

CMP: ₹ 5441

Target: ₹ 6270 (15%)

Target Period: 12 months

August 17, 2021

BUY

## Recruitment to drive growth in coming quarters...

**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
- Prudent capital allocation and recruitment business EBITDA margin >50%

**Q1FY22 Results:** Info Edge reported robust Q1FY22 results.

- Revenues increased 10.2% QoQ & 14.1% YoY to ₹ 319.7 crore
- EBITDA margin increased from 18.3% in Q4FY21 to 31.2%
- Billing increased 67% YoY (down 24% QoQ) to ₹ 314 crore

**What should investors do?** Info Edge's share price has grown by ~6x over the past five years (from ~₹ 833 in August 2016 to ~₹ 5,441 levels in August 2021).

- We continue to remain positive and retain our BUY rating on the stock

**Target Price and Valuation:** We value Info Edge at ₹ i.e. 6270 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
- Lower interest rate & affordability is expected to drive 99acres revenues. Traction in Jeevansathi, Shiksha to further drive revenues
- Expect revenues to grow at a CAGR of 28.8% over FY21-23E

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

- Key beneficiary of formalisation of economy and underpenetrated temp staffing market
- BUY with a target price of ₹ 4,550

# infoedge

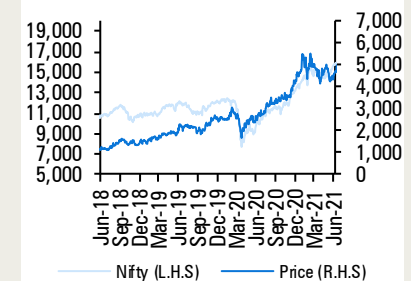
### Particulars

Particular	Amount
Market Cap(₹ Crore)	70,495.2
Total Debt (₹ Crore)	0.1
Cash and Invests (₹ Crore)	3,650.0
EV (₹ Crore)	66,845.3
52 week H/L	5876/ 3220
Equity capital	128.5
Face value	₹ 10

### Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	38	38	38	38
FII	39	41	39	38
DII	13	11	11	13
Public	10	10	11	11

### Price Chart



### Recent event & key risks

- Billing remain robust
- **Key Risk:** (i) Deceleration in Naukri revenues, (ii) Higher than expected marketing expenses.

### Research Analyst

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## Key Financial Summary

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Net Sales	1,098	1,273	1,099	8.9%	1,494	1,874	30.6%
EBITDA	341	403	277	15.4%	477	708	59.7%
EBITDA margins (%)	31.1	31.6	25.3		31.9	37.8	
Net Profit	315	329	274	17.0%	480	660	55.1%
EPS (₹)	25.9	26.8	21.2		37.1	51.0	
P/E	210.3	203.1	260.2		146.7	106.8	
RoNW (%)	13.6	13.5	6.0		9.9	12.6	
RoCE (%)	18.6	18.0	7.7		13.1	16.7	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q1FY22 Earnings Conference Call highlights

- InfoEdge reported robust Q1FY22 numbers that were above our estimates. Revenues increased 10.2% QoQ mainly led by 12.0% QoQ increase in recruitment revenues and 16.2% QoQ increase in other revenues
- EBITDA margins increased from 18.3% in Q4FY21 to 31.2% in Q1FY22 mainly led by lower advertising expenses, network and other expenses
- Naukri reported a revenue increase of 11.2% YoY (up 12.0% QoQ) to ₹ 222.6 crore while margins declined 431 bps YoY (up 592 bps QoQ) to 52.9%. Billings in Naukri increased 73.6% YoY (down 18.3% QoQ) in Q1FY22. 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 is witnessing a healthy improvement in billing led by improvement IT and ITeS segment (~50-55% of revenues), higher renewals, new customer addition, higher demand from job seeker, higher branding and pricing improvement. Info Edge expects Q2FY22E and Q3FY22E to witness robust billing growth (above FY20 billing) led by a revival of postponed billing renewal. This coupled with IIMjobs, higher growth in non IT business, mobile branding solution and software led approach to further boost revenues. 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
- **99acres:** Revenues increased 15.8% YoY (down 1.8% QoQ) to ₹ 49.2 crore while the company made losses at the EBITDA level. The company has also seen healthy growth in billing on YoY terms (up 60% YoY) due to low base. However, billing was down 69% QoQ. 99 Acres was impacted by the second wave but has seen green shoots in June. Improvement in home visit, higher rental market and increase in broker listing to drive growth. The company believes real estate is better placed now compared to five years ago and is expected to witness healthy traction led by desire for bigger homes
- **Jeevansathi:** Jeevansathi reported revenues of ₹ 25.2 crore (growth of 12.0% 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 expects a recovery in coming quarters as north and west (commands 20-25% market share) recovers and will continue to focus on the north & west
- **Shiksha:** Shiksha reported revenue of ₹ 22.6 crore (up 51.7% 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 is also expected to drive growth
- **Other businesses:** The company is seeing healthy traction in Gramophone, Shop kirana and Shipsy. Info Edge has made investment in healthcare start-ups but believes it is hard to drive growth
- **QIP:** The company is still evaluating investments

**Exhibit 1: Variance Analysis**

	Q1FY22	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	Comments
Revenue	319.7	286.1	280.1	14.1	290.0	10.2	Revenues increased QoQ led by 12.0% QoQ increase in recruitment revenues and 16.2% increase in other revenues
Employee expenses	151.8	148.8	129.7	17.0	151.5	0.2	
Marketing expenses	45.9	54.9	25.6	79.3	55.7	-17.7	
Network & other charges	6.3	6.9	5.5	13.6	7.1	-11.4	
Other expenses	16.1	23.2	14.8	9.0	22.6	-28.7	
EBITDA	99.7	52.3	104.6	-4.7	53.2	87.4	
EBITDA Margin (%)	31.2	18.3	37.3	-614 bps	18.3	1284 bps	Lower advertising and other expenses boosted margins
Depreciation & amortisation	10.3	10.6	11.1	-7.3	10.6	-2.3	
EBIT	89.4	41.8	93.4	-4.3	42.6	109.6	
EBIT Margin (%)	28.0	14.6	33.4	-540 bps	14.7	1325 bps	
Other income (less interest)	41.0	35.8	20.3	102.1	40.6	0.8	
PBT	130.3	77.6	113.7	14.6	83.3	56.5	
Tax paid	28.1	18.8	29.0	-3.1	12.0	133.8	
PAT	101.0	57.3	83.2	21.3	66.7	51.4	
APAT	101.0	57.3	83.2	21.3	69.9	44.4	PAT was above our estimates due to higher-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	1,453	1,494	2.8	1,821	1,874	2.9	We expect shift of advertising to online medium to drive long term growth in the company
EBITDA	458	477	4.1	686	708	3.2	
EBITDA Margin (%)	31.5	31.9	38 bps	37.7	37.8	11 bps	Margins to stabilise at 38% in FY23E
Reported PAT	468	480	2.6	635.0	660	3.9	
EPS (₹)	36.2	37.1	2.6	49.1	51.0	3.9	

Source: Company, ICICI Direct Research

**Exhibit 3: SOTP based valuation**

	<b>Valuation Method</b>	<b>Basis</b>	<b>Multiple (x)</b>	<b>Valuation</b>	<b>₹/share</b>
<b>Business</b>					
Recruitment Business	PE Method	FY23E EPS	75	49728	3869.2
99 Acres	EV/Sales	FY23E Revenues	14	4229	329.1
Jeevansathi & Other busin	EV/sales	FY23E Revenues	5	1088	84.6
<b>Investee</b>					
Zomato		15.23% stake		12080	939.9
Other Business	P/BV		7	2775	215.9
Policybazaar		15.1% stake		6741	524.5
Net Cash & financial investments				3936	306.2
<b>Target Valuation</b>				<b>80576</b>	<b>6269</b>
<b>Rounded Off Target</b>					<b>6270</b>
<b>Price</b>					<b>6270</b>

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	1,273	1,099	1,494	1,874
Growth (%)	16	(14)	36	25
Employee Expenses	540	549	625	673
Marketing Expenses	204	182	247	309
Network and Other Charge	23	25	25	32
Other Expenditure	103	65	121	152
<b>EBITDA</b>	<b>403</b>	<b>277</b>	<b>477</b>	<b>708</b>
Growth (%)	18	(31)	72	49
Depreciation	41	44	44	46
EBIT	361	234	433	662
Interest	7	6	6	6
Other Income	88	119	210	220
PBT	442	347	637	876
Total Tax	113	73	157	216
<b>Reported PAT</b>	<b>206</b>	<b>271</b>	<b>480</b>	<b>660</b>
<b>Adjusted PAT</b>	<b>329</b>	<b>274</b>	<b>480</b>	<b>660</b>
Growth (%)	4	(17)	75	37
Adjusted EPS (₹)	26.8	21.2	37.1	51.0

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Profit after Tax</b>	<b>206</b>	<b>271</b>	<b>480</b>	<b>660</b>
Add: Depreciation	43	44	44	46
(Inc)/dec in Current Assets	(1)	(2)	(10)	(10)
Inc/(dec) in CL and Provisions	(13)	15	205	197
Others	(58)	(25)	(159)	(171)
<b>CF from operating activities</b>	<b>302</b>	<b>285</b>	<b>560</b>	<b>723</b>
(Inc)/dec in Investments	679	(1,925)	155	(342)
(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>341</b>	<b>(146)</b>
Proceeds from fresh issue of s	0	-	(0)	(0)
Inc/(dec) in loan funds	(0)	1,829	-	-
Dividend & DDT	(118)	-	(192)	(264)
Others	(0)	(6)	(6)	(6)
<b>CF from financing activities</b>	<b>(142)</b>	<b>1,806</b>	<b>(215)</b>	<b>(287)</b>
Net Cash flow	357	208	686	290
Exchange difference				
Opening Cash	70	427	635	1,321
<b>Closing Cash</b>	<b>427</b>	<b>635</b>	<b>1,321</b>	<b>1,611</b>

Source: Company, ICICI Direct Research

Exhibit 6: 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	4,724	5,119
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>4,897</b>	<b>5,293</b>
<b>Assets</b>				
Gross Block	235	249	290	332
Less: Acc Depreciation	106	146	189	235
Net Block	128	103	101	96
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	1,321	1,611
Other Current Assets	615	2,353	2,361	2,369
Other Non-Current Assets	1,674	2,206	2,051	2,392
Creditors	60	60	82	103
Provisions	55	66	90	113
Other current liabilities	508	570	776	973
Net Current Assets	682	2,296	2,742	2,801
<b>Application of Funds</b>	<b>2,489</b>	<b>4,609</b>	<b>4,897</b>	<b>5,293</b>

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per share data (₹)</b>				
Reported EPS	26.8	21.2	37.1	51.0
Cash EPS	20.1	24.3	40.4	54.5
BV	198.0	352.3	374.9	405.5
DPS	6.0	8.0	14.8	20.4
Cash Per Share	34.8	49.0	102.1	124.5
<b>Operating Ratios (%)</b>				
EBITDA Margin	31.6	25.3	31.9	37.8
EBIT Margin	28.4	21.3	29.0	35.3
PAT Margin	25.8	25.0	32.1	35.2
Debtor days	2	2	2	2
Creditor days	17	20	20	20
<b>Return Ratios (%)</b>				
RoE	13.5	6.0	9.9	12.6
RoCE	18.0	7.7	13.1	16.7
RoC	20.0	5.9	12.1	18.0
<b>Valuation Ratios (x)</b>				
P/E	203.1	260.2	146.7	106.8
EV / EBITDA	173.3	251.8	145.1	97.3
EV / Net Sales	54.9	63.6	46.3	36.8
Market Cap / Sales	55.4	64.2	47.2	37.6
Price to Book Value	27.5	15.4	14.5	13.4
<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	2.5	2.0
Quick Ratio	1.0	3.4	2.5	2.0

Source: Company, ICICI Direct Research

Exhibit 7 : ICICI Direct coverage universe (IT)

Company	Cmp (₹)	TP (₹)	Rating	Mcap (₹ Cr)	EPS (₹)				P/E (x)				RoCE (%)				RoE (%)			
					FY20	FY21	FY22E	FY23E	FY20	FY21	FY22 E	FY23 E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
HCL Tech (HCLTEC)	1,123	1,110	Hold	3,04,639	40.8	45.8	50.6	60.9	28	25	22	18	23.0	23.5	24.1	25.7	21.6	20.8	20.5	21.4
Infosys (INFTEC)	1,704	1,825	Buy	7,25,833	38.9	45.5	54.8	64.3	44	37	31	27	30.8	31.7	34.0	37.0	25.2	25.2	27.8	30.3
TCS (TCS)	3,467	3,800	Buy	12,82,790	86.2	86.7	108.3	127.2	40	40	32	27	44.4	45.9	50.9	54.0	38.4	37.5	43.0	45.3
Tech M (TECMAH)	1,373	1,375	Buy	1,08,994	59.5	50.2	64.7	74.6	23	27	21	18	18.3	19.8	22.8	23.7	17.5	17.8	20.4	20.8
Wipro (WIPRO)	614	670	Hold	3,36,598	16.6	19.1	21.1	25.7	37	32	29	24	19.3	21.3	22.8	27.5	17.4	19.5	21.6	26.3
Mindtree (MINCON)	2,909	3,065	Buy	47,945	38.3	67.4	81.1	95.8	76	43	36	30	23.0	32.5	33.1	33.1	20.0	25.7	25.9	25.7
LTI (LTINFC)	4,788	5,065	Buy	83,656	86.6	110.3	125.4	145.5	55	43	38	33	30.7	31.9	30.9	30.6	28.1	26.5	25.7	25.4
Coforge (NIITEC)	4,784	5,500	Hold	28,992	71.4	73.3	106.3	139.1	67	65	45	34	23.0	23.3	26.8	29.8	18.5	18.5	23.4	26.2
Infoedge (INFEDG)	5,441	6,270	Buy	70,495	26.8	21.2	37.1	51.0	203	257	147	107	18.0	7.7	13.1	16.7	13.5	6.0	9.9	12.6
Teamlease (TEASER)	4,093	4,550	Buy	6,998	20.5	45.3	68.9	100.3	200	90	59	41	15.0	14.2	16.4	19.8	6.5	11.6	15.8	18.6

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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