

Results Update

Info Edge (India) Ltd

Bloomberg Code: INFOE IN

India Research - Stock Broking

SELL

Weak Billing ImPLY Slowdown Ahead

Info Edge (INFOE) reported decline of 10% in revenues to Rs. 2801 Mn. The adverse impact of covid induced lockdown was less than we anticipated as reflected in better than expected revenue growth. We believe better transmission of deferred revenues into reported numbers did the trick. However, 44% decline in billings was significant and we expect revenue growth to suffer in the coming quarters. We believe that the stock is trading at stretched valuations which are way beyond fundamentals. The recent sharp run up in the stock ahead of results and during the gloom is more due to the long term potential of the stock due to the moat it enjoys, leadership position it enjoys in its markets and solid fundamentals which we acknowledge. But the performance of the company in the near term depends on the economic recovery as its sales growth is closely correlated to the GDP growth.

Pre-lockdown deferred revenues saved the day: INFOE's strong base of deferred revenues reported during Q4FY20 (stagnant growth YoY) saved the day in terms of revenue and the impact was much lower. During the quarter growth of 10.5% was predominantly dragged by 99acres.com with a de-growth of 24%. Naukri.com's revenues declined by 10%. The dark horse however was jeevansathi.com, which reported an increase of 13% YoY. We expect the revenue growth in next two quarters to suffer as the weak billing reported during the quarter creeps in into the reported revenue. Revenue growth of Q4FY21 depends on how fast the economy rebounds and how fast the situation gets back to normalcy.

Tight control on costs improves profitability: Management exhibited a good control on costs. Cost savings were mainly driven by deferment of wage hikes for the staff. Other cost savings were incurred in the form of lower admin expenses due to work from home (WFH) and lower spend on marketing and ad spend. Management reiterated that the lower expenses reported during the quarter are not sustainable. Going forward, depending on the pace of recovery to normalcy, expenses will be incurred.

Outlook and Valuation

Currently the stock is trading at very stretched valuations and way beyond fundamentals as the markets are pricing in qualitative factors like solid fundamentals, strong competitive moat, value unlock potential in some of the investments, which will take some time to reflect in the numbers. While we acknowledge all the factors, we believe that quantitatively there is going to be mismatch between the numbers and the price given the potential for the company to report weak numbers during FY21. In this backdrop, we rate the stock a "SELL" with a target price of Rs. 2326 on SOTP basis (Exhibit 14)

Exhibit 1: Valuation Summary

YE Mar (Rs. Mn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	9155	10983	12727	11450	13684
EBITDA	2973	3413	4027	4250	4458
EBITDA Margin (%)	32.5	31.1	31.6	37.1	32.6
Adj. Net Profit	2735	3129	3241	3144	3089
Adj. EPS (Rs.)	17.2	22.5	25.6	26.4	25.7
RoE (%)	8.9	12.7	8.6	12.2	10.7
PE (x)	145.7	128.0	124.0	127.8	130.1

Source: Company, Karvy Research

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Recommendation (Rs.)

CMP (as on Sep 09, 2020)	3280
Target Price	2326
Previous Target Price	2092
Downside (%)	29

Stock Information

Mkt Cap (Rs.Mn/US\$ Mn)	421717 / 5735
52-wk High/Low (Rs.)	3584 / 1580
3M Avg. daily value (mn)	0.5
Beta (x)	0.9
Sensex/Nifty	38194 / 11278
O/S Shares(mn)	128.6
Face Value (Rs.)	10.0

Shareholding Pattern (%)

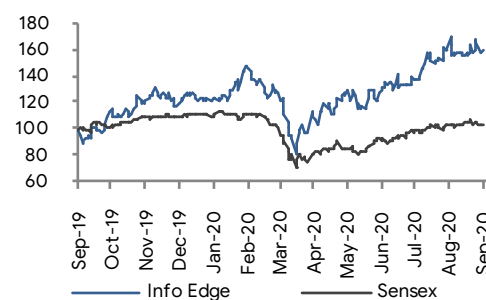
Promoters	38.5
FII's	13.6
DII's	38.5
Others	9.4

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(1)	58	21	30
Relative to Sensex	(1)	54	8	21

Source: Karvy Research

Relative Performance*



Source: Bloomberg; *Index 100

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Exhibit 2: Quarterly Performance

YE Mar (Rs. Mn)	Q1FY21	Q4FY20	QoQ (%)	Q1FY20	YoY (%)
Turnover	2801	3228	(13.2)	3128	(10.4)
Expenditure	1756	2263	(22.4)	2118	(17.1)
EBITDA	1046	965	8.3	1010	3.5
Depreciation	111	110	1.2	99	12.5
Other Income	203	195	4.1	245	(17.4)
Finance Cost	15.3	15.9	(4.1)	17.6	(13.1)
Extraordinary Items	0	372	NA	82	(100.0)
PBT	1122	1034	8.5	1139	(1.5)
Tax	290	246	17.7	411	(29.5)
PAT	832	416	100.0	646	28.8
Adjusted PAT	832	636	30.9	697	19.3
EBITDA Margin (%)	37.3	29.9	742	32.3	504
EBIT Margin (%)	33.4	26.5	686	29.1	423
Net Profit Margin (%)	29.7	12.9	1681	20.7	904
Adjusted Net profit (%)	29.7	19.7	1002	22.3	741

Source: Company, Karvy Research

Exhibit 3: Segmental Financials

	Q1F21	Q4FY20	QoQ %	Q1FY20	YoY %
Segment-wise revenues					
Recruitment Solutions	2002	2306	(13.2)	2195	(8.8)
99acres for real estate	425	564	(24.6)	564	(24.7)
Others	375	358	4.6	368	1.7
Segment-wise PBT					
Recruitment Solutions	1146	1250	(8.4)	1094	4.8
99acres for real estate	5	(14)	(136.9)	(35)	(115.4)
Others	(136)	(227)	(40.3)	(65)	109.2
Segment-wise PBT Margin (%)					
Recruitment Solutions	57.2	54.2	302 bps	49.8	741 bps
99acres for real estate	1.2	(2.6)	381 bps	(6.1)	737 bps
Others	(36.3)	(63.5)	2722 bps	(17.6)	(1863) bps

Source: Company, Karvy Research

Recruitment Segment: Recruitment segment's revenues declined -8.8%, which was better than expected. However during the quarter, the segment saw a decline in customers on YoY basis. This was offset by better realization and lower admin costs and muted ad spend. Management did a commendable job in terms of handling the lockdown and the business exhibited a smart recovery on month-on-month basis as lockdown was being relaxed. YoY decline in monthly revenues improved from -84% in April to -38% in June. The transition to WFH was smooth and was visible in the fact that they could successfully launch a zoom-based QIP in record time. Billings for the segment declined 44% YoY showing weakness in some sectors like hospitality, infrastructure, telecom and retail severely affected due to covid and lockdown.

Exhibit 4: Recruitment Business

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
No of resumes on Naukri.com (in millions)	64	66	67	69	69
Avg No of resumes added daily in '000	19	20	13	13	9
Avg No of resumes modified daily in '000	366	431	390	416	324
No of unique customers in '000	58	59	59	60	48
Revenue per Resume Rs.	34	34	34	33	29

Source: Company, Karvy Research

99acres.com: 99acres.com's revenues declined 24.7% as real estate activity came to a halt during Q1FY21. Decline in billings by 71% indicates that next two-to-three quarters are going to be very bleak for the segment in terms of growth. During FY20, 99acres.com was the top contributor to growth as it exhibited a fast recovery. While brokers contribute 56% of revenues, rest is contributed by builders and homeowners. While home owners are listing their properties directly, dealers and developers are slow to get back to the portal. While the activity on the platform is improving it is not back to pre-covid levels and will take some time to reach there.

Exhibit 5: 99acres.com

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
No of listings in '000 (free+paid)	1273	1280	1396	1318	642
YoY Increase (%)	22.4	18.2	22.2	4.1	(49.6)
No of paid listings in '000	841	775	910	852	324
YoY Increase (%)	27.8	7.0	20.8	1.8	(61.5)
Revenue per Listing (Rs.)	443	445	417	157	662
% Increase QoQ	3.1	38.8	(5.9)	(62.3)	321.5

Source: Company, Karvy Research

Jeevansaathi.com - Dark horse during the quarter

Jeevansaathi.com was not impacted by covid at all and moreover, it reported a revenue growth during the quarter. The company is fortifying its position in its key markets and is investing in the business. Management indicated that it would continue to compete in its core markets of north and western region and could command a market share of 20-25%. While sales growth was soft during first week of May it recovered sharply thereafter due to company's investments in innovative offerings like video-based meetings, video-based profiling as the company emphasized on user-engagement during the lean period. The company indicated that it will continue with its marketing spending and other investments in this business.

Exhibit 6: Segment Billing (Rs. Mn)

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Recruitment Solutions	2517	2098	2100	2440	1403
YoY Growth (%)	19.8	14.0	8.5	(6.1)	(44.3)
99acres (real estate)	484	605	543	507	140
YoY Growth (%)	18.3	20.8	10.8	(24.0)	(71.1)
Others	362	302	356	372	343
YoY Growth (%)	11.7	14.0	20.7	8.1	(5.2)
Total Billing	3,128	3,166	3,205	3,228	2,801
YoY Growth (%)	10.4	21.4	14.0	10.3	(10.5)

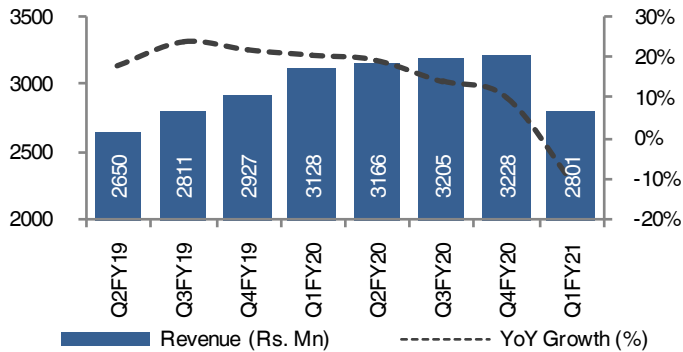
Source: Company, Karvy Research

Exhibit 7: Deferred Revenue (Rs. Mn)

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Recruitment Solutions	3863	3712	3472	3615	2981
YoY Growth (%)	20.6	18.5	14.9	1.6	(22.8)
99acres (real estate)	758	797	765	700	426
YoY Growth (%)	9.4	8.1	6.4	(17.6)	(43.8)
Others	332	298	333	340	311
YoY Growth (%)	9.9	8.0	9.9	1.2	(6.3)
Total	4953	4807	4570	4656	3717
YoY Growth (%)	18.0	15.9	13.0	(1.9)	(25.0)

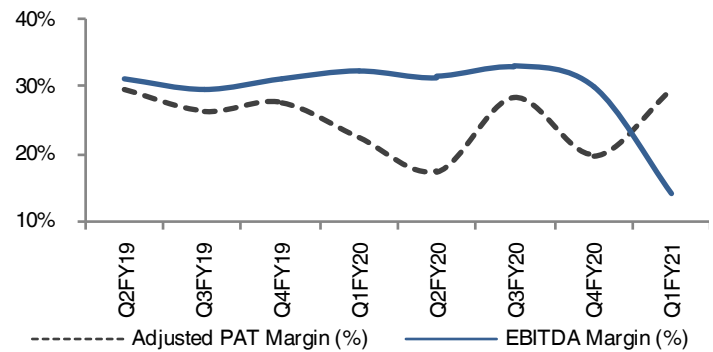
Source: Company, Karvy Research

Exhibit 8: Quarterly Revenue & Revenue Growth



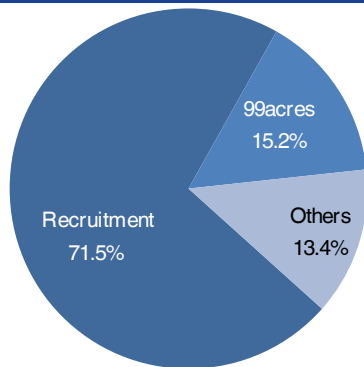
Source: Company, Karvy Research

Exhibit 9: Quarterly Margins Trend



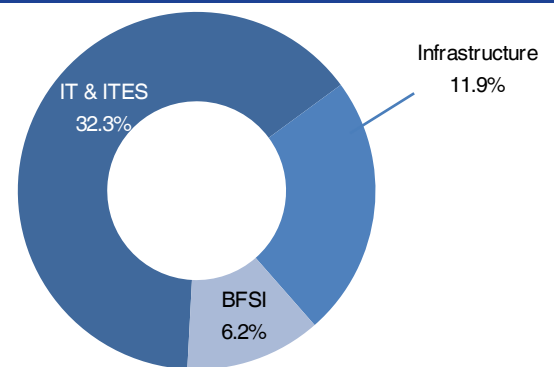
Source: Company, Karvy Research

Exhibit 10: Segmental Revenue Breakup for Q1FY21



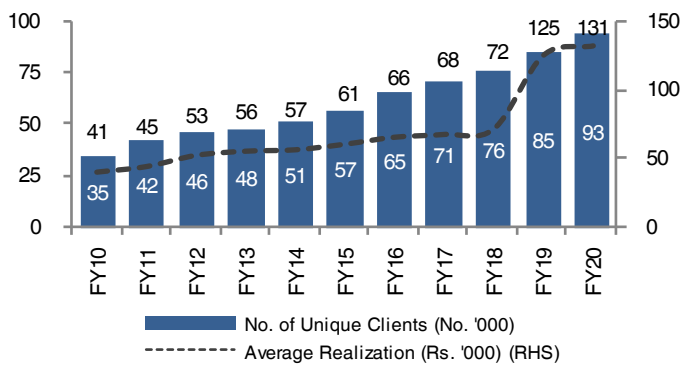
Source: Company, Karvy Research

Exhibit 11: Vertical mix for Recruitment Business Q1FY21



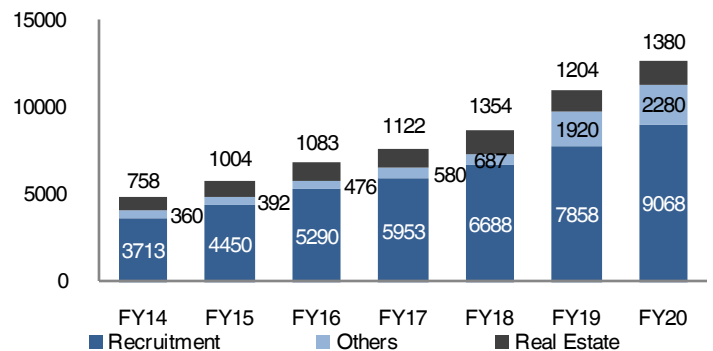
Source: Company, Karvy Research

Exhibit 12: Average Realization per Client



Source: Company, Karvy Research

Exhibit 13: Segmental Revenue Breakup for FY20 (Rs. Mn)



Source: Company, Karvy Research

Exhibit 14: SOTP Valuation

SOTP Valuation	Per Share (Rs.)	Basis
Subsidiaries FY20	18	Based on 1x FY19 BV
Associates FY20	120	Based on carrying value
Zomato (Transaction Based)	453	Based on last round of funding by Pacific Horizon Investments
Policybazaar (Transaction Based)	185	Based on last round of funding by Tencent Holdings
99acres.com	211	12x Sales
Total valuation of investments	775	
Holding Company Discount @ 10 %	77	
Final Valuation of investments	697	
Cash and Cash Equivalents	348	
Standalone Business	1280	3 year historical average 1yr fwd PE
Target Price	2326	

Source: Company, Karvy Research

Financials

Exhibit 15: Income Statement

YE Mar (Rs. Mn)	FY18	FY19	FY20E	FY21E	FY22E
Revenues	9155	10983	12727	11450	13684
Growth (%)	14.1	20.0	15.9	(10.0)	19.5
Operating Expenses	6182	7569	8700	7200	9226
EBITDA	2973	3413	4027	4250	4458
Growth (%)	30.7	14.8	18.0	5.5	4.9
Depreciation & Amortization	215	204	414	206	501
EBIT	2758	3210	3613	4043	3957
Other Income	971	1112	876	876	876
Interest Expenses	1	1	67	67	67
PBT Before Exceptional Items	3728	4320	4422	4853	4766
Exceptional Items	(913)	(334)	(1233)	0	0
PBT After Exceptional Items	2814	3986	3189	4853	4766
Tax	991	1169	1133	1708	1678
PAT	1824	2817	2056	3144	3089
Adjusted PAT	2735	3129	3241	3144	3089
Growth (%)	31.6	14.4	3.6	(3.0)	(1.8)

Source: Company, Karvy Research

Exhibit 16: Balance Sheet

YE Mar (Rs. Mn)	FY18	FY19	FY20E	FY21E	FY22E
Cash & Cash Equivalents	1458	1052	4275	9761	12706
Sundry Debtors	44	60	70	84	101
Investments	19719	13733	17226	14982	15263
Gross Block	1171	1366	663	331	0
Net Block	529	549	475	783	616
CWIP	0	20	0	0	0
Miscellaneous	4528	13996	9064	8946	9763
Total Assets	26278	29410	31110	34556	38449
Current Liabilities & Provisions	5159	6125	6225	6664	7298
Debt	0	4	2	0	0
Other Liabilities	41	42	566	622	745
Total Liabilities	5201	6171	6794	7286	8043
Shareholders Equity	1216	1220	1223	1223	1223
Reserves & Surplus	19862	22019	23094	26047	29183
Total Network	21077	23239	24317	27270	30406
Total Network & Liabilities	26278	29410	31110	34556	38449

Source: Company, Karvy Research

Exhibit 17: Cash Flow Statement

YE Mar (Rs. Mn)	FY18	FY19	FY20	FY21E	FY22E
PBT	3728	4320	4422	4853	4766
Depreciation	215	204	414	206	501
Tax Paid	(991)	(1469)	(1112)	(1708)	(1678)
Inc/dec in Net WC	7383	499	(28)	(183)	(11)
Other Income	(971)	(598)	(675)	(876)	(876)
Other non cash items	0	0	0	0	0
Cash flow from operating activities	9365	2956	3021	2291	2702
Inc/dec in capital expenditure	(146)	(259)	(237)	(515)	(333)
Others	(9177)	(1974)	2207	3121	595
Cash flow from investing activities	(9323)	(2233)	1970	2606	262
Dividend paid	(804)	(808)	(1176)	(809)	0
Equity	5	27	3	0	0
Cash flow from financing activities	(800)	(781)	(1420)	(876)	(67)
Net change in cash	(758)	(57)	3571	4021	2897

Source: Company, Karvy Research

Exhibit 18: Key Ratios

YE Mar	FY18	FY19	FY20	FY21E	FY22E
EBITDA Margin (%)	32.5	31.1	31.6	37.1	32.6
EBIT Margin (%)	30.1	29.2	28.4	35.3	28.9
Net Profit Margin (%)	19.9	25.7	16.2	27.5	22.6
Dividend Payout ratio (%)	36.7	26.2	33.6	21.4	21.8
Net Debt/Equity (x)	(0.6)	(0.2)	(0.3)	(0.5)	(0.5)
RoE (%)	8.9	12.7	8.6	12.2	10.7
RoCE (%)	13.5	14.5	15.2	15.7	13.7

Source: Company, Karvy Research

Exhibit 19: Valuation Parameters

YE Mar	FY18	FY19	FY20	FY21E	FY22E
EPS (Rs.)	17.2	22.5	25.6	26.4	25.7
DPS (Rs.)	5.5	6.0	5.5	5.5	5.5
BVPS (Rs.)	173.5	190.3	198.5	222.6	248.2
PE (x)	145.7	128.0	124.0	127.8	130.1
P/BV (x)	18.9	9.7	10.3	14.7	13.2
EV/EBITDA (x)	129.7	64.6	60.2	91.6	86.6
EV/Sales (x)	42.1	20.1	19.1	34.0	28.2

Source: Company, Karvy Research

Stock Ratings	Absolute Returns
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Hold	: 5-15%
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