Info Edge (India) Ltd.

April 9, 2019

DALAL & BROACHA
STOCK BROKING PVT. LTD.

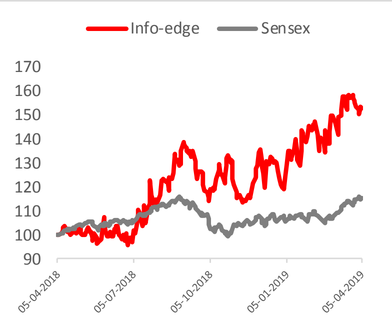
Analyst: Kunal Bhatia

Initiating Coverage @ Dalal & Broacha

BUY	
Current Price	1,856
Target Price	2,423
Upside/Downside	31%
52 Week Range	1,126/1,930

Key Share Data	
Market Cap (Rs.bn)	229
Market Cap (US$ mn)	3319
No of o/s shares (mn)	122
Face Value	10
Monthly Avg. vol(BSE+NSE) Nos'000	343.8
BSE Code	532777
NSE Code	NAUKRI
Bloomberg	INFOE:IN

Price Performance



% Shareholding	Dec-18	Sept-18
Promoters	41.4	41.3
Institutions	58.5	58.6
Others	0.2	0.1
Total	**100**	**100**

Highest Market Share by traffic coupled with robust industry growth in flagship products (Naukri and 99acres) and investee companies to drive performance

Naukri.com

Naukri is benefiting from strong hiring and churning trends in the IT services sector in FY18 and 9MFY19 (IT sector directly contributes 31% to Naukri.com's revenues which in turn contributes 71% to Total standalone sales of Info Edge). Management stated that top 4-5 IT services companies contribute 4-5% to topline whereas Mid to Small tier companies contribute a larger chunk. Net Additions have been strong in mid to bottom bucket of the companies as well. Naukri revenues reported a growth of 17% YoY in 9MFY19 whereas 5 year CAGR between FY14 and FY18 stood at 12.4%

99acres (17% of standalone revenues)

99acres has also reported steady performance in the past 2 quarters after the real estate industry has moved past the overhang of De-mon, GST and RERA. 99acres grew 40% YoY in 9MFY19 whereas 5 year CAGR was 11.9%. The split between Brokers : Builders is 50 : 50 and company maintains that participation from brokers compared to builders has increased massively during 9MFY19. Management is of the view that the real estate market has stabilized, which is evident through an increase in transactions in Q3FY19 and heightened activity of the broker segment (43% in FY16 to 51% as of December 2018). Management of the view the current liquidity issues in the real estate industry is related to Developer Finance (in-line with slowdown in business from new launches for Info Edge) while Retail finance remains unaffected

Expect PolicyBazaar to be "The Next Big Thing" in Info Edge's investee company portfolio

An under-penetrated insurance industry coupled with an even more under-penetrated online insurance activity indicates a massive opportunity for PolicyBazaar. While only 4% of the Indian population is insured and even lower – 2% of this activity (premium renewal or new insurance policy purchases) takes place 'online'. PolicyBazaar dictates a 95% market share of 'online insurance comparison' and 50% share of online insurance transactions. We believe that as the Millenials and Generation Z population matures and takes control over financial decision making and handling, we will witness a major shift from the current "agent-policy holder" industry model to an "online model". This demographic dynamic should be supported by maturing digital technologies such as Analytics, AI and Automation. Info Edge owns 9.84% stake in Policy Bazaar and Tamasek Holdings owns another 9.84% stake in EtechAces (which owns and operates PolicyBazaar) through a subsidiary - MakeSense Technologies. Other investors include Softbank and Tiger Global.

Outlook & Valuation

Info Edge is currently trading at 62x and 52.3x FY20e and FY21e EPS. We value Info Edge's standalone business (Naukri, 99acres, Jeevansaathi and Shiksha.com) at 40x FY21e EPS of INR 35.5 to arrive at a target price of INR 1,420. As far as Investee companies are concerned, we consider two major investments – Zomato and PolicyBazaar in our valuation. As per the latest round of funding for Zomato (February 2019) coupled with our estimates, we value Zomato at INR 828 per share. PolicyBazaar is valued at INR 175 per share. As per sum of the parts valuation, we assign a **BUY** rating on the stock with a target price of INR 2,423 (31% upside from CMP).

Standalone Financials (INR Mn)

	Net Sales	% Growth	EBITDA	Margin (%)	PAT	PAT Margin (%)	EPS	% Growth	P/E (x)	ROE (%)	ROCE (%)
FY17	8,021	11.8%	2,275	28.4%	2,084	25.5%	17.2	52%	109.9x	18.7%	8.4%
FY18	9,155	14.1%	2,973	32.5%	2,737	19.9%	22.5	31%	123.7x	18.4%	8.7%
FY19E	10,939	19.5%	3,352	30.6%	3,081	26.7%	25.3	13%	77.2x	17.3%	10.2%
FY20E	12,812	17.1%	4,109	32.1%	3,638	28.4%	29.9	18%	62.0x	19.0%	11.1%
FY21E	14,637	14.2%	4,918	33.6%	4,314	29.5%	35.5	19%	52.3x	15.9%	11.9%

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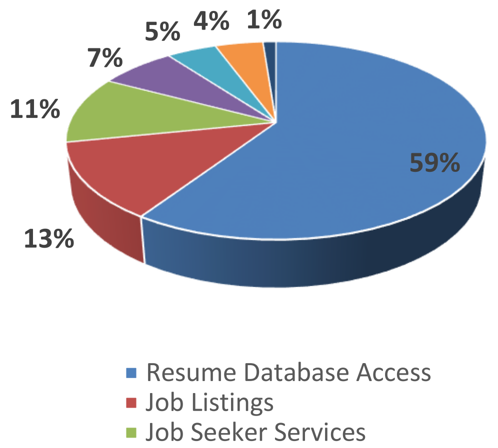
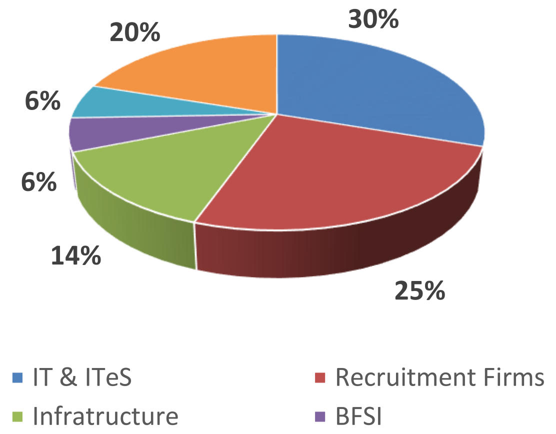
Naukri
Service-wise Revenue Contribution



Industry-wise Revenue Contribution

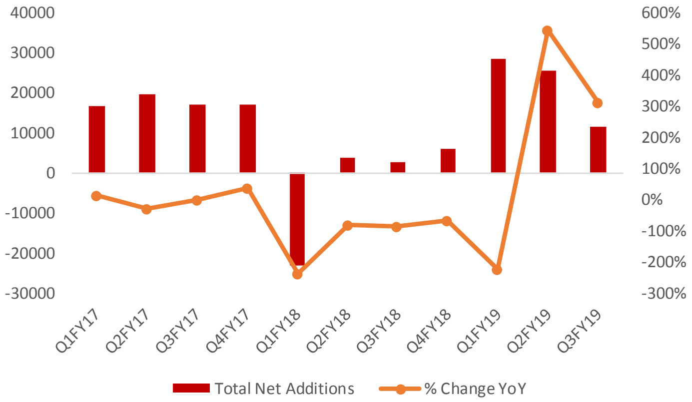


Source: Company, Dalal & Broacha Research

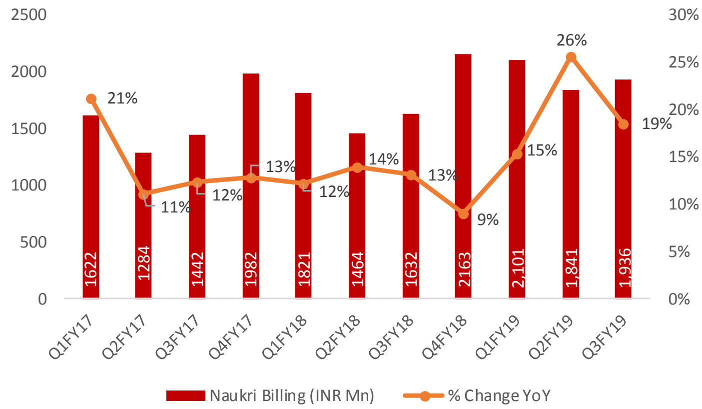
Strong trends in hiring by domestic IT sector a major driver for Naukri
The domestic IT sector contributes 30% to Naukri's revenues and 50% of revenues through Recruitment Consultants come from the IT sector; which means that ~42-43% of Naukri's are derived from domestic IT companies.

The Indian IT sector witnessed hieghtened demand through 9MFY19 due to traction insegments like BFSI, Telecom and Manufacturing and healthy deal wins across the sector. Robust demand and deal wins percolated into increased hiring which in turn benefited Info Edge. Additional phenomenon like reduced campus hiring and more skill based hiring was an added growth driver. To gain perspective, additions increased by 2.5x to 15x across top 5 Teir I IT companies in 9MFY19 vs 9MFY18. Whereas the the same figure had reported a drop of 40-85% in 9MFY18 vs 9MFY17. This phenomenon is also reflected in Info Edge's **4Q Billing CQGR** which was 4.4% in Q3FY19 vs 3.1% in quarter ending Q3FY18 and 2.9% in quarter ending Q3FY17.

Net Additions of Top 5 domestic companies spiked between Q1-Q3FY19 & % Change YoY



Naukri Quarterly Billing and Growth (% YoY)



The graph above (on the left) plots the quarterly Total Net Additions of Top 5 domestic IT Services companies whereas the one to the right plots Naukri's Quarterly Billing numbers. It is noteworthy that Naukri's quarterly billing spiked from an average of 12-14% in Q2FY17 to Q4FY18 to an average of 20% between Q1FY19 to Q3FY19 which was directly proportional to a spike in Total Net Additions of domestic top 5 IT services companies.

Going ahead, we believe that the IT sector will continue the past trend of healthy growth due to the following reasons:

1) Deal wins in 9MFY19 for Tier 1 IT companies have grown 2-2.5x YoY (Although Top IT companies contribute 4-5% of Naukri's revenues, we consider the deal wins as representative sample of the outsourcing industry). For instance:
   a) **TCS:** Quarterly order win for TCS grew to $5.9 Bn in Q3FY19 vs $4.9 Bn in Q2FY19 and Q1FY19 respectively
   b) **Infosys:** Large Deal wins for Infosys grew by 104% to $4.7 Bn in 9MFY19 from $2.31 Bn in 9MFY18
2) Strong guidance in BFSI, Telecom and Manufacturing segment whereas Retail is expected to bounceback in FY20.

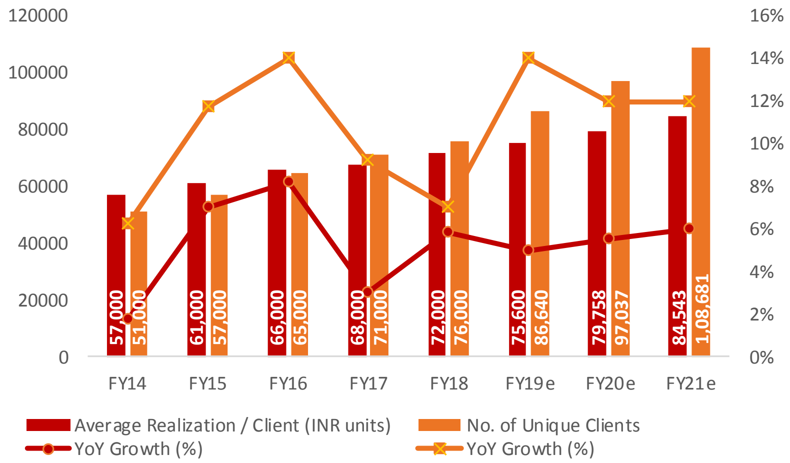
Recruitment Management System (RMS) to provide customer stickiness

In FY17, Naukri introduced a cloud based Recruitment Management system with plans of transforming the company from a purely 'sourcing enterprise' to a one stop solution in the form of an ERP. Info Edge rebranded all solutions such as response management, application tracking, referral hiring tooletc, which were previously under Career Site Management (CSM), into RMS in FY18.

This ERP system becomes a one stop solution from requisition to offer and includes 3 products namely RMS Pro, RMS Referral and RMS Consultant. We believe that RMS (as an offering) can gain signficant traction due to Naukri's market share in the online recruitment space.

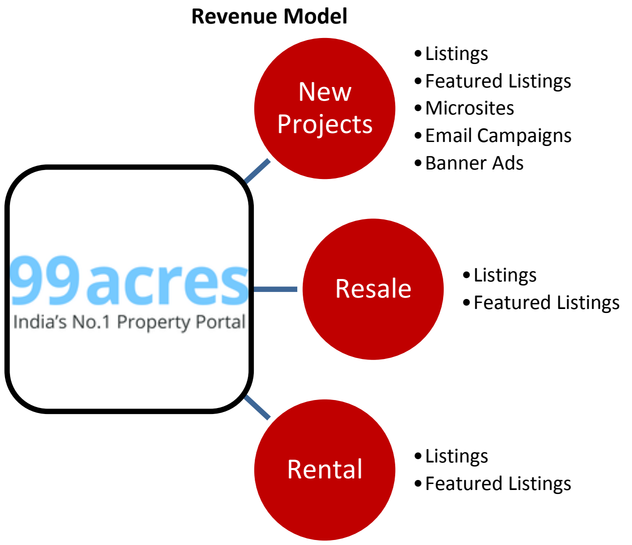
Expect Unique client additions to grow at 13% CAGR and Average Realisation per client to grow at 5% between FY18-FY21e

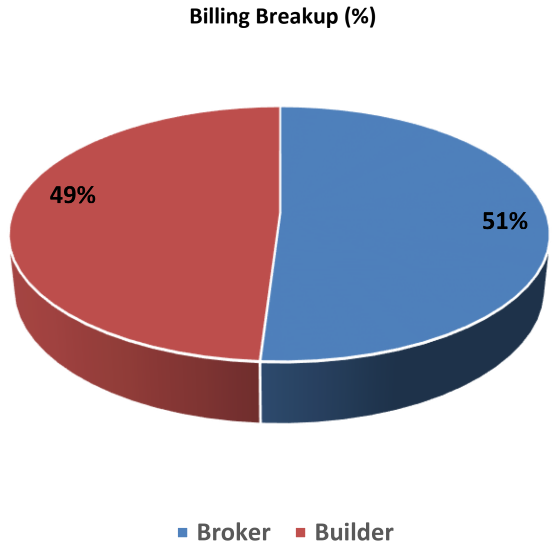
No. of Unique Clients and Average Realization per client – Annual Trend



Info Edge's Average Realization per Client stood at INR 72,000 as of FY18 and has recorded a 5 year CAGR of 5.2%; Client Additions have grown at a faster pace of 9.6% 10 year CAGR to a total of 76000 unique clients. Going ahead, given strong hiring trends and robust deal pipeline in the IT sector we expect client additions to grow at a higher CAGR of 13% between FY18 and FY21e and Average Realization/client to grow at similar level of 5% CAGR in the same period.

99acres





99acres derives its revenue primarily from Listing Fees and Featured Listing Fees followed by tertiary services like Email Campaigns and Advertisments on its website (99acres does not derive revenues from last mile transaction or brokerage). The services are present across the board, that is New Project Launches, Resale and Rental properties. Lastly, 99acres derives 51% of its billing from brokers and 49% from builders.

Overhang of macro shocks a thing of the past

The Indian real estate sector suffered major shocks in the form of Demonitzation (Q3FY17), RERA (Q1FY18) and GST (Q2FY18) during FY17 and FY18. However, we believe that all of these events/polcies serve as key triggers for the formalization and standardization of the sector in the longer run. Additionally, the sector is way past the overhang / uncertainty from these events / policies and is set to grow at a steady rate going ahead.

Our interaction with builders revealed following key points:

1. Advertising spend as a percent of revenue currently stand at ~3-4% and has come down from as high as 11-12% during peak times due to various reasons such as fall in Sales, reduced profit margins, etc. over the past few years.
2. The industry seems to have settled down after Demon, RERA and GST and the outlook seems positive over the next few years
3. New launches and activity should be sluggish until the elections
4. Online advertisements contribute approximately 10-15% of overall ad spends

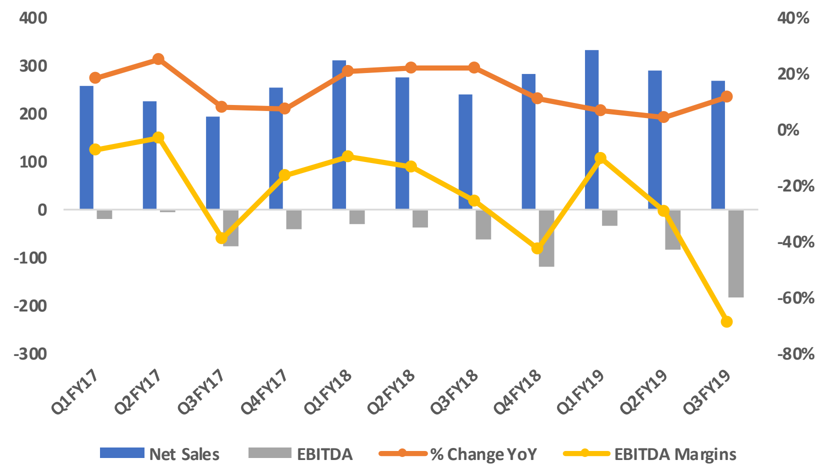
Going ahead, we believe that the following **key triggers** will be major growth drivers for **99acres**

1. Online ad spends as a % of total ad spend has immense potential to grow from current levels of 10-15% . We believe that in the longer run, **online ad spends as a % of total ad spend should increase from 10-15% to 50%** as they are more specific / target oriented, customizable and cost per lead versus Print advertisement is comparatively lower (for example, cost per lead for Print is ~INR 15-25,000 vis-à-vis Digital which stands at INR 2.5 – 5,000/lead
2. Our interactions revealed that small builders on an average spend<5% of revenues on ads with no exposure to digital and that ticket price of the project is inversely proportional to % of digital ad spends
3. As the real estate market becomes stable and gathers pace, ad spends can increase from current average of 3-4% to as high as 11-12%
4. Brokers' advertising spend as a % of commission income is <3-4% whereas online advertising (as a % of total ad spend) is even lower. Trends in the developed economies and real estate market indicate that advertising by brokers has potential to increase massively to north of 10% of commission income where as online ad spend component contributing a major part to it. These trends are currently visible in 99acres itself which has seen Broker Billings as a % of total increase from 43% in FY16 to 51% in FY18.

Others - Jeevansaathi & Shiksha.com

Jeevansaathi.com is India's 3rd largest matrimony website after BharatMatrimony and Shaadi.com. However, this segment is struggling with profitability due to low pricing power (which in turn is due to high competitve forces) and consistently high ad spends to maintain brand awareness. Jeevansaathi is very strong in the North and Marathi belt and trying to penetrate South (no presence in this community currently). Management has claimed that it has increased its ad spend (ad spend as a % of sales of the standalone entity has increased by 600 bps from an average of 10% in 9MFY18 to 16% in 9MFY19) in this segment which should pay off dividends in terms of higher revenue growth over FY20E. In FY20E, we expect revenue growth to bump up from 12% YoY in Q3FY19 to high teens in FY20E. Expect ad / promotion expenditure to taper off going ahead and EBITDA margins to improve significantly going ahead from -69% in Q3FY19

Jeevansaathi and Shiksha.com - Revenue and Margin Profile



Jeevansaathi reported revenue of INR 177 Mn, up 7% YoY, whereas it recorded an EBITDA loss of INR 152 Mn, up from INR 40 Mn in Q3FY18. Shiksha.com reported revenue of INR 92 Mn in Q3FY19, up 25% YoY. EBITDA loss was reported at INR 25 Mn, up from a loss of INR 12 Mn in the same period last year. The company is still putting in efforts and pumping in money to improve user experience.

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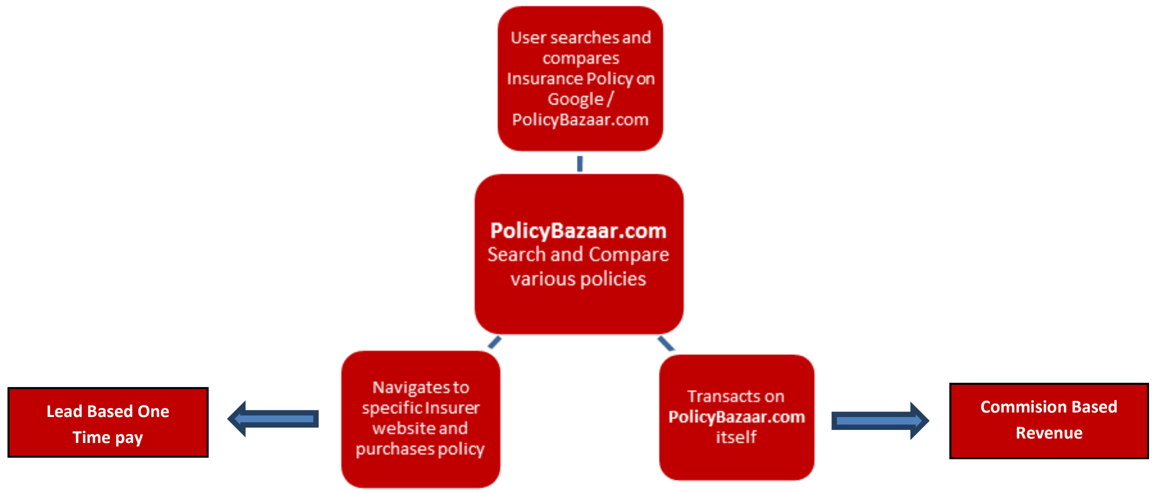
Policy Bazaar *(13.66% stake)*
PolicyBazaar is operating under the Lead Generation model *wherein it recieves a one-time payment for generating leads for insurance companies* as well as performance based commision model, *wherein it gets a commision based on client conversion.*

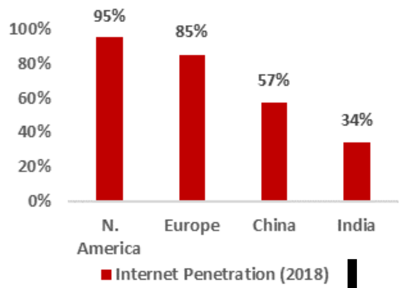
Business Model

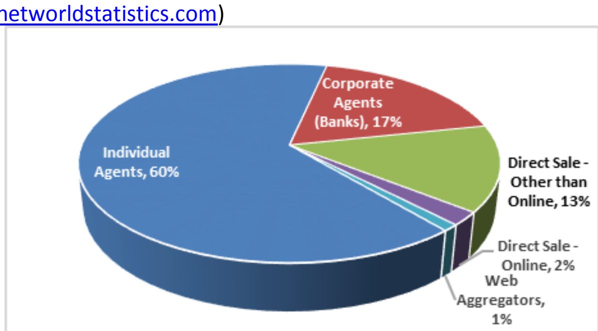


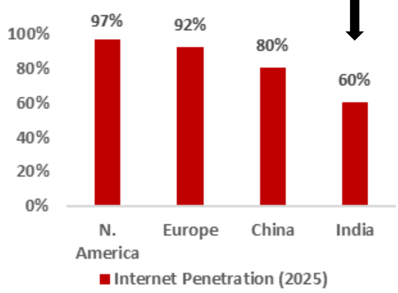
We believe that Policy Bazaar will be the next growth driver in Info Edge's investee company portfolio
Huge potential exists in the insurance space as only 4% of the Indian population is insured. In FY18, 19.8 Cr policies were issued, out of which merely 15 lac policies were through web aggregators (checked, converted or lead transferred). This means that penetration of web aggregators is barely 0.8%.Additionally, scope for penetration of online distribution or 'web aggregators' is even higher because, for instance, share of web aggregators as a percent of total policies issued in Health Insurance is 1.02% and share of Gross Premium paid on Web Aggregators as a percent of total gross premium paid for Health Insurance is only 0.47% (Source: IRDAI Annual Report 2017-18).

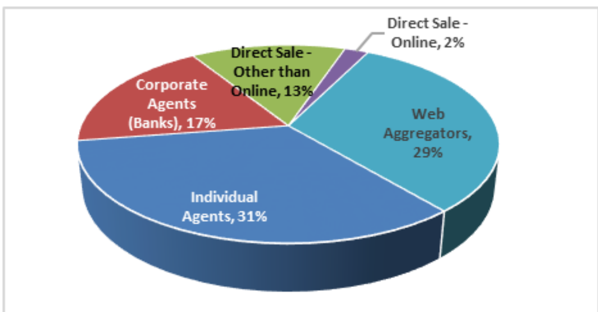
We believe that as Millenials and Gen Z population become financially independent and concious, modus operandi of Insurance industry will shift from Agent – Policy model towards Direct Sale – online (2% of total Health Insurance policies issued) or Web Aggregator model. This is mainly due to better transparency, more options, more convinience and cheaper cost (comparatively, cost of commisions is lesser in a web aggregator format as the middleman is cut off).

India's internet penetration stands at ~34% as of FY18. Globally, North America has the highest penetration at 95%, followed by Europe at 85%, Australia at 69% and Latin America at 67% (Source: www.internetworldstatistics.com)









Aggregators in the UK Insurance Market command 50% market share
Notably, market share (in terms of Gross Premiums paid) of web aggregators is 54% in UK, 48% in Italy, 36% in Germany and 30% in France. Moreover, these markets are typically characterized by Monopolies or Oligopolies. We believe that Indian markets are a reflection of the European Insurance market, albeit of a nascent/early stage.[1]

US Market – a different ballgame
Although internet penetration in the US is the highest globally, web aggregators in the insurance sector are few. This is mainly due to "hurdle of needing to work with different regulations, agents, and brands per state, but more importantly by the massive spending direct players invest in their own brands"[2]. However, activity in the aggregator space has increased in the recent years with funding rounds to start ups and M&As.

With higher mobile and internet penetration in India, we expect transformation of the modus operandi to occur at a faster rate and market share of aggregators to go upwards of 30% over the next decade. PolicyBazaar,which commands a 95% share of the online insurance comparison activity and 50% of online insurance premium transactions (there are approximately 26 web aggregators registered with the IRDAI as of FY18) is a clear leader and will be able to reap the benefits from this shift.

PaisaBazaar offers cross-selling opportunities
Paisabazaar, PolicyBazaar's online marketplace for financial products, is another portal which offers huge cross-selling opportunities. The marketplace offers services such as: (i) Compare and Apply for Credit Cards (ii) Comparison and Application for Business/Personal Loans (iii) Comparison and Application for Mutual Funds / Insurance, etc. The portal is using traditional marketing technigques such as "Free Credit Score Checks" and contemprary methods through its Brand Film initiative "Paison se badhkar". PaisaBazaar expands PolicyBazaar's offerings and makes it a one stop financial services solution provider to the user.

Financials
PolicyBazaar reported revenues of INR 159 Cr, a growth of 225% YoY, whereas losses reduced by 78% in FY18 at INR 9.4 Cr in FY18 versus INR 44 Cr in FY17. We believe that PolicyBazaar should report marginal loss / profit in FY19 and turn completely profitable from FY20e onwards as the penetration of online insurance increases rapidly and gains scale, as the cost structure of the "online" business model is highly efficient. Online policy issuance is relatively cheaper due to lower commssion costs (compared to agents) and operational costs and online premium renewal incurs only technology costs and can therefore benefit from economies of scale.

[1]Source: Mackinsey Insights https://www.mckinsey.com/industries/financial-services/our-insights/friends-or-foes-the-rise-of-european-aggregators-and-their-impact-on-traditional-insurers

[2]Source: Mackinsey Insights https://www.mckinsey.com/industries/financial-services/our-insights/friends-or-foes-the-rise-of-european-aggregators-and-their-impact-on-traditional-insurers

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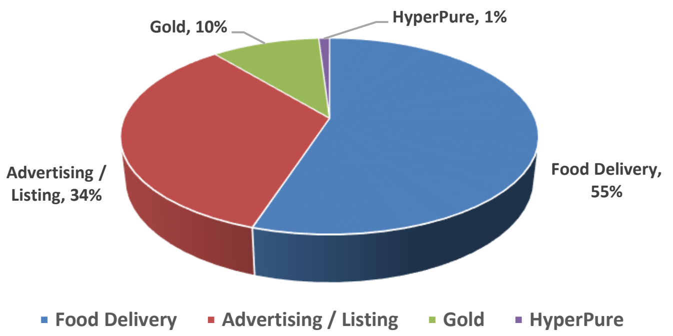
Zomato

A clear leader in the Restaurant Search & Discovery segment despite competition from Swiggy

Zomato was founded in 2008 but gained traction and acceptance between 2010-2015 and was solely responsible for disrupting the telephone directory/online directory model (for instance Just Dial). 2015 onwards, it was clear that Zomato was going to take the winner-take-it-all position in the Restaurant Search & Discovery and Delivery space (Zomato was well on its way to continue robust revenue growth, profitability and lower cash burn) until Swiggy completely disrupted the dynamics. Swiggy offered a completely fresh UI which involved displaying the positioning of the food delivery personnel and expected time of arrival which was a major contributing factor for its high customer acquisition rate. This initiated the war for supremacy in the Indian Online Food Delivery Space which was characterized by ridiculous fund raising and extremely high cash burn as discounts/offers had become a necessity to not only win customers but also retain them. Therefore, from a point where Zomato was going to turn profitable, Swiggy fired up the domestic online food delivery business.

However, Zomato still is the clear leader in the Restaurant Search and Discovery space and can gain an edge over rivals due to the following key drivers :

- **Zomato still leads the restaurant search and discovery space:** Users still flock to Zomato to discover/search a restaurant and gain reviews, opinions and suggestions and this phenomenon therefore offers high cross-selling opportunities for the Food Delivery segment
- **Opportunity size remains huge in the Online Food Delivery market:** Zomato and Swiggy are currently doing 1 Mn orders per day (OPD) (cumulatively) in 165 cities (for Zomato and 100 cities for Swiggy) which can easily increase to 40-50 Mn OPD in 500 cities over the next 5 years as both companies have witnessed an extremely encouraging response from smaller cities. In the last 12 months, Zomato has increased its delivery boys' fleet from a mere 5,000 to 1,00,000 which indicates its apetite to win in the online food delivery space.
- **Zomato Gold** has been an outstanding product and an equally brilliant performer. Although, Swiggy has been successful to huge extent in changing the customer psyche from "dining out" to "dining in", Zomato Gold was equally successful in pulling the customer towards a "dine-out"



Source: Economic Times, Company[3]

Trends in the online food delivery business has changed tremendously in a short period of time. Until FY17, ad revenues/listing revenues were the largest contributor whereas by FY19, Food Delivery contributes 55% to topline. Management believes that the opportunity size is massive as the platform is recording 22 Mn new users every month of which 5% try out the food delivery option which can then turn into repeat sales.

The company also launched Zomato Gold in FY18 which proved to be a success in a short span of time. Zomato Gold currently has 800,000 members and is highly profitable as apart from the 2-5% administration fee, the revenue straight goes to bottom-line

Our interactions with industry players have revealed the following key points about the Online Food Delivery / Search & Discovery space:

- Aggregators charge the restaurant 15-18% of the total order value. Unit economics is not viable until a 25-27% of total order value is charged
- Customers are charged an INR 20-50 delivery fee
- Cash burn is very high at current business model ($17-18 Mn as of Nov 2018), but cross-selling opportunities should help drive sustainability
- Online aggregator space (be it Financial Services, Food Delivery, Matrimony, etc.) is typically a 2 player race and therefore there will be a high level of consolidation amongst the tail enders
- Customers are sticky

A Mckinsey Study of the online food delivery space indicates that "Platforms are sticky" and that 'once a customer signs up, 80% never or rarely leave for another platform, creating a strong winner-take-it-all dynamic'.

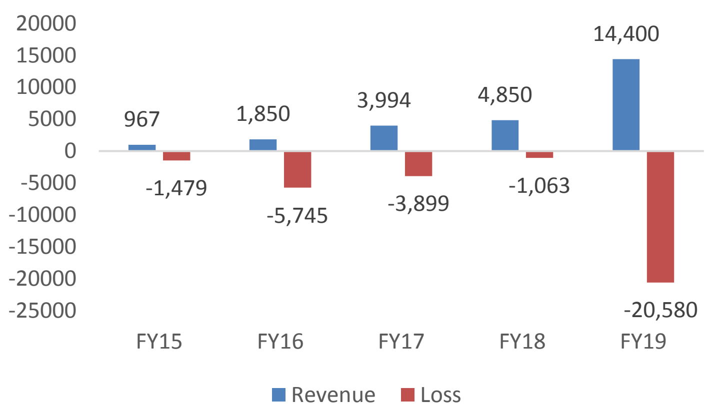
Taking into consideration our interaction with industry players and published opinions, our view is that this industry will eventually evolve into 2 pockets with Swiggy as a winner in the Delivery space/dine-in followed by Zomato in the 2nd position whereas Zomato will clearly lead

[3] https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/zomatos-full-course-strategy-from-supply-to-delivery-and-more/articleshow/66645881.cms

in the Restaurant Search and Discovery segment and Dine-out space (given that it has the largest directory of listings, reviews, recommendations and Zomato Gold). We believe that Food Delivery Segment will eventually turn profitable for both Swiggy and Zomato (as the dust of constant fund raising settles down) by marginally increasing the charges to the restaurant as well as the consumer. Therefore, the cost burden will eventually shift from the incumbents to the consumers. However, Zomato will definitely end up as the larger player and winner because "dining out" (like a Cinema experience) is still considered an experience that an "Indian Family" considers recreational and an event in itself and given the edge that Zomato Gold has, it will dominate the space hands down).

Financials

Zomato reported a topline of INR 14,400 Mn, a growth of 196% YoY. However, Expenses grew tremendously - by 6.25x – from INR 5600 Mn to INR 35000 Mn in FY19. Loss after Tax deepened in FY19 from INR (1063) Mn to INR (20,580) Mn mainly due to Food Delivery Business.



On a consolidated basis, revenue stood at INR 14,400 Mn, a growth of 196% YoY. Losses increased dramatically YoY to INR (20,580) Mn in FY19 from INR (1,063) Mn in FY18. Losses deepened in FY19 as proportion of Online Food Delivery Business increased from 55% in FY18 to 75% in FY19.

Current trends in Internet companies indicates a gradual movement from Discount Model (heavy discounts to attract customers and hook them) towards a Subscription based model (wherein a minimal subscription fee is charged initially for a certain discount in services for a set period). For example, Uber Pass, Ola Pass, Swiggy Super, ET Prime, Business Standard Subscription, etc.

The Subscription Model (with high discounts) will continue until the the industry evolves from multiple players industry to a 2 player industry in which smaller players either exit due to high competition or are acquired by bigger players.

Lastly, our belief is that the entire Internet Companies pack will move to a Subscription Model 2.0, wherein initial fee will remain same but discounts will reduce gradually. Eventually, we expect the entire industry to move to a 'Chargeable Model' under which the Customer is completely hooked to the services and charged a fee which makes it economically viable for the companies to run sustainably.

New Initiatives

Initiative	Investee Company	Business Model
HyperPure	**Zomato**	HyperPure provides restaurants with fruits and vegetables, groceries, poultry, milk and milk products, and even packaging material for deliveries. Hyperpure is rebranded version of a Banglore based company WOTO, acquired by Zomato in August 2018. Hyperpure currently delivers to nearly 1000 restaurants in Bangalore, having a monthly order book of approx. Rs. 350mn. In February 2019, Zomato shifted to a 30,000 sq.ft warehouse from a 6,000 sq.ft warehouse, in Banglore. Therefore, by using an end-to-end technology driven platform, custom-built for this leg of the food value chain, Hypercure can now service over 2,500 restaurants every day. Soon, it will be launching an even larger warehouse in Delhi, followed by launching Hyperpure in 9 more cities across India by the end of this year, and eventually, across our international markets.Hyperpure, currently has 100 suppliers and are adding more suppliers to its network. Zomato has played a clever nudge to get restaurants to sign on Hyperpure, as they get a certification on Zomato's site on sourcing their ingredients from Hypercure, which in turn could help attract more health conscious customers. This will help their business, making Zomato's HyperPure offering more valuable that it might be by itself. In a world that's migrating further away from home-cooked meals, high-quality ingredients for better food quality would be a basic requirement for every restaurant to continue on long run. It's still early days for HyperPure, but the basics seem to be in place for Zomato to build a large business in a hitherto-unexplored place for food tech companies.
DocPrime	**PolicyBazaar**	DocPrime is a 6 month old healthcare company started by EtechAces Marketing and Consulting (parent company of PolicyBazaar). The company has created an online platform catering to a person's medical needs. The services available on the platform range from free consultations and prescriptions on any common illnesses, finding a range of doctors for specific illnesses and diseases to scheduling Health Check-up and doctor appointments for more severe illnesses. Currently, the company has tied up with 25,000 doctors and 5000 diagnostic labs in 34 cities across India. DocPrime has set a target of expanding the network to 100,000 doctors and 20,000 labs across 100+ cities by end of Calendar year 2019. The company's business model is based on **Ping An Good doctor**, a company under Ping An Group, China is world's largest healthcare portal. The company has two main verticals namely namely online doctor consultations and clinic management (digitizing physical medical records). DocPrime plans to start a subscription service in calendar year 2019 for a family which will be chargeable on a periodic basis

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Outlook and Valuation:

We adopt the SOTP based valuation methodology where we value the standalone entity separately and investee companies such as Zomato and PolicyBazaar separately.

We value Info edge's standalone business at 40x FY21e EPS of INR 35.5 to arrive at a target price of INR 1,420

Investee Companies Valuation

Zomato

Zomato Enterprise Value	
Date	February 2019
Deal Value	INR 3,500 Mn[4]
Stake Acquired	2.26%
Enterprise Value	INR 155,000 Mn

INR Mn	FY18	FY19	FY20e	FY21e
Net Sales	4,850	14,400	18,720	24,336
Growth Estimate (YoY)	21.5%	196%	30%	30%
EV / Sales	32x	11x	8x	6.4x

Zomato Valuation (INR Mn Unless otherwise mentioned)	
FY21e Sales	24,336
Applied Multiple (x)	15x
Total EV	365,040
Info Edge Stake (%)	27.68%
Outstanding Shares (Mn)	122
Value Per Share (INR per share)	INR 828

We value Zomato at 15x FY21e sales and arrive at a target price of INR 828, accounting for Info Edge's 27.68% stake in the company.

PolicyBazaar

PolicyBazaar Enterprise Value	
Date	June 2018
Deal Value	INR 10,500 Mn[5]
Stake Acquired	15%
Enterprise Value	INR 70,000 Mn

INR Mn	FY18	FY19e	FY20e	FY21e
Net Sales	1600	2400	3600	5400
Growth Estimate (YoY)	225%	50%	50%	50%
EV / Sales	44x	29x	19.5x	13x

PolicyBazaar Valuation (INR Mn Unless otherwise mentioned)	
FY21e Sales	5400
Applied Multiple (x)	29x
Total EV	156600 Mn
Info Edge Stake (%)	13.66%
Outstanding Shares (Mn)	122
Value Per Share (INR per share)	INR 175

Valuation Summary	
Business Vertical	Value Per Share
Info Edge Standalone	INR 1,420
Zomato (27.68% stake)	INR 828
PolicyBazaar (13.66% stake)	INR 175
SOTP Based Target Price	INR 2,423
CMP	INR 1,856
Upside (%)	31%

We value PolicyBazaar at 29x FY21e sales (same as FY19 valuation multiple) and arrive at a target price of INR 175 based on Info Edge's 13.66% stake in the company.

Based on SOTP valuation methodology, we assign a BUY rating on Info Edge with a target price of INR 2,423 (31% upside from CMP).

[4] https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/indias-policybazaar-raises-over-200-mln-in-softbank-led-round/articleshow/64734167.cms

[5] https://www.vccircle.com/naspers-backed-delivery-hero-leads-zomato-s-new-funding-round/

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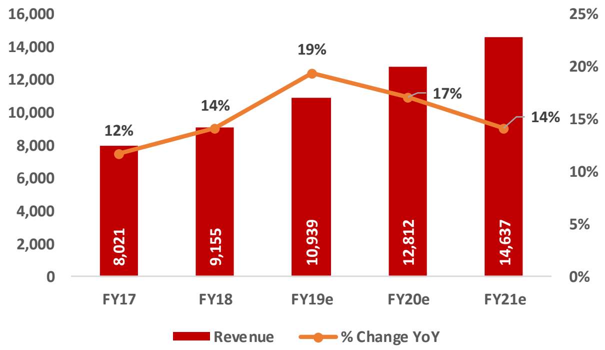
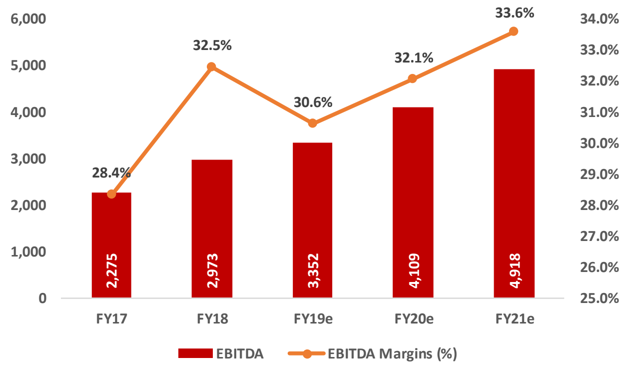
Financial Snapshot

Revenue & Revenue Growth (%)



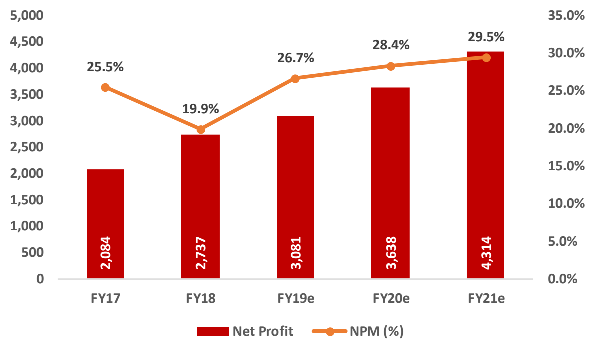
Info Edge has reported a revenue CAGR of 16% between FY13-FY18. Going ahead, we estimate that the company will conservatively report a revenue CAGR of 17% to INR 14,637 Mn between FY18-FY21e. This is mainly due to strong hiring trends, healthy deal pipeline and robust execution of the domestic IT sector coupled with revival of performance of 99acres

EBITDA & EBITDA Margins (%)



Info Edge's Q3FY19 EBITDA margins stood at 29.6%, which fell from peak of 32.5% margins in FY18 mainly due to increase in ad / promotional spends as a percent of sales. Ad spends increased from an average of 10% in 9MFY18 to 16% in 9MFY19 an increase of 600 bps YoY. We believe that ad spends will taper off gradually between Q4FY19e to Q2FY20e coupled with efficiency in recruitment business (due to AI and automation initiatives) which will translate into higher EBITDA margins of 32.1% / 33.6% in FY20e/FY21e respectively.

Net Profit and NPM (%)



Net Profit stood at INR 2,737 Mn in FY18, translating into an NPM of 19.9%. We estimate that cutback in ad / promotional expenses coupled with efficiency gains in operations to directly flow into improvement in NPM. We expect company's NPM to improve from 19.9% in FY18 to 26.7%/28.4%/29.5% in FY19e/FY20e/FY21e respectively.

EPS & EPS Growth

Info Edge's EPS stood at INR 22.5 in FY18 and INR 19 in 9MFY19. The company's 5 year CAGR stood at 13%. Going ahead, we estimate EPS to grow at CAGR of 16.4% between FY18-FY21e and the company to record an EPS of 25.3/29.9/35.5 in FY19e/FY20e/FY21e respectively.

Info Edge (India) Ltd.

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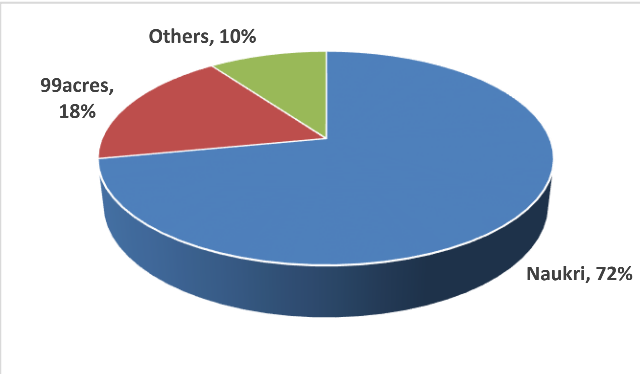
BACKGROUND

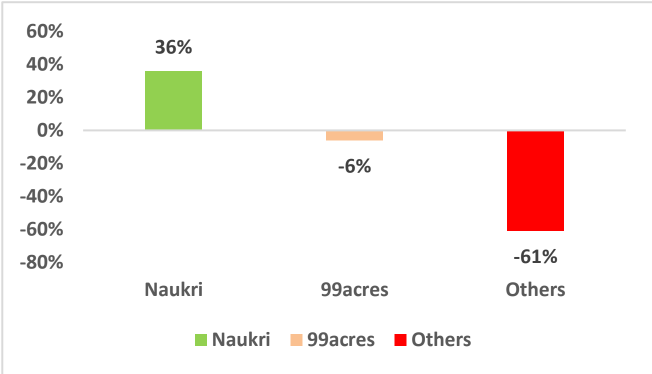
Info Edge (India) Ltd. is one of India's premier internet based business. Over a period of more than two decades, it has steadily developed a portfolio of brands across different domains that primarily provide online classified services. The company operates online recruitment business through its flagship brand - naukri. The company operates online real estate classified business through its portal 99acres.com, online matrimonial classified business through its portal jeevansathi.com and online educational classified business through its portal shiksha.com. Info Edge (India) Ltd. has a network of 62 offices located in 43 cities throughout India. It has also made forays abroad into the Gulf market with the website www.naukrigulf.com and currently has offices Dubai, Bahrain, Riyadh and Abu Dhabi.

BUSINESS SEGMENTS

Business-wise Revenue Contribution (%)



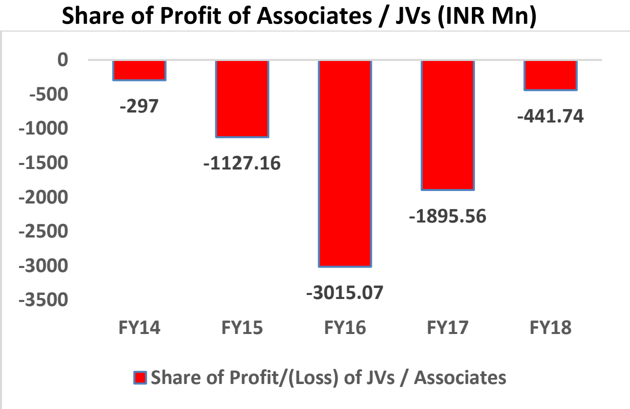
Business-wise EBITDA Margins (%)



Source: Company Dalal & Broacha Research

On a standalone basis, Info Edge derives 72% of its revenues from Naukri, 18% from 99acres and 10% from Jeevansaathi and Shiksha (namely Others). The company has recorded an EBITDA margin of 36% in the recruitment division whereas Real Estate and Others are still loss making at operating level with a loss of -6% and -61% respectively.

Share of Profit of Associates / JVs (INR Mn)



Share of Profit/Loss of Associates largely consists of contribution from Zomato and PolicyBazaar.com. It is noteworthy that losses peaked at INR 3015 Mn in FY16 and tapered off to a loss of INR 441.7 Mn by FY18.

We expect Zomato's profitability to remain under pressure in FY20e on account of investments in expanding food delivery. Expect the company to turn profitable from FY21E onwards on account of huge opportunity in the OFD business, further penetration into Tier 2 -3 cities and better ability to charge customers and restaurants.

Expect PolicyBazaar to turn profitable post FY20e as the penetration of online insurance increases rapidly and gains scale, as the cost structure of the "online" business model is highly efficient

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Investee Companies Portfolio (As of FY18)

Investee Company	Website	Cost of Investment (INR Mn)	% holding on a fully diluted basis
Zomato Media Pvt Ltd.	www.zomato.com	4,838	38.23%
Applect Learning Systems Pvt Ltd.	www.meritnation.com	1,347	65.67%
Etechaces Marketing and Consulting Pvt Ltd	www.policybazaar.com	670	9.84%
Canvera Digital Technologies Pvt Ltd.	www.canvera.com	1,211	70.47%
Happily Unmarried Marketing Pvt Ltd.	www.happilyunmarried.com	263	47.21%
Kinobeo Software Pvt Ltd.	www.mydala.com	270	42.18%
Mint Bird Technologies Pvt. Ltd.	www.vacationlabs.com	60	26.10%
Rare Media Company Pvt. Ltd.	www.bluedolph.in	74	34.90%
Green Leaves Consumer Services Pvt. Ltd.	www.bigstylist.com	174	49.56%
Unnati Online Pvt Ltd	www.unnatihelpers.com	40	31.64%
VCARE Technologies Pvt. Ltd.	www.dirolabs.com	40	15.06%
Ideaclicks Infolabs Private Ltd.	www.zippserv.com	24	28.90%
Wishbook Infoservices Pvt Ltd	www.wishbooks.io	35	25.74%
NoPaperForms Solutions Pvt. Ltd.	www.nopaperforms.com	57	39.89%
International Educational Gateway Pvt Ltd.	www.univariety.com	125	31.39%
Agstack Technologies Private Limited	www.gramophone.in	64	27.78%
Total		**9,292**	
Exited			
Studyplaces, Inc.	www.studyplaces.com	45	
Ninety Nine Labels Pvt. Ltd.	www.99labels.com	285	
Nogle Technologies Pvt.	www.floost.com	26	
Total		**356**	

Subsidiaries & Associate Companies

Sr. No.	Name of Company	Type	% Holding
1	Naukri Internet Services Ltd.	Subsidiary	100%
2	Allcheckdeals India Pvt. Ltd.	Subsidiary	100%
3	Jeevansathi Internet Services Pvt. Ltd.	Subsidiary	100%
4	Interactive Visual Solutions Pvt. Ltd.	Subsidiary	100%
5	Startup Investments (Holding) Ltd.	Subsidiary	100%
6	Smartweb Internet Services Ltd.	Subsidiary	100%
7	Startup Internet Services Ltd.	Subsidiary	100%
8	MakeSense Technologies Ltd.	Subsidiary	50%
9	NewInc Internet Services Pvt. Ltd	Subsidiary	100%
10	Zomato Media Pvt. Ltd.	Associate	38%
11	Applect Learning Systems Pvt. Ltd.	Subsidiary	66%
12	Kinobeo Software Pvt. Ltd.	Associate	42%
13	Canvera Digital Technologies Pvt. Ltd.	Subsidiary	70%
14	Happily Unmarried Marketing Pvt. Ltd.	Associate	47%
15	Mint Bird Technologies Pvt. Ltd.	Associate	26%
16	Rare Media Company Pvt. Ltd.	Associate	35%
17	Ideaclicks Infolabs Private Limited	Associate	29%
18	Green Leaves Consumer Services Pvt. Ltd.	Associate	50%
19	Unnati Online Pvt. Ltd.	Associate	32%
20	Wishbook Infoservices Pvt. Ltd.	Associate	26%
21	Nopaperforms Solutions Pvt. Ltd.	Associate	40%
22	International Educational Gateway Pvt.	Associate	31%
23	Agstack Technologies Pvt. Ltd.	Associate	28%

Info Edge (India) Ltd.

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Profit & Loss A/c					
YE March (Rs. mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	**8,021**	**9,155**	**10,939**	**12,812**	**14,637**
Total Revenue	**8,021**	**9,155**	**10,939**	**12,812**	**14,637**
Network & other charges	173	143	238	282	322
Employee cost	3,752	3,931	4,556	5,219	5,884
Advertising & promotion charg	881	1,164	1,802	2,050	2,196
Admin & Other expenditure	941	944	992	1,153	1,317
Total Operating Expenditure	**5,746**	**6,182**	**7,587**	**8,703**	**9,719**
EBIDTA	**2,275**	**2,973**	**3,352**	**4,109**	**4,918**
Less: Depreciation	240.6	215.5	212.7	256.2	292.7
EBIT	**2,034**	**2,758**	**3,139**	**3,852**	**4,626**
Non-operating Income	625	971	1,110	1,345	1,537
Extraordinary Income	40	913	160	0	0
Profit Before tax	**2,619**	**2,814**	**4,089**	**5,198**	**6,163**
Tax	575	991	1,168	1,559	1,849
Net Profit	**2,044**	**1,824**	**2,921**	**3,638**	**4,314**
Adjusted Profit	**2,084**	**2,737**	**3,081**	**3,638**	**4,314**
Reported Diluted EPS Rs	**16.9**	**15.0**	**24.0**	**29.9**	**35.5**
Adjusted Diluted EPS Rs	**17.2**	**22.5**	**25.3**	**29.9**	**35.5**

Cash Flows (Standalone)					
YE December (Rs. Mn)	FY17	FY18	FY19E	FY20E	FY21E
PAT	**2,044.0**	**1,823.7**	**2,921.3**	**3,638.3**	**4,313.8**
(Less)/Add: Extraordinary Items	(39.8)	(913.4)	(159.7)	0.0	0.0
Less: Non Operating Income	(625.2)	(970.9)	(1,109.9)	(1,345.3)	(1,536.9)
Add: Depreciation	240.6	215.5	212.7	256.2	292.7
Add: Interest Paid	1.0	0.8	0.6	0.0	0.0
Operating Profit before WC Changes	**1,620.5**	**155.7**	**1,865.1**	**2,549.3**	**3,069.6**
(Inc)/Dec in Current Assets	46.6	797.8	(192.4)	(116.1)	(196.5)
Inc/(Dec) in Current Liabilities	676.1	873.5	816.7	802.9	1,167.7
Net Cash From Operations	**2,343.3**	**1,827.0**	**2,489.4**	**3,236.1**	**4,040.8**
Cash Flow from Investing					
(Inc)/Dec in Fixed Assets	185.2	(126.7)	(200.0)	(200.0)	(250.0)
(Inc)/Dec in Investment (Strategic)	(1,804.2)	(4,373.6)	(2,000.0)	(2,000.0)	(2,000.0)
Add: Non Operating Income Income	625.2	970.9	1,109.9	1,345.3	1,536.9
Cash From Investing Activities	**(993.8)**	**(3,526.1)**	**(1,090.1)**	**(854.7)**	**(713.1)**
Cash Flow from Financing					
Dividend Paid	(362.8)	(667.4)	(790.3)	(911.9)	(911.9)
Tax Paid on Dividend	(74.0)	(136.0)	(158.1)	(182.4)	(182.4)
Net Cash from Financing Activities	**(131.7)**	**312.5**	**(789.4)**	**(1,094.3)**	**(1,094.3)**
Net Inc/Dec in cash equivalents	**1,217.8**	**(1,386.6)**	**610.0**	**1,287.0**	**2,233.4**
Opening Balance	**1,985.7**	**3,203.5**	**1,816.9**	**2,426.9**	**3,714.0**
Closing Balance Cash	**3,203.5**	**1,816.9**	**2,426.9**	**3,714.0**	**5,947.4**

Key Ratios					
EBIDTA (%)	**28.4%**	**32.5%**	**30.6%**	**32.1%**	**33.6%**
NPM (%)	25.5%	19.9%	26.7%	28.4%	29.5%
RoE (%)	**11.0%**	**13.4%**	**14.0%**	**15.0%**	**15.9%**
RoCE (%)	8.4%	8.7%	10.2%	11.1%	11.9%
Tax Rate %	**21.9%**	**35.2%**	**28.6%**	**30.0%**	**30.0%**
Book Value Per share (Rs	163.8	173.3	189.6	210.5	237.0

Balance Sheet (Standalone)					
YE March(Rs. mn)	FY17	FY18	FY19E	FY20E	FY21E
Liabilities					
Equity Capital	1,211	1,216	1,216	1,216	1,216
Reserves & Surplus	18,620	19,859	21,832	24,376	27,595
Equity	**19,831**	**21,074**	**23,047**	**25,591**	**28,811**
Net Worth	**19,831**	**21,074**	**23,047**	**25,591**	**28,811**
Total Loans	**4**	**3**	**3**	**3**	**3**
Capital Employed	**19,835**	**21,077**	**23,050**	**25,594**	**28,814**
Assets					
Gross Block	1,041	1,167	1,367	1,567	1,817
Less: Depreciation	442	638	851	1,107	1,400
Net Block	**599**	**529**	**516**	**460**	**417**
Investments	**18,050**	**22,424**	**24,424**	**26,424**	**28,424**
Current Assets					
Sundry Debtors	75	44	59	67	80
Cash and Bank Balance	3,203	1,817	2,427	3,714	5,947
Loans and Advances	2,194	1,432	1,610	1,719	1,903
Other Current Assets	36	31	31	30	30
Total Current Assets	**5,509**	**3,325**	**4,127**	**5,530**	**7,960**
Less:Current Liabilities					
Sundry Creditors	456	538	624	715	799
Provisions	416	456	456	456	456
Other Current Liabilities	3,455	4,207	4,938	5,649	6,733
Total Current Liabilities	**4,327**	**5,201**	**6,017**	**6,820**	**7,988**
Capital Applied	**19,835**	**21,077**	**23,050**	**25,594**	**28,814**

Free Cash Flow Statement					
YE March (Rs. mn)	FY17	FY18	FY19E	FY20E	FY21E
EBITDA	2,275	2,973	3,352	4,109	4,918
FC Investment	-185	127	200	200	250
WC Changes	723	1,671	624	687	971
Depreciation Tax Shiel	53	76	61	77	88
Tax Expenses	499	1,047	957	1,233	1,476
FCF	2,736	3,547	2,880	3,440	4,252

Valuation Ratios					
YE March (Rs. mn)	FY17	FY18	FY19E	FY20E	FY21E
P/E (x)	109.9x	123.7x	77.2x	62.0x	52.3x
P/BV (x)	11.3x	10.7x	9.8x	8.8x	7.8x
EV/EBIDTA (x)	97.4x	75.3x	66.6x	54.0x	44.7x
EV/Sales	27.6x	24.5x	20.4x	17.3x	15.0x
Market Cap./ Sales (x)	28.0x	24.7x	20.6x	17.6x	15.4x
Dividend Yield (%)	0.2%	0.3%	0.4%	0.4%	0.4%

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