Infoedge

Core growth moderation; focus on profitability

Infoedge reported a modest quarter, with 3.6% QoQ revenue growth and lower advertisement spending. The core recruitment segment billing growth (-4% YoY) was weak due to the continued slowdown in IT hiring (~35% of Naukri revenue) and delay in renewals offset by traction in non-IT sectors like BFSI, travel, auto, construction, etc. Recruitment billings have witnessed two strong years of >30% YoY growth, which is slowing down in FY24E due to the base effect and lower hiring activity. The margin for the recruitment segment continues to be ~60%, which is impressive. 99acres and Jeevansathi continue to witness growth with a focus on improving profitability. The combined loss of 99acres and Jeevansathi stood at INR 0.42bn, which is down 32% YoY due to lower ad spending. We expect growth to be led by Naukri, 99 acres and Shiksha. The recruitment margin will be in the range of 58-60% and continued focus on spend efficiency will drive margins. We maintain our BUY rating with a SoTP-based TP of INR 5,275, valuing Naukri at 38x EV/EBITDA, 99acres/Jeevansathi+Shiksha at 5/3x P/S, while Zomato and Policybazaar have been assigned the market value (~15% discount). The core recruitment business is trading at 29x FY25E EV/EBITDA.

- **Q1FY24 highlights**: (1) Infoedge revenue grew 3.6% QoQ to INR 5.84bn (vs. estimate of INR 5.79bn), driven by +2.0/9.5/8.7% QoQ growth in recruitment/99acres/Jeevansathi+Shiksha; (2) billings declined QoQ by 31.9/29.2/15.1% for recruitment/99acres/Jeevansathi+Shiksha; (3) Operating profit margin for recruitment/99acres/Jeevansathi+Shiksha stood at 59/-5/-4%; (4) Operating margin declined QoQ to 35.8%, with -130/1/68bps change in recruitment/99acres/Jeevansathi+Shiksha; (5) Job speak index is down 8% MoM in Jul-23, mainly led by a slowdown in IT hiring; (6) APAT grew 1.1% QoQ to INR 2.00bn. CFO declined 12.7% YoY to INR 1.45bn; (7) net cash stands at INR 36bn and Zomato/Policybazaar account for 14/5% in SoTP.
- **Outlook**: We expect a revenue CAGR of 14% over FY23-26E, led by 13/19/4/19% CAGRs in recruitment/99acres/Jeevansathi/Shiksha. EBITDA margin estimates stand at 39.2/39.7% for FY24/25E, leading to an EPS CAGR of 21% over FY23-26E.

Quarterly financial summary

YE March (INR bn)	1Q FY24	1Q FY23	YoY (%)	4Q FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	5.84	5.08	*15.1*	5.64	*3.6*	15.62	21.59	24.22	27.42	31.63
EBITDA	2.27	1.63	*38.9*	2.20	*2.9*	4.64	7.84	9.49	10.89	12.87
APAT	2.00	1.48	*34.7*	1.98	*1.1*	5.21	6.08	8.18	9.27	10.75
Diluted EPS (INR)	15.4	11.5	*34.5*	15.3	*1.1*	40.3	47.1	63.4	71.9	83.4
P/E (x)						117.3	100.4	74.6	65.9	56.8
EV / Revenue (x)						34.5	25.1	20.8	16.9	13.3
EV / EBITDA (x)						116.2	69.1	53.0	42.4	32.6
RoE (%)						10.3	15.0	28.4	25.3	23.6

Source: Company, HSIE Research, Standalone Financials

Change in estimates

YE March (INR bn)	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	24.46	24.22	*-1.0*	28.52	27.42	*-3.9*	32.27	31.63	*-2.0*
EBITDA	9.55	9.49	*-0.7*	11.53	10.89	*-5.5*	13.39	12.87	*-3.9*
EBITDA margin (%)	39.0	39.2	*12bps*	40.4	39.7	*-70bps*	41.5	40.7	*-82bps*
APAT	8.26	8.18	*-1.0*	9.86	9.27	*-6.0*	11.24	10.75	*-4.3*
EPS (INR)	64.1	63.4	*-1.0*	76.4	71.9	*-6.0*	87.1	83.4	*-4.3*

Source: Company, HSIE Research

BUY

CMP *(as on 11 Aug 2023)*	INR 4,461
Target Price	INR 5,275
NIFTY	19,428

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,435	INR 5,275
EPS %	FY24E	FY25E
	-1.0	-6.0

KEY STOCK DATA	
Bloomberg code	INFOE IN
No. of Shares (mn)	129
MCap (INR bn) / ($ mn)	576/7,046
6m avg traded value (INR mn)	1,343
52 Week high / low	INR 4,985/3,308

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	14.7	17.0	1.3
Relative (%)	9.2	9.3	(8.8)

SHAREHOLDING PATTERN (%)	Mar-23	Jun-23
Promoters	38.05	38.05
FIs & Local MFs	17.74	18.20
FPIs	31.41	31.54
Public & Others	12.66	12.08
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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