

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
	FY24E	FY25E
EPS %	-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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Disclosure:

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