

Infoedge

Core strength

Infoedge posted a good quarter with revenue growth of 4.4% QoQ and a better margin in the core segment. Recruitment (~80% of revenue and billings) continues to exhibit strong performance (+4.5% QoQ) and margins expanded 214bps QoQ to 62.9%. The billings growth (+18% YoY) has slightly moderated due to a slowdown in IT hiring (~36% of Naukri) but hiring in non-IT sectors like BFSI, infra, travel etc. is gaining traction. Naukri is an undisputed leader with ~80% traffic share, enjoys long-term contracts with pricing power and generates ~67% of revenue from platform access leading to higher margins. 99acres and Shiksha clocked +25/26% YoY growth and will continue to attract investments. Jeevansathi has slowed down due to a strategy reset, leading to a revenue decline of 26% YoY. We expect growth to be led by Naukri, 99 acres and Shiksha. The margin for recruitment will be in the range of 60-61%. We maintain our BUY rating with a SoTP-based TP of INR 4,600, valuing Naukri at 40x EV/EBITDA, 99acres/Jeevansathi/Shiksha at 5/3/3x P/S, while Zomato and Policybazaar have been assigned the market value (~15% discount). The core recruitment business trades at 30x FY24E EV/EBITDA.

- Q3FY23 highlights:** (1) Infoedge revenue grew 4.4% QoQ to INR 5.55bn (vs. estimate of INR 5.49bn), driven by +4.5/4.6/3.5% QoQ growth in recruitment/99acres/Jeevansathi+Shiksha; (2) billing growth stood at +18/16/8% YoY for recruitment/99acres/Shiksha offset by Jeevansathi (-30%YoY); (3) EBITDA margin for recruitment/99acres/Jeevansathi/Shiksha stood at 62.9/-32/-141/+3.9%; (4) EBITDA margin expanded 445bps QoQ to 39.1% (+405bps vs our estimate), led by recruitment (+214bps) and drop in advertisement spend (-10.2%); (5) Job speak index is down 4.4% QoQ in Jan-23, indicating a slowdown in IT hiring; (6) net cash stands at INR 31bn and Zomato/Policybazaar account for 9/4% in SoTP. The company has written off INR 2.7bn related to its investments in 4B networks (real estate portal) due to excessive cash burn and liquidity issues. This led to a reported loss of INR 0.84bn for the quarter.
- Outlook:** We expect a revenue CAGR of 21%, led by 23/17/-12/22% CAGRs in recruitment/99acres/Jeevansathi/Shiksha over FY22-25E. EBITDA margin estimates stand at 35.9/37.0% for FY23/24E, leading to an EPS CAGR of 22% over FY22-25E.

Quarterly financial summary

YE March (INR bn)	3Q FY23	3Q FY22	YoY (%)	2Q FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	5.55	4.16	33.4	5.32	4.4	11.28	15.62	21.58	23.72	27.48
EBITDA	2.17	1.21	79.2	1.84	17.8	2.88	4.64	7.76	8.77	10.96
APAT	1.92	1.39	38.2	1.68	14.1	2.82	5.21	6.07	7.72	9.48
Diluted EPS (INR)	14.9	10.5	42.1	13.0	14.7	21.9	40.4	47.2	60.0	73.7
P/E (x)						174.2	94.3	80.8	63.6	51.8
EV / Revenue (x)						40.4	29.1	20.8	18.6	15.7
EV / EBITDA (x)						158.2	97.9	57.9	50.4	39.4
RoE (%)						17.3	10.3	10.6	12.4	13.6

Source: Company, HSIE Research, Standalone Financials

Change in estimates

YE March (INR bn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue	21.50	21.58	0.4	24.06	23.72	-1.4	27.27	27.48	0.8
EBITDA	7.37	7.76	5.2	9.01	8.77	-2.7	11.14	10.96	-1.6
EBITDA margin (%)	34.3	35.9	165bps	37.5	37.0	-51bps	40.8	39.9	-97bps
APAT	6.70	6.07	-9.4	7.74	7.72	-0.3	9.44	9.48	0.4
EPS (INR)	52.1	47.2	-9.4	60.2	60.0	-0.3	73.4	73.7	0.4

Source: Company, HSIE Research

BUY

CMP (as on 10 Feb 2023)	INR 3,814
Target Price	INR 4,600
NIFTY	17,857

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 4,525	INR 4,600
EPS %	FY24E	FY25E
	-0.3	+0.4

KEY STOCK DATA

Bloomberg code	INFOE IN
No. of Shares (mn)	129
MCap (INR bn) / (\$ mn)	493/5,966
6m avg traded value (INR mn)	1,625
52 Week high / low	INR 5,020/3,313

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.0)	(10.1)	(22.0)
Relative (%)	(0.1)	(13.2)	(25.0)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	38.11	38.05
FIs & Local MFs	16.88	17.19
FPIs	31.81	31.88
Public & Others	13.03	12.68
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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