-
Inventory	-	-	-	-
Debtors	7	5	7	9
Loans and Advances	-	-	-	-
Cash	427	635	1,323	1,603
Other Current Assets	615	2,353	2,360	2,368
Other Non-Current Assets	1,674	2,206	2,013	2,345
Creditors	60	60	80	100
Provisions	55	66	88	110
Other current liabilities	508	570	754	946
Net Current Assets	682	2,296	2,769	2,825
<b>Application of Funds</b>	<b>2,489</b>	<b>4,609</b>	<b>4,890</b>	<b>5,273</b>

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per share data (₹)</b>				
Reported EPS	26.8	21.2	34.5	47.1
Cash EPS	20.1	24.3	37.5	50.5
BV	198.0	352.3	357.6	385.8
DPS	6.0	8.0	13.8	18.8
Cash Per Share	34.8	49.0	97.7	118.3
<b>Operating Ratios (%)</b>				
EBITDA Margin	31.6	25.3	31.5	37.3
EBIT Margin	28.4	21.3	28.7	34.7
PAT Margin	25.8	25.0	32.2	35.0
Debtor days	2	2	2	2
Creditor days	17	20	20	20
<b>Return Ratios (%)</b>				
RoE	13.5	6.0	9.7	12.2
RoCE	18.0	7.7	12.8	16.2
RoC	20.0	5.9	11.7	17.2
<b>Valuation Ratios (x)</b>				
P/E	184.9	236.9	143.5	105.3
EV / EBITDA	157.7	229.1	137.4	92.2
EV / Net Sales	49.9	57.9	43.3	34.4
Market Cap / Sales	50.4	58.4	44.2	35.2
Price to Book Value	25.0	14.1	13.9	12.8
<b>Solvency Ratios</b>				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.0	3.4	2.6	2.1
Quick Ratio	1.0	3.4	2.6	2.1

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

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