

Estimate change



TP change



Rating change



Bloomberg	INFOE IN
Equity Shares (m)	104
M.Cap.(INRb)/(USDb)	571.6 / 7.2
52-Week Range (INR)	7463 / 3314
1, 6, 12 Rel. Per (%)	5/-6/-27
12M Avg Val (INR M)	2347

Financials & Valuations (INR b)

Y/E Mar	2022	2023E	2024E
Sales	15.4	22.0	26.2
EBITDA	4.5	6.9	8.0
PAT	89.1	6.4	7.6
EPS (INR)	34.1	49.5	58.4
EPS Gr. (%)	59.4	45.3	18.0
BV/Sh. (INR)	1,086.0	1,135.9	1,194.8

Ratios

RoE (%)	4.8	4.3	4.7
RoCE (%)	4.5	4.2	4.7
Payout (%)	61.6	50.0	50.0

Valuations

P/E (x)	130.0	89.4	75.8
P/BV (x)	4.1	3.9	3.7

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	38.1	38.2	38.4
DII	16.4	15.7	13.3
FII	32.9	34.1	37.9
Others	12.6	12.1	10.4

FII Includes depository receipts

CMP: INR4,431
TP: INR4,060 (-8%)
Neutral

Strong billing growth to continue, valuations full

Slowdown in IT hiring remains the main concern

- INFOE delivered a strong revenue growth in 1QFY23, with a standalone revenue growth of 59% YoY (est. 54%) on better than expected performance in 99acres (up 35%). EBITDA margin rose 400bp QoQ to 32.1% (est. 28.3%) due to lower ad spends (300bp impact) in Jeevansathi, where it has initiated a change in its business model to free from paid services. 1QFY23 saw continued momentum in billings (up 62% YoY to INR5.2b), ahead of our estimate, led by Naukri (up 65%).
- The management indicated continued strength in the Naukri business over the near term, although the demand slowdown in the IT sector remains a key risk, given its 60% contribution to revenue. We expect the Recruitment vertical to maintain its strong revenue growth in FY23 on the back of elevated billing, which should drive a revenue CAGR of 30% over FY22-24.
- INFOE should see good growth traction in 99acres on a high multi-year demand for Real Estate in India. Growth will continue to be driven by elevated marketing spends on account of multiple players in the market. This will result in continued losses over the next few years, before 99acres reaches critical scale to be profitable.
- We expect standalone revenue/APAT to clock 31% CAGR over FY22-24, driven by strong acceleration in the Naukri business.
- We continue to see a good long-term growth opportunity in its operating entities, with a margin improvement, as scale benefits are seen over the next few years. The current valuations fairly price in its growth outlook.
- We value its operating entities using the DCF valuation. Our SoTP-based valuation indicates a TP of INR4,060. We maintain our **Neutral** rating.

Billing growth in Naukri remains robust

- Billings grew 62% YoY to INR5.25b in 1QFY23, led by Recruitment Solutions/ 99acres (up 65%/173% v/s our estimate of 60%/100% growth) and Shiksha (up 31%).
- Standalone revenue grew 59% YoY to INR5.16b (est. 54%) on the back of a stronger growth in 99acres (up 35%).
- EBITDA margin rose 400bp QoQ to 32.1% (est. 28.3%).
- Margin was aided by lower ad spends (down 10% QoQ, 300bp impact).
- EBITDA margin in Naukri was in line at 59.6% (down 50bp QoQ), while the operating loss percentage in 99acres improved by 240bp.
- PAT grew 47% YoY to INR1.48b (est. INR1.34b).

Highlights from the management commentary

- **Recruitment:** Hiring in IT slowed down a bit, but remains strong on the back of elevated fresher hiring and attrition. Non-IT recruitment is returning, with clients are hiring in large numbers, given the recovery in Travel, Hospitality, Education and Retail sectors. The company is realizing better prices, and there is strong demand across sectors.
- **Real Estate:** While the market will grow at a higher rate, the competitive intensity is also high. The management continues to invest on marketing expenses within 99acres to establish leadership. It continues to spend on advertising and promotion to maintain its market share as competition spent a huge amount on marketing.

Valuations and view

- With the expectation of additional jobs (on pent-up demand) and a rebound in Real Estate demand, we expect 30% revenue CAGR over FY22-24.
- With the management investing prudently, some of INFOE's current investments should scale up over the medium-to-long term, further contributing to the group's valuation.
- We individually value INFOE's group entities using a DCF-based valuation. Our SoTP-based TP stands at INR4,060. **We maintain our Neutral rating.**

Standalone quarterly performance

(INR m)

Y/E March	FY22				FY23E				FY22	FY23E	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Revenue	3,197	3,517	4,161	4,555	5,077	5,383	5,702	5,855	15,430	22,017	4,923	3.1
YoY (%)	14.1	37.3	52.8	51.6	58.8	53.1	37.0	28.5	39.1	42.7	54.0	480bp
Salary costs	1,518	1,605	1,868	2,039	2,244	2,418	2,536	2,576	7,030	9,775	2,242	0.1
Ad. and Promotion costs	459	617	806	967	876	996	1,026	1,054	2,849	3,952	985	-11.1
Other Expenses	223	232	278	270	326	334	354	363	1,003	1,376	305	6.7
EBITDA	997	1,063	1,209	1,280	1,631	1,635	1,786	1,862	4,549	6,914	1,391	17.2
EBITDA Margin (%)	31.2	30.2	29.1	28.1	32.1	30.4	31.3	31.8	29.5	31.4	28.3	390bp
Depreciation	103	99	99	97	99	108	114	117	398	438	103	-4.3
EBIT Margin (%)	28.0	27.4	26.7	26.0	30.2	28.4	29.3	29.8	26.9	29.4	26.2	400bp
Other Income	410	440	428	421	419	458	513	527	1,699	1,916	468	-10.5
PBT bef. Extra-ordinary items	1,290	1,392	1,527	1,595	1,942	1,974	2,174	2,260	5,804	8,350	1,741	11.5
Provision for Tax	281	377	342	388	457	454	500	520	1,387	1,931	400	14.2
ETR (%)	21.7	27.1	22.4	24.3	23.6	23.0	23.0	23.0	23.9	23.1	23.0	60bp
PAT bef. Minority items	1,010	83,557	3,364	1,207	1,484	1,520	1,674	1,740	89,137	6,419	1,340	10.7
EOI	0	82,542	2,178	0	0	0	0	0	84,720	0	0	
Adjusted PAT	1,010	1,015	1,185	1,207	1,484	1,520	1,674	1,740	4,417	6,419	1,340	10.7
QoQ (%)	38.5	0.6	16.8	1.8	23.0	2.4	10.1	3.9			11.1	
YoY (%)	21.3	98.5	69.7	65.6	47.0	49.7	41.2	44.2	63.2	45.3	32.8	
EPS (INR)	7.8	7.8	8.6	9.3	11.5	11.8	12.9	13.5	34.1	49.5	10.4	10.9

Key performance indicators

Y/E March	FY22				FY23				FY22
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Operating metrics									
Headcount	4,489	4,460	4,469	4,805	5,107				4,805
Naukri – Revenue per unique customer	38,808	39,447	45,145	47,764	51,019				94,434
99acres – Listings (k)	894	1,469	1,082	1,081	1,109				4,376
Revenue (YoY %)									
Recruitment	11%	40%	64%	73%	74%				45%
99acres	16%	33%	31%	22%	35%				25%



Highlights from the management commentary

Recruitment

- The overall job market is very strong and driven by both IT and non-IT.
- Hiring in IT slowed down a bit but still remained strong on the back of elevated fresher hiring and attrition.
- Non-IT recruitment is coming back, and clients are hiring in large numbers with Travel, Hospitality, education and Retail recovering.
- Any moderation in demand for IT due to US recessionary trends would impact revenues. There is strong demand for Non-IT jobs in US especially retail, hospitality and travel.
- The company is realizing better prices and there is strong demand across sectors.
- Naukri B2B billings were up 80% YoY.

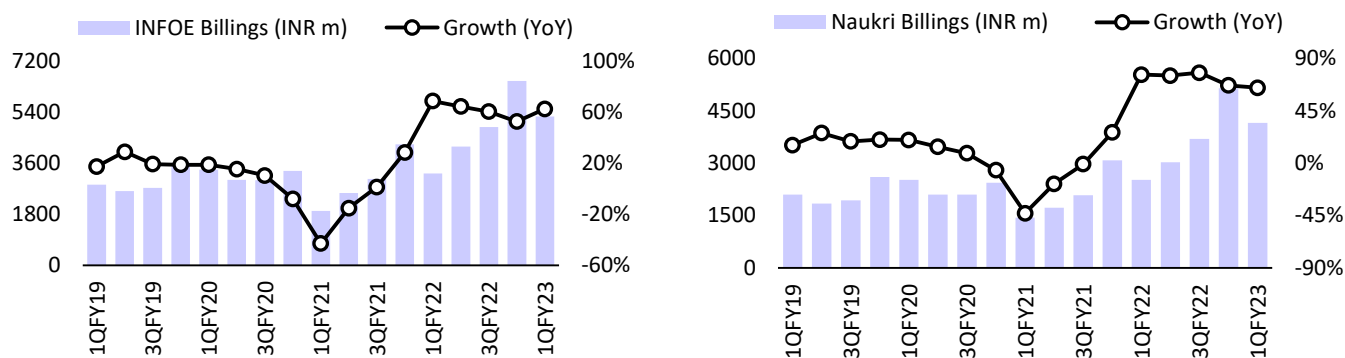
Real Estate

- There was continued business momentum in 99acres and the company is seeing higher demand for new homes.
- The real estate market is in good shape and demand and prices are increasing.
- The demand for Affordable housing remains strong.
- Strong demand continued in rentals. Commercial properties are also seeing good demand.
- There are a lot of new projects opening up despite of increase in interest rates.
- While the market will grow at a high rate, competitive intensity is also high. The management continues to invest in marketing expenses within 99acres to establish leadership.
- The company continued to spend in advertisement and promotion to maintain the market share as competition spent huge amount of money in marketing.
- Expect advertisement costs to be at elevated levels for some time before moderating.

Other highlights

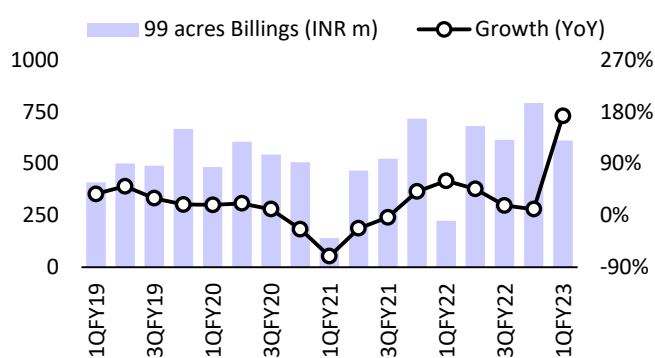
- The management does not have any plans to liquidate investments in Zomato and Policy Bazar.
- Jeevansathi business saw good engagement and traffic as it made its chat feature free. The company plans to keep it free for long term even with hit on revenue to capture the market and get network effect going. With this strategy it is looking to cut back in marketing spends.

Exhibit 1: Overall/Recruitment post strong billings



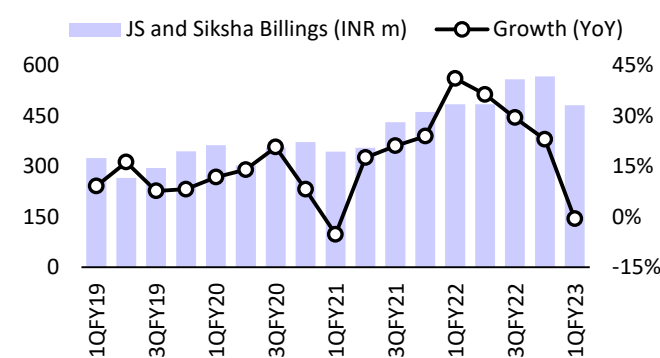
Source: Company, MOFSL

Exhibit 2: Billings improve substantially YoY on a low base



Source: MOFSL, Company

Exhibit 3: Billing from JS and Siksha flat YoY



Source: MOFSL, Company

Exhibit 4: SoTP-based TP at INR4,060/share

Segment	Methodology	Methodology description	Valuation towards INFOE (INR b)	Contribution (INR per share)
Naukri	DCF	❖ Estimate 16% revenue CAGR and 16% EBIT CAGR over FY21-34. Our WACC/terminal growth estimate stands at 12%/6%	319	2,460
99acres.com	DCF	❖ Estimate 23% revenue CAGR over FY21-34. Our WACC/terminal growth estimate stands at 12%/7%	47	369
Zomato.com	Market valuation	❖ Factoring in current market valuation	75	576
Policybazaar.com	Market valuation	❖ Factoring in current market valuation	34	265
Jeevansathi.com and other	Multiples	❖ 7x FY24E EV/sales	16	121
Other investee companies			9	70
Cash on the books			26	199
Total				4,060

Source: MOFSL, Company

Exhibit 5: Revisions to our estimates

Standalone business	Revised estimate		Earlier estimate		Change (%/bp)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue (INR m)	22.0	26.2	21.0	24.4	4.7	7.8
YoY (%)	42.7	19.2	36.3	15.8	640bp	340bp
EBITDA (%)	31.4	30.7	29.1	29.3	230bp	130bp
EBIT (%)	29.4	28.7	27.0	27.2	240bp	140bp
EPS (INR)	49.5	58.4	45.5	54.2	8.8	7.9

Source: MOFSL, Company

Valuation and view

- With the expectation of additional jobs (on pent-up demand) and a rebound in Real Estate demand, we expect 30% revenue CAGR over FY22-24.
- With the management investing prudently, some of INFOE's current investments should scale up over the medium-to-long term, further contributing to the group's valuation.
- We individually value INFOE's group entities using DCF-based valuation. Our SoTP-based TP stands at INR4,060/share. **We maintain our Neutral rating.**

Financials and valuations

Income Statement (INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Sales	8,021	9,155	10,983	12,727	11,091	15,430	22,017	26,247
Change (%)	11.8	14.1	20.0	15.9	-12.9	39.1	42.7	19.2
Employee expense	3,751	3,931	4,586	5,396	5,528	7,030	9,775	11,609
Advertising cost	881	1,164	1,757	2,044	1,819	2,849	3,952	4,987
Other expense	1,114	1,088	1,226	1,260	913	1,003	1,376	1,601
EBITDA	2,276	2,973	3,413	4,028	2,831	4,549	6,914	8,051
As a percentage of Net Sales	28.4	32.5	31.1	31.6	25.5	29.5	31.4	30.7
Depreciation	241	215	204	414	438	398	438	525
Interest	1	1	1	67	57	46	43	52
Other Income	625	971	1,112	876	1,188	1,699	1,916	2,362
PBT	2,659	3,728	4,320	4,423	3,524	5,804	8,350	9,835
Tax	575	991	1,169	1,133	753	1,387	1,931	2,262
Rate (%)	21.6	26.6	27.1	25.6	21.4	23.9	23.1	23.0
Adjusted PAT	2,085	2,737	3,151	3,290	2,771	4,417	6,419	7,573
Extraordinary Items	-40	-913	-334	-1,233	-32	84,720	0	0
Reported PAT	2,045	1,824	2,817	2,057	2,739	89,137	6,419	7,573
Change (%)	63.3	-10.8	54.5	-27.0	33.2	NA	-92.8	18.0

Balance Sheet

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	1,211	1,216	1,220	1,223	1,285	1,287	1,287	1,287
Reserves	18,620	19,859	22,019	23,094	44,357	1,38,434	1,44,853	1,52,426
Net Worth	19,831	21,074	23,239	24,317	45,642	1,39,721	1,46,140	1,53,713
Loans	52.3	44.0	46.0	568.7	449.1	11,115.9	11,115.9	11,115.9
Capital Employed	19,883	21,118	23,285	24,885	46,091	1,50,837	1,57,256	1,64,829
Gross Block	1,723	1,866	2,109	3,279	3,462	3,788	4,108	4,428
Less: Depreciation	1,121	1,337	1,540	1,954	2,391	2,796	3,243	3,725
Net Block	602	529	569	1,325	1,072	992	865	703
CWIP	0	0	0	0	0	0	0	0
Investments	8,371	10,720	12,857	16,404	21,694	1,29,751	1,29,751	1,29,751
Curr. Assets	15,188	15,028	15,984	13,381	30,293	31,032	40,161	49,433
Current Investments	2,162	11,456	3,400	2,554	0	4,409	4,409	4,409
Debtors	75	44	60	70	54	79	109	122
Cash	11,280	1,458	1,052	4,275	6,351	1,323	2,919	8,228
Loans and Advances	247	0	0	0	0	0	0	0
Other Current Assets	1,424	2,070	11,472	6,482	23,888	25,220	32,724	36,674
Current Liab. and Prov.	4,278	5,159	6,125	6,225	6,968	10,854	13,522	15,058
Current Liabilities	3,862	4,703	5,628	5,676	6,306	10,061	12,729	14,266
Provisions	416	456	496	549	662	793	793	793
Net Current Assets	10,910	9,869	9,860	7,156	23,325	20,178	26,639	34,375
Application of Funds	19,883	21,118	23,285	24,885	46,091	1,50,921	1,57,256	1,64,829

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	16.9	14.9	22.9	16.7	21.5	34.1	49.5	58.4
Cash EPS	19.2	24.1	27.3	30.1	25.2	37.2	52.9	62.5
Book Value	163.8	173.4	190.8	199.4	361.6	1,086.0	1,135.9	1,194.8
DPS	3.0	5.5	6.0	6.0	8.0	21.0	24.8	29.2
Payout (%)	17.8	37.0	26.2	35.9	37.7	61.6	50.0	50.0
Valuation (x)								
P/E	262.6	298.1	193.1	265.2	205.7	130.0	89.4	75.8
Cash P/E	230.9	184.1	162.1	147.3	175.6	119.2	83.7	70.9
EV/EBITDA	247.4	192.6	167.9	141.6	200.7	128.4	84.2	71.7
EV/Sales	70.2	62.6	52.2	44.8	51.2	37.8	26.4	22.0
Price/Book Value	27.0	25.5	23.2	22.2	12.3	4.1	3.9	3.7
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.2	0.5	0.6	0.7
Profitability Ratios (%)								
RoE	10.0	13.4	14.2	13.8	7.8	4.8	4.3	4.7
RoCE	11.1	13.4	14.2	13.9	7.9	4.5	4.2	4.7
RoIC	-91.1	-91.1	135.3	70.5	18.8	18.9	28.0	27.2
Turnover Ratios								
Debtors (Days)	3	2	2	2	2	2	2	2
Fixed Asset Turnover (x)	13.3	17.3	19.3	9.6	10.4	15.6	25.4	37.3

Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
CF from Operations	1,653	1,901	2,097	1,735	2,092	3,427	6,818	9,533
Cash for Working Capital	630	1,166	860	752	756	3,820	-4,865	-2,427
Net Operating CF	2,283	3,067	2,956	2,487	2,848	7,247	1,952	7,106
Net Purchase of FA								
Free Cash Flow	-1,970	-4,158	-2,276	-9,039	-391	-8,523	-320	-320
Net Purchase of Invest.	314	-1,091	680	-6,552	2,456	-1,276	1,632	6,786
Net Cash from Invest.	1,864	-7,973	8,718	5,245	-18,438	-2,016	1,916	2,362
Proceeds from Equity	-106	-12,132	6,442	-3,794	-18,829	-10,539	1,596	2,042
Proceeds from LTb/STB	19	48	27	3	18,292	2	0	0
Dividend Payments	-1	-1	0	-204	-233	-186	-43	-52
Cash Flow from Fin.	-437	-803	-808	-1,176	0	-2,058	-1,909	-3,787
Net Cash Flow	-419	-757	-781	-1,377	18,059	-2,242	-1,953	-3,839
Opening Cash Bal.	1,759	-9,822	8,618	-2,684	2,077	-5,534	1,596	5,309
Add: Net Cash	9,522	11,280	1,458	1,053	4,275	6,351	1,323	2,919
Closing Cash Bal.	1,759	-9,822	-405	3,222	2,076	-5,028	1,596	5,309

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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