

Healthy performance at operating level...

InfoEdge's Q1FY21 numbers were above our estimates. Revenues declined 10.4% YoY to ₹ 280.1 crore (above our estimate of ₹ 221.1 crore). Recruitment solutions declined 8.8% YoY to ₹ 200.2 crore (vs. our estimate of ₹ 142.7 crore) and 99acres declined 24.7% YoY to ₹ 42.5 crore (vs. our estimate of ₹ 36.7 crore). However, other verticals grew 1.7% YoY to ₹ 37.5 crore (vs. our estimate of ₹ 41.7 crore). EBITDA margins increased ~504 bps QoQ to 37.3% (above our estimate of 14.5%) mainly led by lower advertising (down 841 bps YoY) and other expenses (down 156 bps YoY).

Near term headwinds, long term revenue trend robust

Covid-19 impacted revenue growth in Naukri. Revenues from the recruitment business declined 8.8% YoY vs. sustained double digit growth. Billings also dipped 44.3% YoY in Q1FY21 led by lockdown. However, the company is witnessing improving traffic share across segments (including recruitment). We expect revenues to return to pre-Covid levels in Q3FY21E. In addition, opening of economy and recovery in IT sector will further boost revenues at recruitment business. In 99acres, continued pressure in real estate markets (reflected in decline in billings by 71% in Q1FY21) is expected to dent FY21E revenues (down 12% YoY) leading to a CAGR of 8.7% over FY20-22E. On the other businesses side, we expect Jeevansathi, Shiksha to register revenue growth of 15%, 10% CAGR in FY20-22E, respectively. Hence, we expect overall revenues to grow at a CAGR of 10% in FY20-22E.

Cost rationalisation to keep margins robust

In the near term, Info Edge is taking various measures to rationalise cost like lower marketing spend (in Naukri, 99acres), freezing salary hikes, hiring, not replacing attrition. As a result, the company has seen a margin improvement in Q1FY21E. In the near term, we expect Info Edge to witness healthy margins. Hence, we revise our margin estimate for FY21E upwards. However, with the recovery in revenues, we expect EBITDA margins to taper down due to increased marketing and admin cost. Hence, we expect FY22E EBITDA margins to marginally dip by 95 bps YoY to 33.5% (albeit the margins are still higher than FY20 margins).

Valuation & Outlook

We like the company due to its prudent capital allocation, a quasi-play on the Indian start up ecosystem and leadership in recruitment with EBITDA margin of above 50%. In addition, Info Edge already has two unicorns in the growing space (Zomato & PolicyBazaar) while its investment in the tech start up space makes it an attractive company. However, a run up in stock price leaves no room for upside in valuation. Hence, we maintain our **HOLD** rating on the stock and value the stock on an SOTP basis to arrive at a target price of ₹ 3555.



Particulars

Particular	Amount
Market Capitalization (₹C crore)	42,689.0
Total Debt (₹C crore)	0.2
Cash and Investments (₹C crore)	3,202.1
EV (₹C crore)	39,487.1
52 week H/L	3575/ 1580
Equity capital	128.3
Face value	₹10

Key Highlights

- Revenue to witness robust growth in FY22E
- EBITDA margins to see sharp improvement in FY21E led by cost rationalisation
- Maintain HOLD rating with revised target price of ₹ 3,555

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Key Financial Summary

Key Financials	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales	915	1,098	1,273	1,205	1,540	10.0%
EBITDA	297	341	403	415	516	13.2%
EBITDA margins (%)	32.5	31.1	31.6	34.5	33.5	
Net Profit	182	315	329	359	430	14.3%
EPS (₹)	15.0	25.9	26.8	27.8	33.4	
P/E	221.3	128.0	123.7	119.1	99.3	
RoNW (%)	8.7	13.6	13.5	7.9	8.9	
RoCE (%)	17.7	18.6	18.0	10.6	12.0	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q1FY21	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	Comments
Revenue	280.1	221.1	312.8	-10.4	322.8	-13.2	The decline in revenues was led by 8.8% YoY decline in recruitment revenues and 24.7% YoY decline in 99acres
Employee expenses	129.7	137.4	129.8	0.0	139.2	-6.8	
Marketing expenses	25.6	26.5	54.9	-53.4	48.4	-47.2	
Network & other charges	5.5	3.8	5.8	-5.3	5.8	-4.3	
Other expenses	14.8	21.4	21.3	-30.9	32.9	-55.2	
EBITDA	104.6	32.0	101.0	3.5	96.5	8.3	
EBITDA Margin (%)	37.3	14.5	32.3	504 bps	29.9	742 bps	Lower advertising and other expenses led to improvement in EBITDA margins
Depreciation & amortisation	11.1	10.2	9.9	12.5	11.0	1.2	
EBIT	93.4	21.8	91.1	2.6	85.5	9.2	
EBIT Margin (%)	33.4	9.9	29.1	423 bps	26.5	686 bps	
Other income (less interest)	20.3	32.5	24.5	-17.4	19.5	4.1	
PBT	113.7	54.3	115.6	-1.7	105.0	8.3	
Tax paid	29.0	13.4	39.0	-25.7	24.6	17.7	
PAT	83.2	39.1	66.7	24.7	41.6	100.0	
APAT	83.2	39.1	74.9	11.1	78.8	5.6	Decline in tax expenses and better performance in operating level led to higher than anticipated PAT

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenue	1,125	1,205	7.1	1,504	1,540	2.4	We expect revenues to improve from Q2FY21E onwards and grow at a robust pace in FY22E
EBITDA	291	415	42.9	497	516	3.9	
EBITDA Margin (%)	25.8	34.5	863 bps	33.0	33.5	49 bps	Cost rationalisation to drive FY21E margins with margins stabilising at 33.5% in FY22E
Reported PAT	266	359	35.0	416	430	3.4	
EPS (₹)	20.6	27.8	35.0	32.2	33.4	3.4	

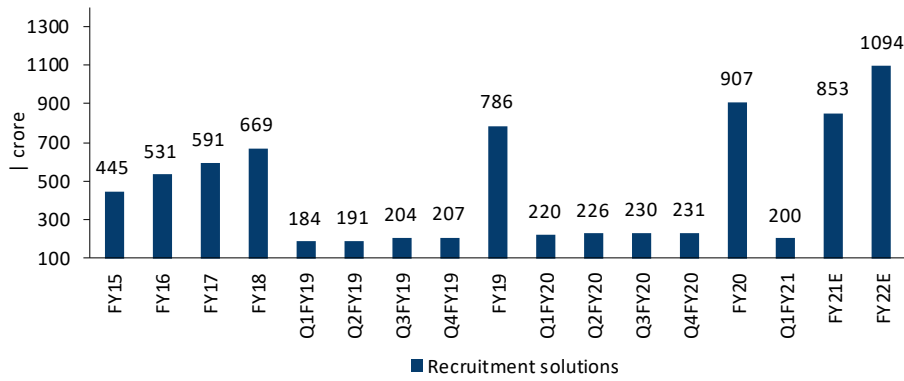
Source: Company, ICICI Direct Research

Conference Call Highlights

- Naukri Business:** Naukri reported a revenue decline of 8.8% YoY to ₹ 200.2 crore while margins increased 450 bps YoY to 60%. Billings in Naukri declined 44% YoY in Q1FY21 due to the lockdown. We expect recruitment revenues to dip in the near term but expect a sharp recovery in revenues post Q2FY21E. The Naukri business added average of 9000 CVs every day. The Naukri database is steady at 69 million CVs. Job seeker levels are back to Covid levels while employer level is at 65%. IIMJobs reported revenues of ₹ 4.94 crore, up 4.67% YoY. From an opportunity perspective, the company is looking to gain wallet share and enter new segments like blue collar industry. We believe digital companies will be key beneficiaries in a post Covid world. The company has indicated investment in technology across its segment to improve customer experience
- 99acres:** Revenues declined 24.7% YoY to ₹ 42.5 crore while margins continue to be dismal. Also, 99acres reduced expense by 34% to contain cost. The broker traffic is still struggling. The real estate market was already under pressure while the current crisis has further aggravated the situation. This is visible in billings decline, which registered a fall of 71.1% YoY in Q1FY21E. Tight market conditions will continue to impact 99 acres billings and growth in the near future. The company expects to penetrate tier II and tier III cities. With growing internet usage, we expect 99acres to witness an improved performance in the long term
- Jeevansathi:** Jeevansathi reported revenues of ₹ 22.5 crore (growth of 13% YoY) and continues to make a loss. Major growth traction is coming from Tier-II, Tier-III cities while continuity in aggressive marketing spends continues to weigh on segment profitability
- Shiksha:** Shiksha reported revenue of ₹ 14.9 crore (down 12.0% YoY) mainly due to deferral of admissions. The company continued to make efforts to upgrade its content quality and user experience on its platform shiksha.com
- Margin snapshot:** EBITDA margins increased 504 bps YoY to 37.3% (vs. our estimate of 14.5%) mainly due to lower advertising spend and decline in other expenses. In the near term, the company is taking various measures to rationalise cost like lower marketing spend (in Naukri, 99acres), freezing of salary hikes & hiring and not replacing attrition
- Other businesses:** Zomato is seeing a revival but not at pre-Covid levels. The company indicated there is lot of interest in Zomato on part of external investors as globally food delivery companies are doing well. The company expects burn in Zomato to go up in coming quarters. In PolicyBazaar, the company is seeing impact in Paisabazaar while PolicyBazaar is doing well
- IE Venture Fund – AIF –** The company has invested ₹ 99.5 crore (out of ₹ 150 crore) through this fund in Dotpe Pvt Ltd, Qyuki Digital Media Pvt Ltd, Intellihealth Solutions Pvt Ltd, Fanbuff Esports India Pvt Ltd, Ruskmedia, First Hive, Bulbullive Shopping Network Pte Ltd
- QIP utilisation:** The company has raised ₹ 1875 crore via QIP route and issue of equities. InfoEdge will primarily invest in companies that are in their strategic verticals (99acres, Naukri, Jeevansathi & Shiksha). The company has indicated it will take 12-18 months for inorganic expansion

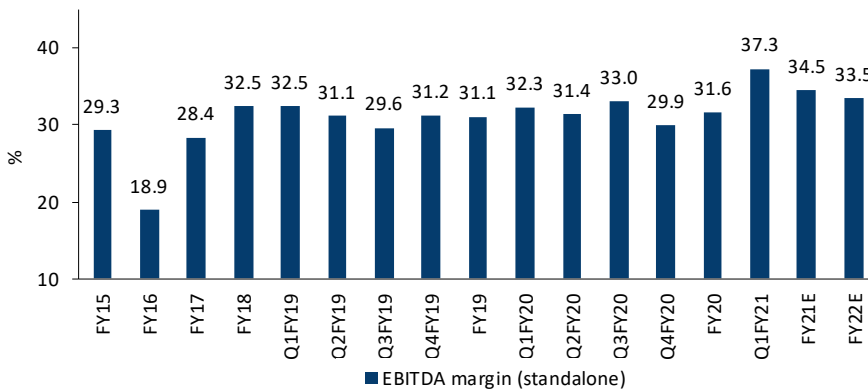
Financial story in charts

Exhibit 3: Recruitment solution expected to grow at 10% CAGR in FY20-22E



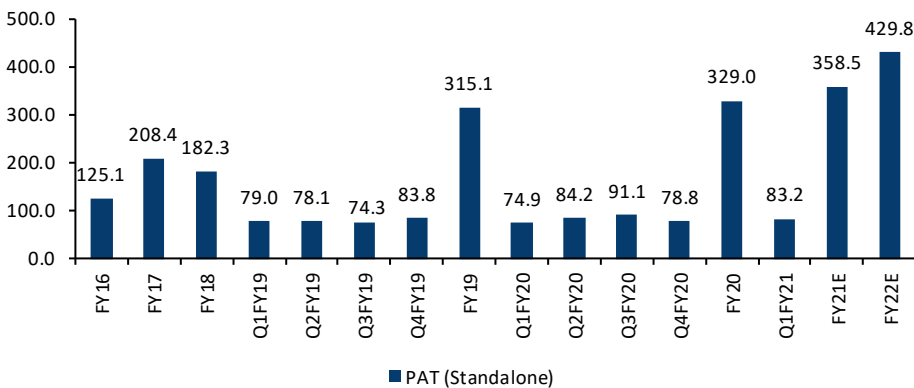
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margin improves, going forward



Source: Company, ICICI Direct Research

Exhibit 5: PAT (standalone) trend



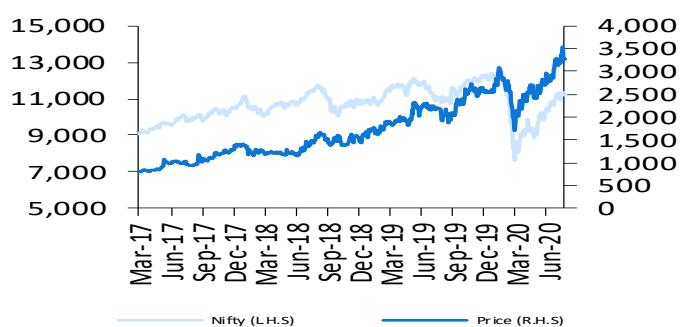
Source: Company, ICICI Direct Research

Exhibit 6: SOTP based valuation

	Valuation Method	Basis Multiple (x)	Valuation	₹share
Business				
Recruitment Business	PE Method	FY 22E EPS	60	25915
99 Acres	EV/Sales	FY 22E Revenues	12	3235
Jeevansathi & Other bus	EV/sales	FY 22E Revenues	4	706
Investee				
Zomato		22.7% stake		6758
Other Business	P/BV		5	1856
Policybazaar		15.1% stake		3932
Net Cash & financial investments				3202
Target Valuation			45605	3554
Rounded Off Target Price				3555

Source: Company, ICICI Direct Research

Exhibit 7: Three year price chart



Source: ICICI Direct Research, Bloomberg

Financial summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating Income	1,098	1,273	1,205	1,540
Growth (%)	20	16	(5)	28
Employee Expenses	459	540	561	619
Marketing Expenses	176	204	145	254
Network and Other Char	22	23	20	26
Other Expenditure	101	103	64	125
EBITDA	341	403	415	516
Growth (%)	15	18	3	24
Depreciation	20	41	43	52
E BIT	321	361	373	463
Interest	0	7	7	7
Other Income	111	88	116	121
PBT	432	442	482	578
Total Tax	117	113	123	148
Reported PAT	282	206	359	430
Adjusted PAT	315	329	359	430
Growth (%)	73	4	9	20
Adjusted EPS (₹)	25.9	26.8	27.8	33.4

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit after Tax	282	206	359	430
Add: Depreciation	20	43	43	52
(Inc)/dec in Current Assets	(2)	(1)	1	(7)
Inc/(dec) in CL and Provisor	82	(13)	(27)	134
Others	(83)	(58)	(115)	(84)
CF from operating activiti	296	302	260	525
(Inc)/dec in Investments	(50)	679	383	(301)
(Inc)/dec in Fixed Assets	(26)	(24)	(70)	(70)
Others	(147)	(459)	16	21
CF from investing activitie	(223)	197	329	(350)
Proceeds from fresh issue o	3	0	1,875	0
Inc/(dec) in loan funds	0	(0)	-	-
Dividend & DDT	(81)	(118)	(118)	(172)
Others	(0)	(0)	(7)	(7)
CF from financing activitie	(78)	(142)	1,750	(179)
Net Cash flow	(6)	357	2,339	(4)
Exchange difference	1	2	3	4
Opening Cash	111	70	427	2,766
Closing Cash	105	427	2,766	2,762

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Liabilities				
Equity Capital	122	122	128	128
Reserve and Surplus	2,202	2,309	4,418	4,676
ESOP	-	-	-	-
Secured Loan	0	0	0	0
Minority interest	-	-	-	-
Other non-current liabilit	1	57	57	57
Sources of funds	2,325	2,489	4,604	4,862
Assets				
Gross Block	125	235	305	375
Less: Acc Depreciation	75	106	149	202
Net Block	50	128	156	173
Capital WIP	-	-	-	-
Net Intangible assets	7	4	4	4
Other Investments	-	-	-	-
Liquid Investments	340	255	255	255
Inventory	-	-	-	-
Debtors	6	7	7	8
Loans and Advances	-	-	-	-
Cash	105	427	2,766	2,762
Other Current Assets	1,106	615	714	818
Other Non-Current Asse	1,327	1,674	1,291	1,593
Creditors	65	60	56	72
Provisions	50	55	52	66
Other current liabilities	501	508	481	615
Net Current Assets	941	682	3,152	3,092
Application of Funds	2,325	2,489	4,604	4,862

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Reported EPS	25.9	26.8	27.8	33.4
Cash EPS	24.8	20.1	31.1	37.4
BV	190.9	198.0	352.9	372.9
DPS	6.0	6.0	7.3	10.7
Cash Per Share	8.6	34.8	214.7	214.4
Operating Ratios (%)				
EBITDA Margin	31.1	31.6	34.5	33.5
EBIT Margin	29.2	28.4	30.9	30.1
PAT Margin	28.7	25.8	29.7	27.9
Debtor days	2	2	2	2
Creditor days	22	17	17	17
Return Ratios (%)				
RoE	13.6	13.5	7.9	8.9
RoCE	18.6	18.0	10.6	12.0
Valuation Ratios (x)				
P/E	128.0	123.7	119.1	99.3
EV / EBITDA	123.8	104.3	95.5	76.9
EV / Net Sales	38.5	33.0	32.9	25.8
Market Cap / Sales	38.9	33.5	35.4	27.7
Price to Book Value	17.4	16.7	9.4	8.9
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / E equity	0.0	0.0	0.0	0.0
Current Ratio	1.8	1.0	1.2	1.1
Quick Ratio	1.8	1.0	1.2	1.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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