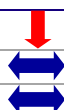


## Estimate change

TP change

Rating change



Bloomberg	INFOE IN
Equity Shares (m)	104
M.Cap.(INRb)/(USDb)	562.7 / 6.9
52-Week Range (INR)	6695 / 3314
1, 6, 12 Rel. Per (%)	10/9/-33
12M Avg Val (INR M)	2015

## Financials & Valuations (INR b)

Y/E Mar	2022	2023E	2024E
Sales	15.4	21.2	24.4
EBITDA	4.5	7.0	8.1
Adj. PAT	4.4	6.4	7.3
EPS (INR)	34.1	49.4	56.5
EPS Gr. (%)	58.3	44.9	14.3
BV/Sh. (INR)	1,086.0	1,135.8	1,192.7

## Ratios

RoE (%)	4.8	4.3	4.7
RoCE (%)	4.5	4.2	4.6
Payout (%)	61.6	50.0	50.0

## Valuations

P/E (x)	128.0	88.3	77.3
P/BV (x)	4.0	3.8	3.7

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	38.1	38.1	38.4
DII	16.9	16.4	13.6
FII	32.0	32.9	37.9
Others	13.0	12.6	10.1

FII Includes depository receipts

**CMP: INR4,363**
**TP: INR4,020 (-8%)**
**Neutral**

## Non-IT demand to partially compensate for the slowdown in tech

### Maintain Neutral on Valuations

- INFOE delivered a strong revenue growth in 2QFY23, with a standalone revenue growth of 51% YoY (inline), led by 41% growth in the Recruitment vertical. EBITDA margin rose 250bp QoQ to 34.6% on account of lower employee and advertisement spends. Billings in 2QFY23 remained strong, but grew at a relatively slower pace (up 30% YoY to INR5.4b).
- The management sees clear signs of a slowdown in IT hiring, with supply pressure easing and attrition moderating. This remains a key risk, given its 60% revenue contribution to the Naukri business. We expect the Recruitment vertical to see flat to negative growth in 2HFY23. Nonetheless, it should maintain its strong revenue growth in FY23 on the back of a strong 4Q exit run-rate and good performance in 1HFY23. It should deliver 28% revenue CAGR over FY22-24.
- INFOE should see good growth traction in 99acres, given the high multi-year demand for Real Estate in India. Growth continues 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 26%/29% 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 INR4,020. We maintain our **Neutral** rating.

### Strong margin performance, but slowing growth in billing a concern

- Billings grew 30% YoY to INR5.43b in 2QFY23, led by a 41%/11.2% growth (est. 45%/30%) in Recruitment Solutions/99acres while Siksha grew 31% YoY. Billings for Naukri grew 2.6% QoQ, despite a seasonally low base in 1QFY23.
- Revenue/EBITDA/APAT grew 55%/69%/56% in 1HFY23.
- Standalone revenue grew 51% YoY to INR5.32b (in line), led by continued traction in the Recruitment business (up 63%).
- EBITDA margin grew 250bp QoQ to 34.6% (est. 30.4%, a 420bp beat).
- The EBITDA margin for Naukri was slightly better at 60.8% (up 115bp, est. 59.9%), while the percentage of operating loss in 99acres improved sharply (up 10pp QoQ).
- PAT grew 66% YoY to INR1.68b (est. INR1.52b).
- The company announced a dividend of INR10/share.

### Highlights from the management commentary

- **Recruitment:** There is a strong bounce back in non-IT demand. Many industries saw headcount shrink during the COVID-led lockdowns, which is now normalizing. INFOE is seeing good demand in Retail, Telecom, BFSI, and Travel sectors. It expects a continued increase in non-IT realizations. The demand for IT was driven by higher attrition rates and an exceptional hiring in the last seven quarters, which is now moderating. The pace of moderation remains unclear.
- **Real Estate:** While the market will grow at a high rate, the competitive intensity is also high. The management continues to spend on marketing in 99acres to establish leadership. It expects advertisement costs to be at elevated levels.

### Valuations and view

- Though near-term growth in Recruitment is expected to be impacted by lower IT demand, good medium term growth in Recruitment and a rebound in demand in Real Estate should help it deliver 26% revenue CAGR over FY22-24.
- With the management investing prudently, some of its 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 INR4,020. **We maintain our Neutral rating.**

### Standalone quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%/bp)
<b>Revenue</b>	<b>3,197</b>	<b>3,517</b>	<b>4,161</b>	<b>4,555</b>	<b>5,077</b>	<b>5,318</b>	<b>5,396</b>	<b>5,404</b>	<b>15,430</b>	<b>21,195</b>	<b>5,383</b>	<b>-1.2</b>
YoY (%)	14.1	37.3	52.8	51.6	58.8	51.2	29.7	18.6	39.1	37.4	53.1	-190bp
Salary costs	1,518	1,605	1,868	2,039	2,244	2,259	2,295	2,341	7,030	9,139	2,418	-6.6
Ad. and Promotion costs	459	617	806	967	876	831	917	919	2,849	3,542	996	-16.6
Other Expenses	223	232	278	270	326	389	372	378	1,003	1,465	334	16.6
<b>EBITDA</b>	<b>997</b>	<b>1,063</b>	<b>1,209</b>	<b>1,280</b>	<b>1,631</b>	<b>1,840</b>	<b>1,812</b>	<b>1,766</b>	<b>4,549</b>	<b>7,049</b>	<b>1,635</b>	<b>12.5</b>
EBITDA Margin (%)	31.2	30.2	29.1	28.1	32.1	34.6	33.6	32.7	29.5	33.3	30.4	420bp
Depreciation	103	99	99	97	99	105	108	108	398	420	108	-2.8
EBIT Margin (%)	28.0	27.4	26.7	26.0	30.2	32.6	31.6	30.7	26.9	31.3	28.4	430bp
Other Income	410	440	428	421	419	499	459	459	1,699	1,836	458	9.1
<b>PBT bef. Extra-ordinary items</b>	<b>1,290</b>	<b>1,392</b>	<b>1,527</b>	<b>1,595</b>	<b>1,942</b>	<b>2,225</b>	<b>2,152</b>	<b>2,106</b>	<b>5,804</b>	<b>8,424</b>	<b>1,974</b>	<b>12.7</b>
Provision for Tax	281	377	342	388	457	544	516	505	1,387	2,023	454	19.7
ETR (%)	21.7	27.1	22.4	24.3	23.6	24.4	24.0	24.0	23.9	24.0	23.0	140bp
<b>Adjusted PAT</b>	<b>1,010</b>	<b>1,015</b>	<b>3,364</b>	<b>1,207</b>	<b>1,484</b>	<b>1,681</b>	<b>1,635</b>	<b>1,601</b>	<b>89,137</b>	<b>6,401</b>	<b>1,520</b>	<b>10.6</b>
QoQ (%)	44.9	0.6	231.3	-64.1	23.0	13.3	-2.7	-2.1			2.4	
YoY (%)	21.3	98.5	381.4	73.3	47.0	65.6	-51.4	32.6	3,154.4	-92.8	49.7	
EOI	0	82,542	2,178	0	0	0	0	0	84,720	0	0	
<b>Reported PAT</b>	<b>1,010</b>	<b>83,557</b>	<b>1,185</b>	<b>1,207</b>	<b>1,484</b>	<b>1,681</b>	<b>1,635</b>	<b>1,601</b>	<b>4,417</b>	<b>6,401</b>	<b>1,520</b>	<b>10.6</b>
<b>EPS (INR)</b>	<b>7.8</b>	<b>7.8</b>	<b>8.6</b>	<b>9.3</b>	<b>11.5</b>	<b>13.0</b>	<b>12.6</b>	<b>12.4</b>	<b>34.1</b>	<b>49.4</b>	<b>11.8</b>	<b>10.4</b>

### Key performance indicators

Y/E March	FY22				FY23				FY22
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
<b>Operating metrics</b>									
Headcount	4,489	4,460	4,469	4,805	5,107	5,282			4,805
Naukri – Revenue per unique customer	38,808	39,447	45,145	47,764	51,019	55,627			94,434
99acres – Listings (k)	894	1,469	1,082	1,081	1,109	1,052			4,376
<b>Revenue (YoY %)</b>									
Recruitment	11%	40%	64%	73%	74%	63%			45%
99acres	16%	33%	31%	22%	35%	44%			25%



## Highlights from the management commentary

### Recruitment

- Job speak Index saw 18% decline in the month of October.
- The management suggested that there is lot of demand for low to mid management space.
- Marketing spends increased meaningfully during the quarter on account of targeted marketing towards Gen Z. Expect the marketing spends to remain elevated.
- With increased stake in Coding Ninja, it plans to deeply integrate its offerings with Naukri in line with long term vision to transform the platform into career destination.
- There is strong bounce back in demand for Non-IT. Many industries witnessed shrinkage in headcount during Covid which is now normalizing. It is seeing good demand in Retail, telecom, BFSI, and Travel. Except continued increase in realizations for Non-IT.
- The demand for IT was driven by high attrition rates and exceptional hiring in last seven quarters which is now moderating. The pace of moderation remains unclear.

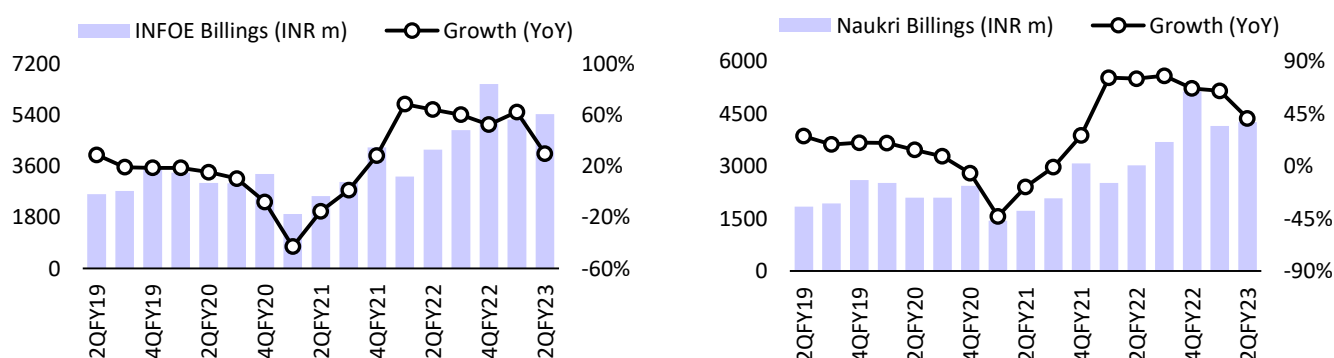
### Real Estate

- Expect demand to continue in 99acres despite high interest rates.
- Expect demand from new launches in current financial year.
- It saw growth across segments during the quarter with increased traffic share and enquiries.
- The real estate market is in good shape. The demand is good and the prices are increasing.
- 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. Expect advertisement costs to be at elevated levels.

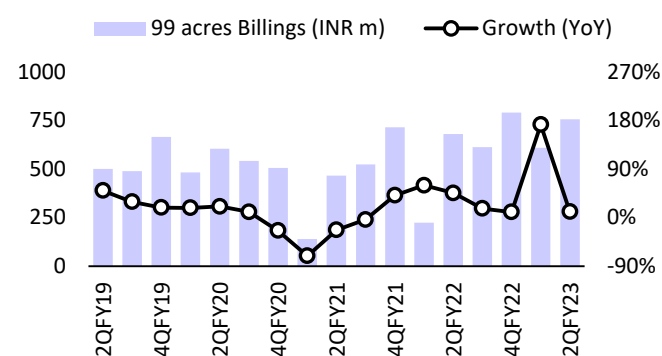
### Other highlights

- The management does not have any plans to liquidate investments in Zomato.
- Jeevansathi business saw good engagement and traffic as it made its chat feature free. With this strategy it is looking to cut back in marketing spends. It gained a lot of share among the users.

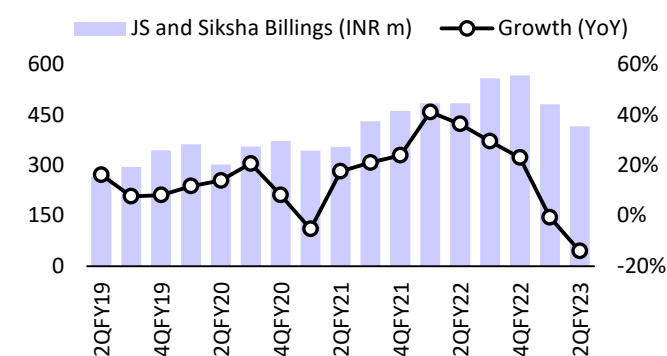
**Exhibit 1: Overall/Recruitment post strong billings, but growth in billings slowing down**



Source: Company, MOFSL

**Exhibit 2: Billings down sequentially but up 11% YoY**

Source: MOFSL, Company

**Exhibit 3: Billing from JS and Siksha meaningfully down**

Source: MOFSL, Company

**Exhibit 4: SoTP-based TP at INR4,020/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 FY22-34. Our WACC/terminal growth estimate stands at 12%/6%	296	2,287
99acres.com	DCF	❖ Estimate 22% revenue CAGR over FY21-34. Our WACC/terminal growth estimate stands at 12%/7%	45	345
Zomato.com	Market valuation	❖ Factoring in current market valuation	88	682
Policybazaar.com	Market valuation	❖ Factoring in current market valuation	45	344
Jeevansathi.com and other	Multiples	❖ 7x FY24E EV/sales	15	118
Other investee companies			9	70
Cash on the books			23	176
<b>Total</b>				<b>4,020</b>

Source: MOFSL, Company

**Exhibit 5: Revisions to our estimates**

	Revised estimate		Earlier estimate		Change (%/bp)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
<b>Standalone business</b>						
Revenue (INR m)	21.2	24.4	22.0	26.2	-3.7	-7.1
YoY (%)	37.4	15.1	42.7	19.2	-530bp	-420bp
EBITDA (%)	33.3	33.2	31.4	30.7	190bp	250bp
EBIT (%)	31.3	31.2	29.4	28.7	190bp	250bp
EPS (INR)	49.4	56.5	49.5	58.4	-0.3	-3.4

Source: MOFSL, Company

## Valuation and view

- Though near term growth in Recruitment is expected to be impacted by low demand for IT, good medium term growth in recruitment and a rebound in Real Estate demand should help the company to deliver 26% 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 INR4,020. **We maintain our Neutral rating.**

## Financials and valuations

### Income Statement (INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Sales</b>	<b>8,021</b>	<b>9,155</b>	<b>10,983</b>	<b>12,727</b>	<b>11,091</b>	<b>15,430</b>	<b>21,195</b>	<b>24,386</b>
Change (%)	11.8	14.1	20.0	15.9	-12.9	39.1	37.4	15.1
Employee expense	3,751	3,931	4,586	5,396	5,528	7,030	9,139	10,563
Advertising cost	881	1,164	1,757	2,044	1,819	2,849	3,542	4,146
Other expense	1,114	1,088	1,226	1,260	913	1,003	1,465	1,585
<b>EBITDA</b>	<b>2,276</b>	<b>2,973</b>	<b>3,413</b>	<b>4,028</b>	<b>2,831</b>	<b>4,549</b>	<b>7,049</b>	<b>8,092</b>
As a percentage of Net Sales	28.4	32.5	31.1	31.6	25.5	29.5	33.3	33.2
Depreciation	241	215	204	414	438	398	420	488
Interest	1	1	1	67	57	46	41	49
Other Income	625	971	1,112	876	1,188	1,699	1,836	2,073
<b>PBT</b>	<b>2,659</b>	<b>3,728</b>	<b>4,320</b>	<b>4,423</b>	<b>3,524</b>	<b>5,804</b>	<b>8,424</b>	<b>9,629</b>
Tax	575	991	1,169	1,133	753	1,387	2,023	2,311
Rate (%)	21.6	26.6	27.1	25.6	21.4	23.9	24.0	24.0
<b>Adjusted PAT</b>	<b>2,085</b>	<b>2,737</b>	<b>3,151</b>	<b>3,290</b>	<b>2,771</b>	<b>4,417</b>	<b>6,401</b>	<b>7,318</b>
Extraordinary Items	-40	-913	-334	-1,233	-32	84,720	0	0
<b>Reported PAT</b>	<b>2,045</b>	<b>1,824</b>	<b>2,817</b>	<b>2,057</b>	<b>2,739</b>	<b>89,137</b>	<b>6,401</b>	<b>7,318</b>
Change (%)	63.3	-10.8	54.5	-27.0	33.2	NA	NA	14.3

### 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	1,44,835	1,52,153
<b>Net Worth</b>	<b>19,831</b>	<b>21,074</b>	<b>23,239</b>	<b>24,317</b>	<b>45,642</b>	<b>1,39,721</b>	<b>1,46,122</b>	<b>1,53,440</b>
Loans	52.3	44.0	46.0	568.7	449.1	11,115.9	11,115.9	11,115.9
<b>Capital Employed</b>	<b>19,883</b>	<b>21,118</b>	<b>23,285</b>	<b>24,885</b>	<b>46,091</b>	<b>1,50,837</b>	<b>1,57,238</b>	<b>1,64,556</b>
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
<b>Net Block</b>	<b>602</b>	<b>529</b>	<b>569</b>	<b>1,325</b>	<b>1,072</b>	<b>992</b>	<b>865</b>	<b>703</b>
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
<b>Curr. Assets</b>	<b>15,188</b>	<b>15,028</b>	<b>15,984</b>	<b>13,381</b>	<b>30,293</b>	<b>31,032</b>	<b>39,162</b>	<b>48,149</b>
Current Investments	2,162	11,456	3,400	2,554	0	4,409	4,409	4,409
Debtors	75	44	60	70	54	79	100	113
Cash	11,280	1,458	1,052	4,275	6,351	1,323	4,452	9,553
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	30,201	34,074
<b>Current Liab. and Prov.</b>	<b>4,278</b>	<b>5,159</b>	<b>6,125</b>	<b>6,225</b>	<b>6,968</b>	<b>10,854</b>	<b>12,541</b>	<b>14,047</b>
Current Liabilities	3,862	4,703	5,628	5,676	6,306	10,061	11,748	13,254
Provisions	416	456	496	549	662	793	793	793
<b>Net Current Assets</b>	<b>10,910</b>	<b>9,869</b>	<b>9,860</b>	<b>7,156</b>	<b>23,325</b>	<b>20,178</b>	<b>26,622</b>	<b>34,102</b>
<b>Application of Funds</b>	<b>19,883</b>	<b>21,118</b>	<b>23,285</b>	<b>24,885</b>	<b>46,091</b>	<b>1,50,921</b>	<b>1,57,238</b>	<b>1,64,556</b>

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>16.9</b>	<b>14.9</b>	<b>22.9</b>	<b>16.7</b>	<b>21.5</b>	<b>34.1</b>	<b>49.4</b>	<b>56.5</b>
Cash EPS	19.2	24.1	27.3	30.1	25.2	37.2	52.6	60.2
Book Value	163.8	173.4	190.8	199.4	361.6	1,086.0	1,135.8	1,192.7
DPS	3.0	5.5	6.0	6.0	8.0	21.0	24.7	28.2
Payout (%)	17.8	37.0	26.2	35.9	37.7	61.6	50.0	50.0
<b>Valuation (x)</b>								
P/E	258.6	293.5	190.1	261.2	202.6	128.0	88.3	77.3
Cash P/E	227.4	181.3	159.6	145.0	172.9	117.4	82.9	72.4
EV/EBITDA	243.5	189.7	165.3	139.4	197.6	126.4	81.1	70.1
EV/Sales	69.1	61.6	51.4	44.1	50.4	37.3	27.0	23.2
Price/Book Value	26.6	25.2	22.9	21.9	12.1	4.0	3.8	3.7
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.2	0.5	0.6	0.6
<b>Profitability Ratios (%)</b>								
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	4.6
RoIC	-91.1	-91.1	135.3	70.5	18.8	18.9	29.6	29.3
<b>Turnover Ratios</b>								
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	24.5	34.7

### 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	5,578	9,435
Cash for Working Capital	630	1,166	860	752	756	3,820	-3,315	-2,379
<b>Net Operating CF</b>	<b>2,283</b>	<b>3,067</b>	<b>2,956</b>	<b>2,487</b>	<b>2,848</b>	<b>7,247</b>	<b>2,262</b>	<b>7,056</b>
Net Purchase of FA								
<b>Free Cash Flow</b>	<b>-1,970</b>	<b>-4,158</b>	<b>-2,276</b>	<b>-9,039</b>	<b>-391</b>	<b>-8,523</b>	<b>-320</b>	<b>-320</b>
Net Purchase of Invest.	<b>314</b>	<b>-1,091</b>	<b>680</b>	<b>-6,552</b>	<b>2,456</b>	<b>-1,276</b>	<b>1,942</b>	<b>6,736</b>
<b>Net Cash from Invest.</b>	<b>1,864</b>	<b>-7,973</b>	<b>8,718</b>	<b>5,245</b>	<b>-18,438</b>	<b>-2,016</b>	<b>1,836</b>	<b>2,073</b>
Proceeds from Equity	<b>-106</b>	<b>-12,132</b>	<b>6,442</b>	<b>-3,794</b>	<b>-18,829</b>	<b>-10,539</b>	<b>1,516</b>	<b>1,753</b>
Proceeds from LTB/STB	19	48	27	3	18,292	2	0	0
Dividend Payments	-1	-1	0	-204	-233	-186	-41	-49
<b>Cash Flow from Fin.</b>	<b>-437</b>	<b>-803</b>	<b>-808</b>	<b>-1,176</b>	<b>0</b>	<b>-2,058</b>	<b>-609</b>	<b>-3,659</b>
<b>Net Cash Flow</b>	<b>-419</b>	<b>-757</b>	<b>-781</b>	<b>-1,377</b>	<b>18,059</b>	<b>-2,242</b>	<b>-650</b>	<b>-3,708</b>
<b>Opening Cash Bal.</b>	<b>1,759</b>	<b>-9,822</b>	<b>8,618</b>	<b>-2,684</b>	<b>2,077</b>	<b>-5,534</b>	<b>3,128</b>	<b>5,101</b>
Add: Net Cash	<b>9,522</b>	<b>11,280</b>	<b>1,458</b>	<b>1,053</b>	<b>4,275</b>	<b>6,351</b>	<b>1,323</b>	<b>4,451</b>
<b>Closing Cash Bal.</b>	<b>1,759</b>	<b>-9,822</b>	<b>-405</b>	<b>3,222</b>	<b>2,076</b>	<b>-5,028</b>	<b>3,128</b>	<b>5,101</b>



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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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