

26 March 2024

India | Equity Research | Company Update

Info Edge

Internet

Green shoots visible in hiring data; Zomato's outperformance is not yet priced in..

After a muted Q3FY24 earnings, we note a marked improvement in IT hiring since Nov'23, as per JobSpeak data. This is in line with most managements' observations on increasing manpower utilisation across IT firms as highlighted in Q3 earnings calls. In our opinion, this is a lead indicator for the much-awaited recovery in IT sector hiring. Non-IT sector hiring continues to be strong across infrastructure/ consumption/ services sectors. We think 99acres should turn profitable by Q1FY25E, aided by strong tailwinds in the underlying real estate sector. Zomato is up 68% since the last 6 months and we believe there is scope for further upside ([link](#)). This implies ~USD 4bn valuation for Info Edge's 13.7% stake at Zomato's TP of INR 300. Given the multiple potential triggers with limited downside risks, we re-iterate **BUY** on Info Edge with a revised target price of INR 6,993.

IT hiring recovering; non-IT continues strong run

IT sector (Software Services/ Software/ BPO/ ITES/ Hardware and Networking) has shown a marked improvement with respect to listings from Nov'23 which serves as an early sign of recovery in IT sector ([see below for details](#)). Old sector economy (Defense / Construction / Industrial Products / Oil and Gas) showed >10% YoY increase in listings across sectors in Feb'24 ([see below for details](#)), while the other large sectors (BFSI, Real Estate, Pharma, Auto and FMCG) have either shown consistent improvement or stabilisation in listings since Nov'23 ([see below for details](#)).

Investing to be future ready

Info Edge's management will continue to invest in ventures such as JobsHai and its focus will be on increasing sales personnel in tier 2/3 cities, which in our opinion, may lower its dependence on IT sector. Info Edge will continue investing in ML and AI capabilities to remain ahead of the curve.

Valuation

Maintain **BUY** with a revised TP of INR 6,993 (earlier INR 6,150) as we roll forward by three months. We value the company using the SoTP framework. Risks: Sustained slowdown in IT hiring; increased competitive intensity in recruitment business or real estate business; and mark-down in valuation of investments.

Financial Summary

| Y/E March (Rs mn) | FY23A | FY24E | FY25E | FY26E |
|-------------------|--------|--------|--------|--------|
| Net Revenue | 21,584 | 24,118 | 28,515 | 34,409 |
| EBITDA | 7,033 | 9,689 | 11,806 | 14,846 |
| EBITDA Margin (%) | 32.6 | 40.2 | 41.4 | 43.1 |
| Net Profit | 3,303 | 8,459 | 10,051 | 12,332 |
| EPS (INR) | 31.8 | 64.9 | 77.7 | 95.3 |
| EPS % Chg YoY | 56.8 | 19.8 | 18.9 | 22.7 |
| P/E (x) | 95.7 | 79.9 | 67.2 | 54.7 |
| EV/EBITDA (x) | 75.7 | 54.9 | 45.1 | 35.8 |
| RoCE (%) | 3.7 | 5.8 | 6.9 | 8.1 |
| RoE (%) | 5.0 | 7.5 | 8.4 | 9.7 |

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Market Data

| | |
|---------------------|--------------|
| Market Cap (INR) | 675bn |
| Market Cap (USD) | 8,104mn |
| Bloomberg Code | INFOE IN |
| Reuters Code | INED.BO |
| 52-week Range (INR) | 5,545 /3,465 |
| Free Float (%) | 60.0 |
| ADTV-3M (mn) (USD) | 17.3 |

| Price Performance (%) | 3m | 6m | 12m |
|-----------------------|-----|------|------|
| Absolute | 2.7 | 23.1 | 50.1 |
| Relative to Sensex | 2.1 | 13.5 | 24.4 |

Previous Reports

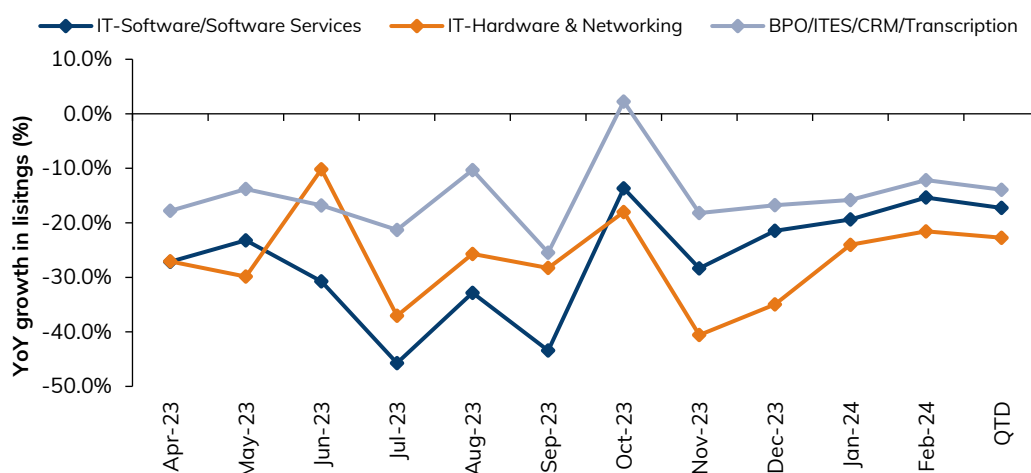
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30-11-2023: [Re-initiating coverage](#)

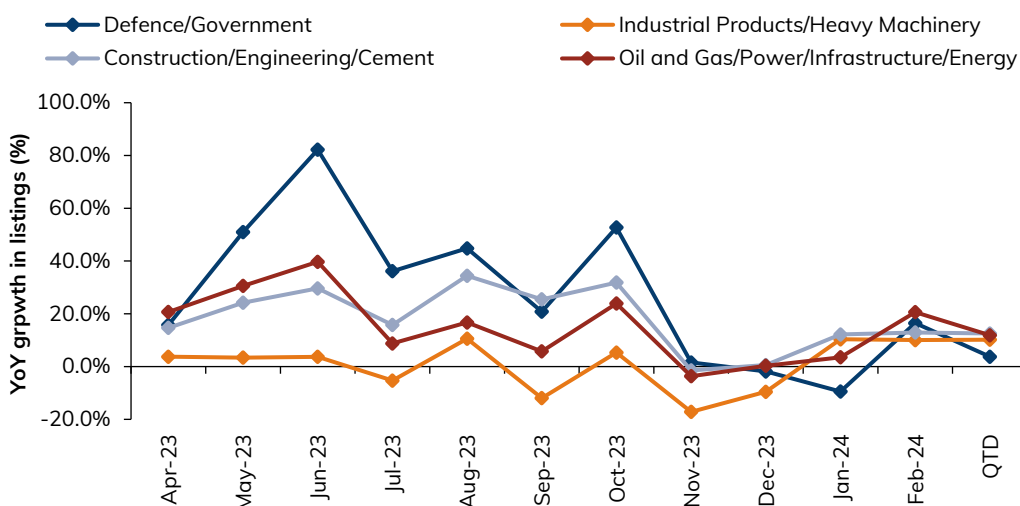
Exhibit 1: SOTP

| (INR mn) | Methodology | Multiple | Valuation | USD (mn) | Contribution to stock price |
|------------------------------------|-----------------------------------|----------|-----------------|--------------|-----------------------------|
| Recuritment Services | EV/EBITDA | 35 | 5,65,770 | 6,788 | 63.9% |
| 99acres | EV/EBITDA | 60 | 26,069 | 313 | 2.9% |
| Jeevansaathi | EV/Sales | 1.0 | 987 | 12 | 0.1% |
| Others | EV/Sales | 0.6 | 987 | 12 | 0.1% |
| Invested Companies - Listed | 35% hold co discount to TP | | 2,76,251 | 3,314 | 30.5% |
| 1) Zomato | | | 3,61,944 | 4,342 | |
| 2) PB Fintech | | | 63,058 | 757 | |
| Invested Companies - Unlisted | At cost | | 5,961 | 72 | 0.7% |
| Cash | | | 28,700 | 344 | 3.2% |
| Mcap | | | 9,04,725 | 10,855 | |
| TP (INR) | | | 6,993 | | |

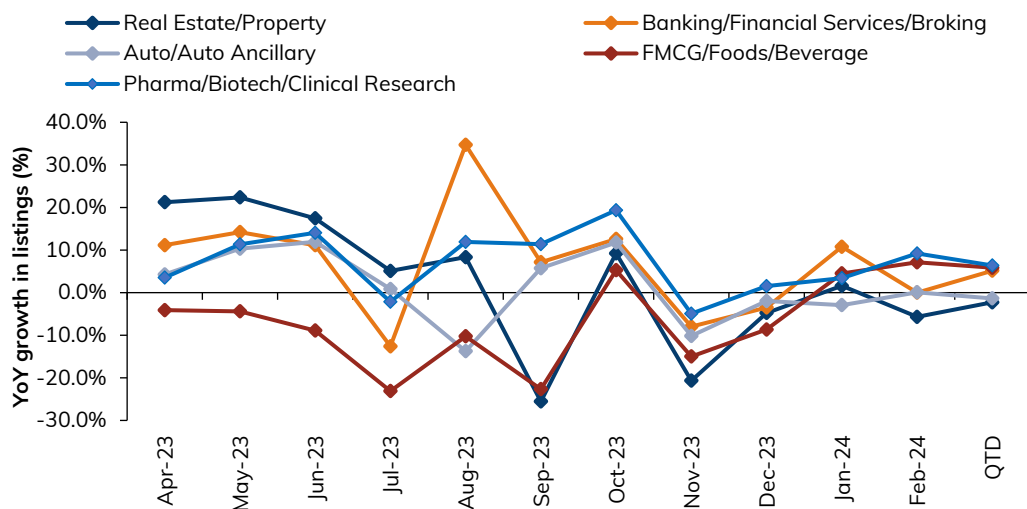
Source: I-Sec research

Exhibit 2: IT sector showing signs of recovery

Source: I-Sec research

Exhibit 3: Old sector economy continues to do well..

Source: I-Sec research

Exhibit 4: Large non-IT sectors show improvement and stabilisation

Source: I-Sec research

Exhibit 5: Shareholding pattern

| % | Jun'23 | Sep'23 | Dec'23 |
|-------------------------|--------|--------|--------|
| Promoters | 38.1 | 38.0 | 37.9 |
| Institutional investors | 49.4 | 49.5 | 50.5 |
| MFs and others | 10.3 | 10.9 | 12.0 |
| FIs/Banks | 0.4 | 0.4 | 0.3 |
| Insurance | 7.1 | 7.0 | 7.1 |
| FIIIs | 31.5 | 31.2 | 31.1 |
| Others | 12.5 | 12.5 | 11.6 |

Source: Bloomberg

Exhibit 6: Price chart

Source: Bloomberg

Financial Summary

Exhibit 7: Profit & Loss

(INR mn, year ending March)

| | FY23A | FY24E | FY25E | FY26E |
|--|---------------|---------------|---------------|---------------|
| Net Sales | 21,584 | 24,118 | 28,515 | 34,409 |
| Operating Expenses | 14,551 | 14,428 | 16,709 | 19,563 |
| EBITDA | 7,033 | 9,689 | 11,806 | 14,846 |
| EBITDA Margin (%) | 32.6 | 40.2 | 41.4 | 43.1 |
| Depreciation & Amortization | 447 | 695 | 855 | 1,032 |
| EBIT | 6,586 | 8,995 | 10,951 | 13,814 |
| Interest expenditure | 39 | 162 | 184 | 184 |
| Other Non-operating Income | 1,751 | 2,410 | 2,634 | 2,812 |
| Recurring PBT | 8,298 | 11,242 | 13,401 | 16,442 |
| Profit / (Loss) from Associates | - | - | - | - |
| Less: Taxes | 2,047 | 2,783 | 3,350 | 4,111 |
| PAT | 6,250 | 8,459 | 10,051 | 12,332 |
| Less: Minority Interest | - | - | - | - |
| Extraordinaries (Net) | 2,947 | - | - | - |
| Net Income (Reported) | 3,303 | 8,459 | 10,051 | 12,332 |
| Net Income (Adjusted) | 3,303 | 8,459 | 10,051 | 12,332 |

Source Company data, I-Sec research

Exhibit 8: Balance sheet

(INR mn, year ending March)

| | FY23A | FY24E | FY25E | FY26E |
|--|-----------------|-----------------|-----------------|-----------------|
| Total Current Assets | 23,740 | 23,154 | 31,651 | 42,548 |
| of which cash & cash eqv. | 2,242 | 1,777 | 10,238 | 21,087 |
| Total Current Liabilities & Provisions | 12,598 | 13,431 | 15,877 | 19,155 |
| Net Current Assets | 11,143 | 9,723 | 15,774 | 23,394 |
| Investments | 98,807 | 99,107 | 99,407 | 99,707 |
| Net Fixed Assets | 569 | 569 | 569 | 569 |
| ROU Assets | 974 | 974 | 974 | 974 |
| Capital Work-in-Progress | - | - | - | - |
| Total Intangible Assets | 167 | 167 | 167 | 167 |
| Other assets | 4,884 | 5,598 | 6,619 | 7,987 |
| Deferred Tax Assets | - | - | - | - |
| Total Assets | 1,16,544 | 1,16,138 | 1,23,510 | 1,32,798 |
| Liabilities | | | | |
| Borrowings | 206 | 206 | 206 | 206 |
| Deferred Tax Liability | - | - | - | - |
| provisions | - | - | - | - |
| other Liabilities | 6,430 | - | - | - |
| Equity Share Capital | 1,290 | 1,290 | 1,290 | 1,290 |
| Reserves & Surplus | 1,07,975 | 1,13,998 | 1,21,371 | 1,30,658 |
| Total Net Worth | 1,09,265 | 1,15,289 | 1,22,661 | 1,31,948 |
| Minority Interest | - | - | - | - |
| Total Liabilities | 1,16,544 | 1,16,138 | 1,23,510 | 1,32,798 |

Source Company data, I-Sec research

Exhibit 9: Quarterly trend

(INR mn, year ending March)

| | Dec-22 | Mar-23 | Jun-23 | Dec-23 |
|----------------|--------|--------|--------|--------|
| Net Sales | 5,639 | 5,834 | 5,930 | 5,954 |
| % growth (YOY) | 23.8 | 15.1 | 11.5 | 7.2 |
| EBITDA | 2,202 | 2,266 | 2,411 | 2,406 |
| Margin % | 39.1 | 38.8 | 40.7 | 40.4 |
| Other Income | 437 | 578 | 636 | 650 |
| Net Profit | 1,976 | 1,999 | 2,137 | 2,135 |

Source Company data, I-Sec research

Exhibit 10: Cashflow statement

(INR mn, year ending March)

| | FY23A | FY24E | FY25E | FY26E |
|--|----------------|--------------|---------------|---------------|
| Operating Cashflow | 7,930 | 7,148 | 9,845 | 12,597 |
| Working Capital Changes | 1,688 | 241 | 1,389 | 1,861 |
| Capital Commitments | (578) | (695) | (855) | (1,032) |
| Free Cashflow | 8,508 | 7,842 | 10,700 | 13,629 |
| Other investing cashflow | (4,038) | 2,110 | 2,334 | 2,512 |
| Cashflow from Investing Activities | (4,617) | 1,415 | 1,479 | 1,480 |
| Issue of Share Capital | 24 | 0 | 0 | - |
| Interest Cost | - | - | - | - |
| Inc (Dec) in Borrowings | (5) | - | - | - |
| Dividend paid | (1,932) | (2,435) | (2,679) | (3,044) |
| Others | - | - | - | - |
| Cash flow from Financing Activities | (2,142) | (2,598) | (2,862) | (3,228) |
| Chg. in Cash & Bank balance | 1,172 | 5,965 | 8,461 | 10,849 |
| Closing cash & balance | 2,495 | 8,207 | 10,238 | 21,087 |

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

| | FY23A | FY24E | FY25E | FY26E |
|-----------------------------|-------------|-------------|-------------|-------------|
| Per Share Data (INR) | | | | |
| Reported EPS | 54.5 | 65.3 | 77.7 | 95.3 |
| Adjusted EPS (Diluted) | 31.8 | 64.9 | 77.7 | 95.3 |
| Growth (%) | | | | |
| Net Sales | 39.9 | 11.7 | 18.2 | 20.7 |
| EBITDA | 25.7 | 37.8 | 21.8 | 25.7 |
| EPS (INR) | 56.8 | 19.8 | 18.9 | 22.7 |
| Valuation Ratios (x) | | | | |
| P/E | 95.7 | 79.9 | 67.2 | 54.7 |
| EV / EBITDA | 75.7 | 54.9 | 45.1 | 35.8 |
| Operating Ratios | | | | |
| Gross Profit Margins (%) | 1.0 | 1.0 | 1.0 | 1.0 |
| EBITDA Margins (%) | 32.6 | 40.2 | 41.4 | 43.1 |
| Net Debt / Equity (x) | 532.3 | 561.6 | 597.4 | 642.6 |
| Net Debt / EBITDA (x) | 244.7 | 166.2 | 143.6 | 128.0 |
| Profitability Ratios | | | | |
| RoCE (%) | 3.7 | 5.8 | 6.9 | 8.1 |
| RoE (%) | 5.0 | 7.5 | 8.4 | 9.7 |
| RoIC (%) | 5.0 | 7.5 | 8.4 | 9.7 |
| Inventory Turnover Days | 2 | 3 | 3 | 3 |
| Receivables Days | 44 | 28 | 142 | 245 |
| Payables Days | 216 | 175 | 180 | 182 |

Source Company data, I-Sec research

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