

Short term triggers factored in. Long term play begins.

August 17, 2021

InfoEdge reported a decent performance in Q1FY22 with Revenue marginally below our estimates while EBITDA and PAT were in-line with our estimates

- Revenue came in at INR 3,197 Mn, +10% qoq / +14% yoy and 4% below our estimate of INR 3,328 Mn
- EBITDA came in at INR 997 Mn, +87% qoq / -5% yoy and in-line with our estimate of INR 995 Mn.
- EBITDA margin stood at 31% vs 18.3% / 37.3% in Q4FY21 / Q1FY21 respectively and vs our estimate of 30%.
- PAT stood at INR 1,011 Mn, +44% qoq / +21% yoy and in-line with our estimate of INR 1,010 Mn
- EPS stood at INR 7.9 vs. INR 5.4 / INR 6.8 in Q4FY21 / Q1FY21 respectively.

Segment-wise Analysis

A. Recruitment Segment

- Billings were reported at INR 2435 Mn, +74% YoY
- Revenue stood at INR 2226 Mn, +11% YoY
- Operating EBITDA stood at INR Mn, falling 20.6% YoY
- EBITDA Margins stood at 55.6% vs 60.3% in Q1FY21
- Cash EBITDA stood at INR 1408 Mn vs 608 Mn in Q1FY21

B. IIM Jobs

- Billings were reported at INR 86 Mn, growing by 173% YoY
- limjobs numbers are included at the consolidated level as merger is still pending

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	10,983	12,727	10,986	15,440	20,009
EBITDA	3,413	4,027	2,775	4,614	6,321
Adjusted net profit	3,151	3,290	2,742	4,477	5,955
Free cash flow	3,373	3,138	1,844	5,447	6,794
EPS (Rs)	25.9	27.1	21.3	34.8	46.3
growth (%)	15%	4%	-21%	63%	33%
P/E (x)	235.4	201.6	255.8	156.7	117.8
P/B (x)	28.5	27.3	15.7	15.2	13.7
EV/EBITDA (x)	193.5	163.1	243.7	146.6	106.8
ROCE (%)	10.2	11.2	5.3	7.1	9.2
RoE (%)	14.2	13.8	7.9	9.8	12.2
Mkt Cap/Sales	60.4	52.1	63.8	45.4	35.1

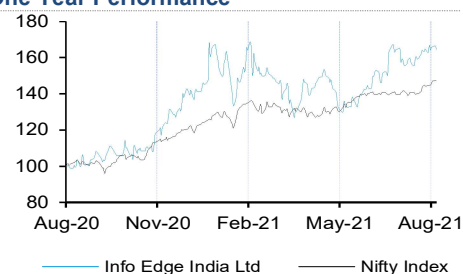
Source: Company, Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
HOLD	5439	0

Market data

Current price	Rs	5455
Market Cap (Rs.Bn)	(Rs Bn)	702.6
Market Cap (US\$ Mn)	(US\$ Mn)	9463
Face Value	Rs	10
52 Weeks High/Low	Rs	5880/3220
Average Daily Volume	('000)	239
BSE Code		532777
Bloomberg		INFOE:IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	38.41	38.41
Public	61.42	61.39
Others	0.17	0.20
Total	100	100

Source: BSE

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C. 99 Acres

- Billings were reported at INR 224 Mn, -69% QoQ / +60% YoY
- Revenue stood at INR 492 Mn, declining by -2% QoQ / +16% YoY
- PBT stood at INR -29 Mn vs -188 Mn / +5 Mn in Q4FY21 / INR Q1FY21

Performance of 99acres was below management expectations. However, business momentum has been improving month over month since June 2021 and recovery seems to be on the cards

D. Others (Jeevansathi & Shiksha)

- Revenue stood at INR 480 Mn, +16% QoQ / +28% YoY
- Operating EBITDA Losses stood at INR -177 Mn, -24% QoQ / +31% YoY

Impact in Jeevansathi during Q1FY22 was lesser than impact in Q1FY21. Management is going to continue investing the brand and marketing.

Conference Call Key Takeaways

Naukri

- Recruitment business is poised for high growth phase as normalcy seeps in and economy starts unlocking. Currently, IT / ITeS sector is witnessing demand which has been the highest in the past 15 years. IT/ITeS sector contributes 50-55% to Naukri revenues
- Organic offerings coupled with various acquisitions (Zwayam + DoSelect + iimjobs) has created moat in this segment as Naukri is offering an entire suite of services under Naukri from Campus Hiring, to assessment, to recruitment management and e-hiring. Seeing immense traction in Naukri because of massive talent demand in technology talent.
- As far as pricing in Naukri is concerned, one particularly noticeable change is that company does not need to offer discounts to clients in such a growth market compared to a normal year.
- Completed acquisition of Zwayam (Bangalore based SaaS player in the recruitment space) during the quarter
- In July, announced acquisition of DoSelect (Axilly Labs Pvt. Ltd.) which provides technical assessment services to its clients for recruitment and learning purposes. This should add depth and breadth to Naukri's offerings.
- Renewal base for many companies has shifted from Q1 to Q2 and Q3 of a financial year due to COVID. Therefore, Q2 and Q3 of FY22 will show higher growth versus Q2 / Q3 of FY20. Point is that Q1FY22 growth will not be comparable to Q1FY20 growth

99acres

- Severely impacted in Q1 because of the 2nd wave and business was lower than what the management was also expecting. However, business has improved month over month from June onwards. External environment has turned more benign as loan rates are

more affordable and preference has shifted towards bigger houses.

Jeevansathi

- Continue to invest in Hindi speaking regions of North and West. 2nd wave did not impact growth as much as it did in Q1FY21. Jeevansathi will see higher costs due to advertisements and investment in brand-building

Other Highlights

- Wage bill will go up due to talent crunch. Approximately 700 people are in tech department which will see constant revisions while balance will see modest growth
- Don't expect cost to increase dramatically in Shiksha
- As per agreements and charter of the investment fund / AIF, 10% of the fund can be invested in late-stage investments. Investment in pre-IPO round of Ixigo is part of this strategy.
- 'Job-hai' (blue-collar job portal that was launched earlier last year) showed good results in testing phase in Delhi NCR and company will roll out to other geographies soon. Still not monetizing it and will take some time.

Quarterly Performance Analysis

Exhibit 1

YE March (Rs. mn)	Q1 FY22	Q4 FY21	Q-o-Q change %	Q1 FY21	Y-o-Y change %	Q1 FY22 Est.	Deviation %
Total Revenue (INR Mn)	3,197	2,900	10.2%	2,801	14.1%	3,328	-3.9%
Less:							
Network & other charges	63	71	(11.4%)	55	13.6%	65	-4.2%
Employee Cost	1,518	1,515	0.2%	1,297	17.0%	1,515	0.2%
Advertising & promotion charges	459	557	(17.7%)	256	79.3%	490	-6.5%
Admin & Other expenditure	161	226	(28.7%)	148	9.0%	262	-38.5%
Total Expenditure	2,200	2,368	(7.1%)	1,756	25.3%	2,333	-5.7%
EBIDTA	997	532	87.4%	1,046	(4.7%)	995	0.2%
Less: Depreciation	103	106	(2.3%)	111	(7.3%)	92	12.7%
EBIT	894	426	109.6%	934	(4.3%)	904	-1.1%
Interest Paid	13	13	(2.7%)	15		13	
Other income (expense), net	410	406	0.8%	203	102.1%	294	39.2%
Profit Before Tax	1,290	787	64.0%	1,122	15.0%	1,184	8.9%
Adj. PBT	1,290	819		1,122		1,184	
Tax	281	120	133.8%	290	(3.1%)	174	61.7%
PAT before Minority Interest	1,010	667	51.4%	832	21.3%	1,011	-0.1%
Profit After Tax	1,010	667	51.4%	832	21.3%	1,011	-0.1%
PAT	1,010	667	51.4%	832	21.3%	1,011	-0.1%
Basic & Diluted EPS (Rs.)	7.9	5.2	51.4%	6.8	14.7%	7.9	-0.1%
Adjusted PAT	1,010	699	44.4%	832	21.3%	1,011	-0.1%
Basic & Diluted Outstanding (mn)	129	129		122		129	
Reported EPS	7.9	5.4	44.4%	6.8		7.9	
Margin Analysis %			Change In bps		Change In bps		
EBIDTA Margin	31.2%	18.3%	1,284	37.3%	-614	29.9%	127
Operating Margin	28.0%	14.7%	1,325	33.4%	-540	27.2%	80
PBT Margin	40.4%	28.2%	1,211	40.0%	31	35.6%	476
NPM	31.6%	24.1%	747	29.7%	187	30.4%	120
Effective Tax Rate (%)	21.7%	14.6%	710	25.8%	-406	14.6%	710
Cost Analysis %			Change In bps		Change In bps		
Cost of Revenues/ Sales	49.4%	54.7%	-523	48.3%	117	47.5%	195
SG&A/Sales	19.4%	27.0%	-760	14.4%	498	45.5%	-2,616

Margins increased QoQ on the back of lower spend on advertisement and marketing during the quarter. Management had cut back spends due to 2nd wave of COVID. Going ahead, as normalcy resumes, spending on Ads & Marketing will continue as usual with focus on Jeevansathi and 99acres. Margins may also face headwinds from increase in employee costs due to ongoing talent crunch in the tech space

Source: Dalal & Broacha Research, Company

Valuation & Outlook

InfoEdge, on a standalone basis, is trading at 156.7x / 117.8x FY22e / FY23e EPS. Performance of standalone businesses has been a mixed bag - 1. Naukri performed well as hiring in Technology services (50-55% of Naukri revenue) has been the most vibrant in the last 15 years 2. 99acres was severely impacted over the last few quarters due to COVID 3. Jeevansathi & Shiksha were mildly impacted during the 2nd COVID wave. Going ahead, these segments are expected to recover as normalcy seeps in and economy unlocks. As far as investee companies are concerned, InfoEdge saw massive triggers play out through IPOs of Zomato and PolicyBazaar (yet to list).

At current levels, we believe that most of the positives, in standalone and investee companies, are factored in. However, we are extremely positive on the long term prospects of this company. Therefore, we recommend a HOLD rating on the stock and maintain a target price of INR 5,439.

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