

Non-IT to drive growth in Naukri while IT to take backseat in near term...

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 with recruitment business EBITDA margin >50%

Q4FY23 Results: Info Edge reported steady margins in Q4FY23.

- Revenue grew 1.6% QoQ, recruitment business grew 0.2% QoQ
- EBITDA margin was flat sequentially at 39.1%
- Recruitment billing grew 34.3% QoQ & 13.7% YoY

What should investors do? Info Edge's share price has grown by ~3.6x over the past five years (from ~₹ 1,170 in May 2018 to ~₹ 4,198 in May 2023).

- We maintain **HOLD** rating

Target Price and Valuation: We value Info Edge at ₹ 4,300 on SOTP basis.

Key triggers for future price performance:

- Steady hiring in IT, BFSI, 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 18.3% over FY22-25E

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

- It is an established player in the market for ECM, BPM & CCM with increasing annuity revenue aiding revenue growth at 20.9% CAGR in FY23-25E
- BUY with a target price of ₹ 660

Key Financial Summary

Key Financials	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	2 year CAGR (FY23-25E)
Net Sales	1,128	1,562	2,159	18.7%	2,440	3,021	18.3%
EBITDA	302	474	784	21.4%	949	1,190	23.2%
EBITDA margins (%)	26.8	30.4	36.3		38.9	39.4	
Net Profit	299	451	706	31.1%	836	1,027	20.6%
EPS (₹)	23.0	35.0	54.6		64.7	79.5	
P/E	184.1	6.1	131.9		64.8	52.8	
RoNW (%)	6.5	3.2	6.5		7.3	8.4	
RoCE (%)	8.2	4.3	8.3		9.3	10.8	

Source: Company, ICICI Direct Research

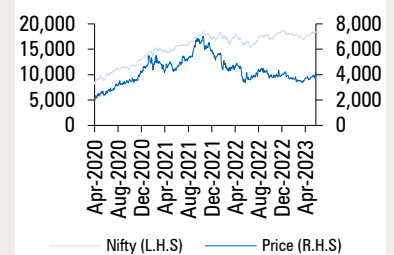
Particulars

Particular	Amount
Market Cap(₹ Crore)	54,231
Total Debt (₹ Crore)	1
Cash and Invests (₹ Crore)	979
EV (₹ Crore)	53,254
52 week H/L	4624/ 3309
Equity capital	129
Face value	₹ 10

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoters	38	38	38	38
FII	33	32	32	31
DII	16	17	17	18
Public	13	13	13	13

Price Chart



Recent event & key risks

- Declared final dividend of ₹9 per share
- Key Risk:** (i) Higher than expected Naukri revenues (ii) Lower than expected margins

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Key takeaways of recent quarter & conference call highlights

- The company at the consolidated level reported revenue of ₹ 564 crore, up 1.6% QoQ (23.8% YoY) while revenue including acquired business was at ₹ 586 crore, up 24.2% YoY. Recruitment business (78% of the mix) reported muted growth of 0.2% QoQ to ₹ 437.6 crore. Growth during the quarter was mainly driven by non-recruitment business with Shiksha (6% of the mix) growing 15.8% QoQ to ₹ 32 crore while 99 acres reported revenue of ₹ 75.5 crore, up 3.6% QoQ. Jeevansathi revenue increased after three successive quarters of decline (decline was due to change in strategy). It reported revenue growth of 5% QoQ to ₹ 18.8 crore
- The company's billings during the quarter increased 35.9% QoQ & 15.3% YoY to ₹ 748.6 crore. Billings in recruitment business grew 34.3% QoQ & 13.7% YoY to ₹ 583.5 crore while in billings in 99acres, Jeevansathi & Shiksha grew 45.9%, 19.9% & 46.6% QoQ to ₹ 103.7 crore, ₹ 20.5 crore & ₹ 40.9 crore, respectively
- Consolidated EBITDA margin remained flat at 39.1% sequentially despite muted revenue growth, mainly due to a decline in marketing & advertising spends. In absolute terms, EBITDA came in at ₹ 220.3 crore, up 1.6% QoQ. Marketing spends during the quarter declined 5.8% QoQ & 27.3% YoY to ₹ 70.3 crore due to reduced marketing spends in 99acres & Jeevansathi business. Segment wise, in the recruitment business the EBITDA margin declined 120 bps QoQ to 60.3% while absolute EBITDA came in at ₹ 264 crore, down 1.7% QoQ. Shiksha reported an EBITDA of ₹ 2.3 crore while 99acres and Jeevansathi reported EBITDA losses of ₹ 22.1 crore and ₹ 21.9 crore, respectively. Both businesses 99acres & Jeevansathi continued to reduce their EBITDA losses
- The company during the quarter impaired amount of ₹ 12 crore as ICD given to 4B Networks as exceptional items. Info Edge in Q3 had already impaired ₹ 276 crore investment in 4B Networks as the company was facing liquidity issues due to excessive cash burn. PAT came in at ₹ 178.9 crore during the quarter. Excluding exceptional items, adjusted PAT came in at ₹ 197.7 crore
- The company reported deferred revenue of ₹ 1,018.6 crore, up 21.9% QoQ & 24.3% YoY. The company mentioned that recruitment business, 99 acres & Others reported deferred revenue of ₹ 847.7 crore, ₹ 122.7 crore & ₹ 48.2 crore, respectively
- For FY23, the company at the consolidated level reported revenue of ₹ 2,158.6 crore, up 38.2% with consolidated EBITDA margin of 36.3%, up 590 bps. Info Edge reported an EBITDA of ₹ 784.2 crore, up 65.3% while reported PAT came in at ₹ 411.2 crore. The company in recruitment business for FY23 reported revenue of ₹ 1,679.6 crore, up 45.5% while EBITDA in the recruitment business came in at ₹ 1,006 crore with a corresponding EBITDA margin of 59.9%, up 300 bps
- **Recruitment business:** The company mentioned that in the recruitment business it is witnessing cautious hirings by IT sector. This is impacting its recruitment business as it contributes ~50% of the revenue mix (direct & consultant led hiring). The company also mentioned that it expects IT hiring to be muted for a couple of quarters. Info Edge also mentioned that GCC hirings remain steady. It expects the same to continue. The company mentioned there is a possibility of some global roles (where layoffs are happening) to be outsourced to India. Hence, there could be some recovery in IT in H2

- The company however indicated that the non-IT hiring remains buoyant and it compensating for the decline in IT hiring. Info Edge mentioned that it is witnessing robust demand in infrastructure, BFSI, travel & tourism & auto ancillary sectors. The company mentioned that till IT sector demand comes back it will focus on growing the non-IT business. The company also mentioned that pricing & volume growth in non-IT business is driving the growth of the recruitment business. The company indicated that if the Indian economy continues to grow at 6-7% then billing in recruitment business can grow in the range of 25-30%
- On the margins front, in the recruitment business the company mentioned that if billings continue to grow by 14-15% then it will be able to sustain the margins at the current level but if the billings drop to single digit, then the margins of recruitment business will be impacted as it does not want to slow down on its investment in other business like zwayam, iimjobs, doselect, etc, which it plans to grow
- The company also indicated that since the non-IT business is growing strong it will focus on growing its business in tier II/III cities where it is witnessing more demand for jobs. Info Edge mentioned that it is currently servicing in 45 cities and planning to expand its reach to 100 cities especially in tier II cities in the medium term
- **On 99acres business:** The company mentioned that it has witnessed broad based growth in segments of resale, rental, commercial & new homes. Info Edge mentioned that demand in certain pockets remains high. The company also mentioned that traffic remains strong and it is witnessing traction in new home sales. Info Edge also mentioned that prices have stabilised but inventory is at the lowest level in the decade. The company mentioned that it expects new launches in both residential & commercial projects and indicated that new home sales will drive the growth in the real estate segment. Info Edge also mentioned that the competitive intensity remains high in this segment. Hence, the EBITDA loss narrowing trajectory would be gradual
- **On Jeevansathi business:** The company mentioned that the free chat model has increased the traffic and user engagement on its platform. Info Edge mentioned that it has gained increased traffic in north & west India. The company also mentioned that due to the free chat model it was able to reduce its marketing spends, which have aided in reducing the EBITDA loss. The company also mentioned that it launched a few paid products in December, which aided in revenue growth in Q4. Info Edge also mentioned that it is exploring opportunities to monetise the increase in traffic in the Jeevansathi business
- The company mentioned that it has invested 76% in aisle, a dating platform and it will double its investment there if it witnesses healthy traction in traffic
- **In Shiksha business:** The company added that Shiksha business witnessed traction due to rebound in domestic business and it expects the growth momentum to continue. Info Edge also mentioned that the studies abroad business is gaining traction and it plans to send 2k+ students abroad for education this year. The company mentioned that international business is still a small part of its education business but it could grow to a meaningful number in the medium term
- The company declared a final dividend of ₹ 9 per share and has fixed July 28, as record date for determining the eligible shareholders for payment of dividend. The company for FY23 declared a total dividend of ₹ 19 per share as dividend payout of ~60%. The company added that the dividend payout is as per its policy and it has not paid higher dividend or opted for buyback of shares as it wants to continue investing in the business for growth opportunities

Exhibit 1: P&L

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	564.0	565.7	455.5	23.8	555.2	1.6	Growth was aided by Jeevansaathi, Shiskha & 99acres which grew by 5%, 15.8% & 3.6% QoQ respectively while recruitment business reported a muted growth of 0.2% QoQ
Employee expenses	232.3	243.3	203.9	13.9	226.2	2.7	
Marketing expenses	70.3	76.4	96.7	-27.3	74.6	-5.8	marketing expenses declined due to continued lower marketing spend in 99acres & Jeevansaathi business
Network & other charges	12.9	12.4	8.5	52.3	11.1	16.5	
Other expenses	28.2	27.2	18.5	52.5	26.5	6.6	
EBITDA	220.3	206.5	128.0	72.1	216.8	1.6	
EBITDA Margin (%)	39.1	36.5	28.1	1096 bps	39.1	1 bps	EBITDA margins flat despite muted revenue growth due to lower marketing spend
Depreciation & amortisation	12.9	11.5	9.7	33.6	11.5	12.6	
EBIT	207.4	195.0	118.3	75.2	205.3	1.0	
EBIT Margin (%)	36.8	34.5	26.0	1079 bps	37.0	-22 bps	
Other income (less interest)	43.7	39.0	42.1	3.8	39.6	10.3	
PBT	251.1	234.0	160.4	56.5	244.9	2.5	
Tax paid	52.4	51.3	38.8	35.1	52.3	0.2	
PAT	178.9	181.7	120.7	48.3	-84.3	-312.4	Impairment of investment in 4B Networks during the quarter of ₹12 crore
APAT	197.7	181.7	120.7	63.8	191.7	3.1	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY24E			FY25E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,376	2,440	2.7	2,572	3,021	17.5	Increased revenue due to strong billing growth in recruitment business
EBITDA	829	949	14.5	872	1,190	36.5	
EBITDA Margin (%)	34.9	38.9	400 bps	33.9	39.4	550 bps	
Reported PAT	703	836	18.9	750	1,027	37.1	Profitability improvement on narrowing losses in 99 acres and jeevansaathi businesses
EPS (₹)	54.6	64.7	18.9	58.2	79.5	37.1	

Source: Company, ICICI Direct Research

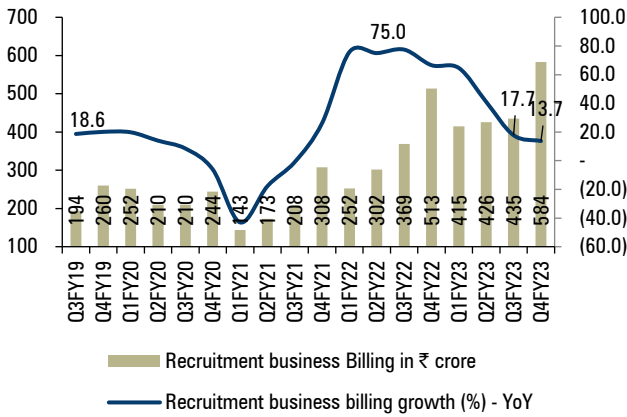
Exhibit 3: SOTP based valuation

New	Valuation Method	Basis	Multiple (x)	Valuation	₹/share
Business					
Recruitment Business	PE Method	FY25E EPS	35	35,959	2,787
99 Acres	EV/Sales	FY25E Revenues	7	2,770	215
Jeevansaathi & Other business	EV/sales	FY25E Revenues	2	396	31
Investee					
Zomato		14.02% stake	Mcap	8094	627
Other Business	P/BV		1	1120	87
Policybazaar		12.77% stake	Mcap	3475	269
Net Cash & financial investments				3490	271
Target Valuation				55304	4287
Rounded Off Target Price					4300

Source: Company, ICICI Direct Research

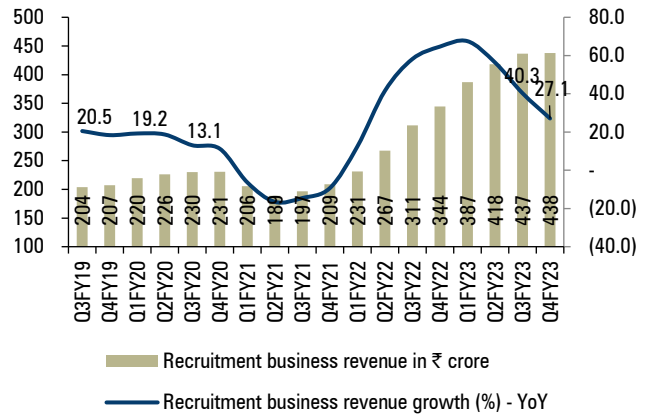
Key Metrics

Exhibit 4: IT sector slowdown impacts billings



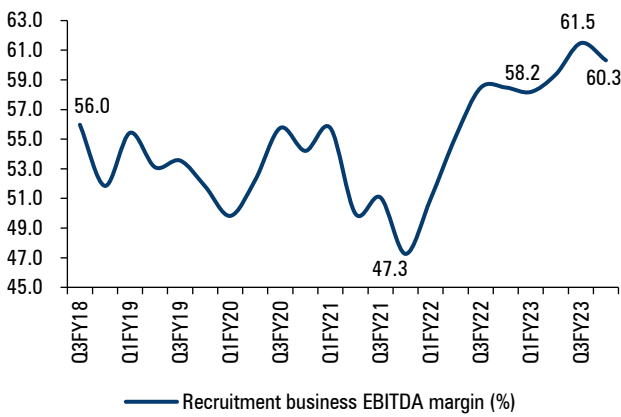
Source: Company, ICICI Direct Research

Exhibit 5: Revenue growth continue to decline



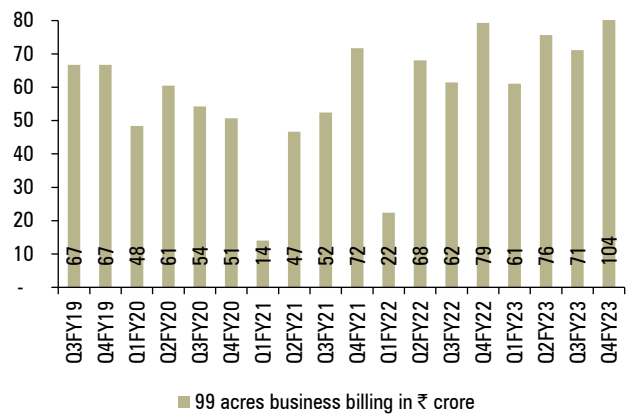
Source: Company, ICICI Direct Research

Exhibit 6: Impacting margins



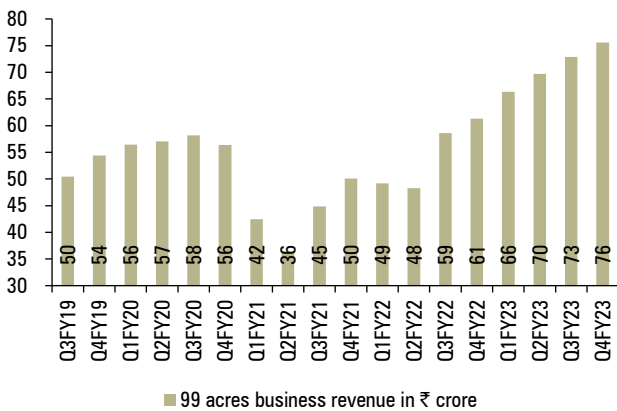
Source: Company, ICICI Direct Research

Exhibit 7: Billings in 99 acres grow in Q4



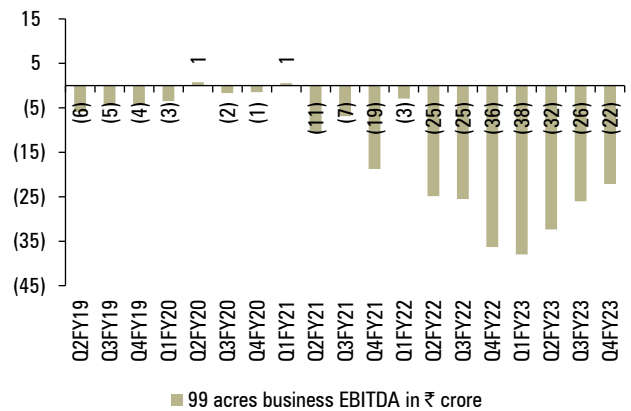
Source: Company, ICICI Direct Research

Exhibit 8: 99 acres revenue continues to grow



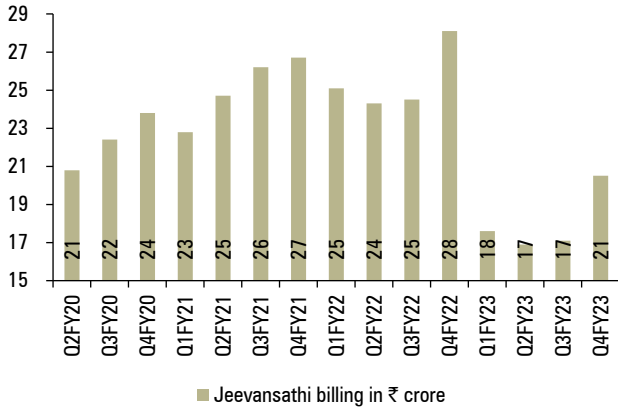
Source: Company, ICICI Direct Research

Exhibit 9: EBITDA losses continue to come down



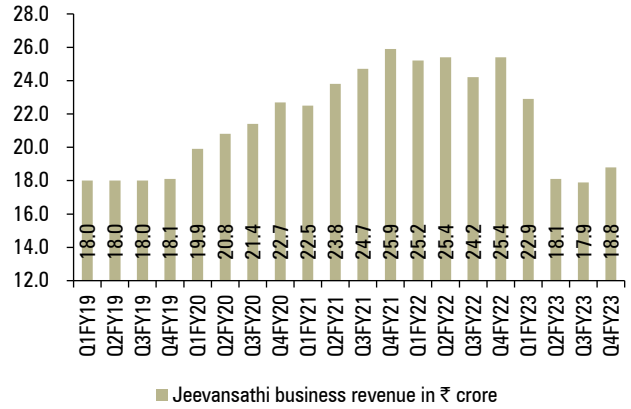
Source: Company, ICICI Direct Research

Exhibit 10: Jeevansathi billings pick up in Q4



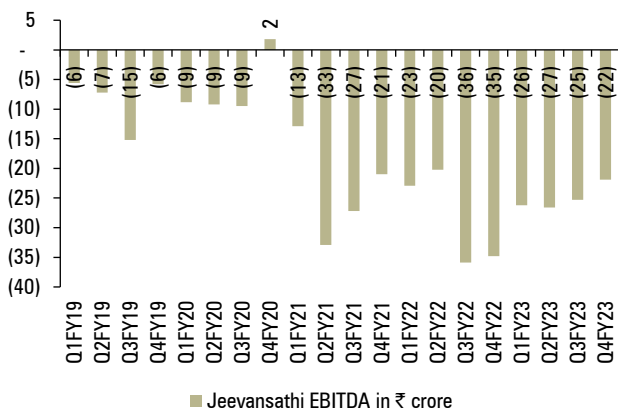
Source: Company, ICICI Direct Research

Exhibit 11: Revenues increase in Q4



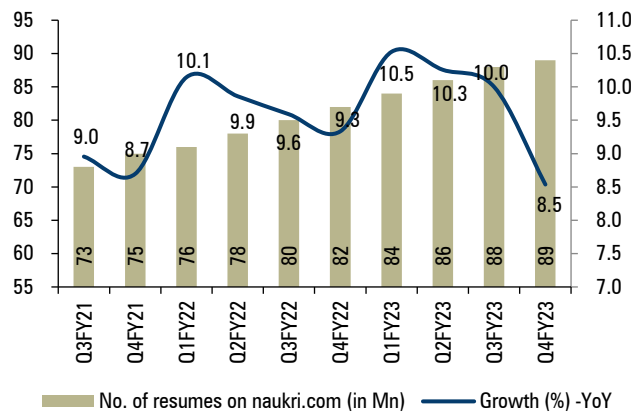
Source: Company, ICICI Direct Research

Exhibit 12: Jeevansathi loss also coming down



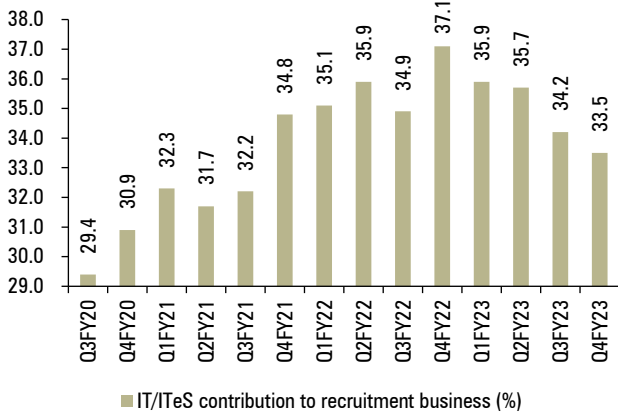
Source: Company, ICICI Direct Research

Exhibit 13: Number of resumes & YoY growth trend



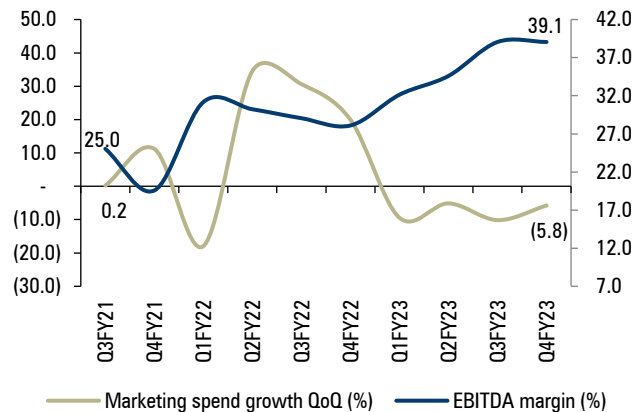
Source: Company, ICICI Direct Research

Exhibit 14: IT/ITeS contribution continues to decline



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)	FY22	FY23	FY24E	FY25E
Total operating Income	1,562	2,159	2,440	3,021
Growth (%)	39	38	13	24
Employee Expenses	703	909	1,013	1,254
Marketing Expenses	285	316	305	363
Network and Other Charg	30	45	51	63
Other Expenditure	70	105	122	151
EBITDA	474	784	949	1,190
Growth (%)	57	65	21	25
Depreciation	40	45	56	69
EBIT	434	739	893	1,121
Interest	5	4	5	6
Other Income	170	175	184	202
PBT	600	911	1,072	1,317
Total Tax	1,178	205	236	290
Reported PAT	8,933	411	836	1,027
Adjusted PAT	451	706	836	1,027
Growth (%)	51	57	18	23
Adjusted EPS (₹)	35.0	54.6	64.7	79.5

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit after Tax	8,933	411	836	1,027
Add: Depreciation	40	45	56	69
(Inc)/dec in Current Assets	(6)	(26)	(10)	(20)
Inc/(dec) in CL and Provisions	12	7	(111)	239
Others	272	(227)	(328)	(156)
CF from operating activit	725	788	599	1,160
(Inc)/dec in Investments	(692)	384	(392)	(754)
(Inc)/dec in Fixed Assets	(24)	(57)	(49)	(60)
Others	(339)	(464)	386	202
CF from investing activiti	(1,054)	(547)	(257)	(612)
Proceeds from fresh issue of s	0	0	0	0
Inc/(dec) in loan funds	0	2	-	-
Dividend & DDT	(206)	(193)	(293)	(308)
Others	(5)	(4)	(5)	(6)
CF from financing activiti	(224)	(214)	(317)	(333)
Net Cash flow	(553)	27	26	215
Exchange difference				
Opening Cash	639	132	224	250
Closing Cash	132	224	250	464

Source: Company, ICICI Direct Research

Exhibit 18: Balance sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Liabilities				
Equity Capital	129	129	129	129
Reserve and Surplus	13,843	10,797	11,341	12,060
ESOP	-	-	-	-
Secured Loan	0	1	1	1
Minority interest	-	-	-	-
Other non-current liabilities:	32	68	68	68
Sources of funds	14,004	10,996	11,539	12,259
Assets				
Gross Block	273	385	452	532
Less: Acc Depreciation	186	230	286	356
Net Block	88	154	166	176
Capital WIP	-	-	-	-
Net Intangible assets	3	17	17	17
Other Investments	-	-	-	-
Liquid Investments	441	755	755	755
Inventory	-	-	-	-
Debtors	8	9	10	13
Loans and Advances	-	-	-	-
Cash	132	224	250	464
Other Current Assets	2,522	2,141	2,150	2,167
Other Non-Current Assets	11,896	8,975	9,367	10,121
Creditors	104	81	91	113
Provisions	79	84	80	99
Other current liabilities	902	1,114	1,003	1,242
Net Current Assets	2,018	1,850	1,990	1,945
Application of Funds	14,004	10,996	11,539	12,259

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
Reported EPS	35.0	54.6	64.7	79.5
Cash EPS	696.7	35.3	69.1	84.9
BV	1,084.9	845.8	887.9	943.6
DPS	13.0	19.0	22.7	23.9
Cash Per Share	10.3	17.4	19.3	36.0
Operating Ratios (%)				
EBITDA Margin	30.4	36.3	38.9	39.4
EBIT Margin	27.8	34.3	36.6	37.1
PAT Margin	28.8	32.7	34.3	34.0
Debtor days	2	2	2	2
Creditor days	24	14	14	14
Return Ratios (%)				
RoE	3.2	6.5	7.3	8.4
RoCE	4.3	8.3	9.3	10.8
RoIC	3.2	7.4	8.5	10.2
Valuation Ratios (x)				
P/E	6.1	131.9	64.8	52.8
EV / EBITDA	108.0	67.9	56.1	44.5
EV / Net Sales	32.8	24.7	21.8	17.5
Market Cap / Sales	34.7	25.1	22.2	18.0
Price to Book Value	3.9	5.0	4.7	4.4
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.3	1.7	1.8	1.5
Quick Ratio	2.3	1.7	1.8	1.5

Source: Company, ICICI Direct Research

Exhibit 20: ICICI Direct coverage universe (IT)

Company Name	CMP	TP (₹)	Rating	Mcap (₹)	EPS (₹)			P/E			RoCE (x)			RoE(x)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
HCL Tech (HCLTEC)	1,139	1,220	BUY	3,09,086	54.8	58.7	64.4	20.8	19.4	17.7	27.1	28.4	30.6	22.7	23.2	24.8
Infosys (INFTEC)	1,317	1,600	BUY	5,51,308	57.6	64.5	73.1	22.9	20.4	18.0	38.5	37.8	39.3	31.8	32.5	33.4
TCS (TCS)	3,329	3,720	BUY	12,18,098	115.2	129.6	143.1	28.9	25.7	23.3	56.0	54.6	52.4	46.6	45.6	43.3
Tech M (TECMAH)	1,115	900	Reduce	1,08,469	54.8	58.3	68.3	20.3	19.1	16.3	20.5	21.0	22.2	17.3	18.3	19.2
Wipro (WIPRO)	401	420	HOLD	2,19,799	20.7	22.2	26.4	19.4	18.1	15.2	15.8	14.5	15.2	14.5	13.6	14.0
LTIM (LTINFO)	5,001	5,320	BUY	1,47,928	148.8	175.0	213.4	33.6	28.6	23.4	32.4	32.5	34.2	26.6	27.0	28.3
Coforge (NIITEC)	4,467	4,725	BUY	27,206	111.5	165.0	189.4	40.1	27.1	23.6	27.9	30.3	29.9	22.5	28.1	27.4
TeamLease (TEASER)	2,235	2,370	HOLD	3,821	65.1	72.5	94.5	34.3	30.8	23.7	14.7	13.8	15.2	13.3	13.1	14.6
Infoedge (INFEDG)	4,198	4,300	HOLD	52,758	54.8	64.7	79.5	76.6	64.8	52.8	8.3	9.3	10.8	6.5	7.3	8.4

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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