



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Q2 FY20 Result Update@ Dalal&Broacha

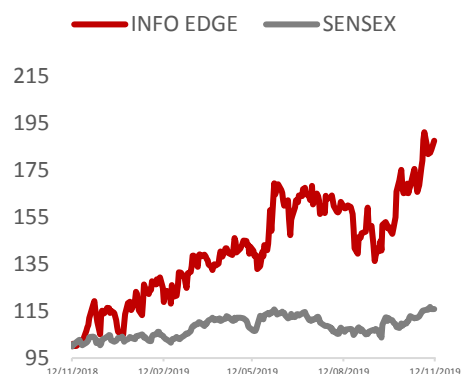
Neutral

Current Price	2600
Target Price	2439
Downside	6%
52 Week Range	1313/2685

Key Share Data

Market Cap (Rs.Bn)	317.63
Market Cap (US\$ Bn)	4.42
No of o/s shares (Mn)	122.32
Face Value	10
Monthly Avg.	
Vol(BSE+NSE) '000	356
BSE Code	532777
NSE Code	NAUKRI
Bloomberg	INFOE:IN

Price performance



% Shareholding	Sep-19	Jun-19
Promoters	40.55	40.61
Public	59.32	59.17
Others	0.14	0.22
Total	100	100

InfoEdge Q2FY20 results were a mixed bag with revenue and EBITDA marginally above our estimates whereas APAT was below our estimates

- InfoEdge Q2FY20 results were a mixed bag with revenue and EBITDA marginally above our estimates whereas APAT was below our estimates
- Revenue came in at INR 3,166 Mn, +1.2% qoq / +19.5% yoy and 3.8% above our estimate of INR 3,049 Mn
- Growth was driven by Recruitment Solutions and 99acres which grew at 19% yoy and 26% yoy respectively
- EBITDA came in at INR 993 Mn, -1.7% qoq / +20.3% yoy and 3% above our estimate of INR 956 Mn. EBITDA margin stood at 31.4%, exactly in line with our estimate.
- PBT margin for Recruitment solutions stood at 52.2% and PBT margin for 99acres stood at 1.4%. Notably, 99acres turned profitable at PBT level for the first time ever with a profit of INR 7.83 Mn vs a loss of INR 35 mn in Q1FY20 and a loss of INR 59 Mn
- Adjusted PAT was reported at INR 842 Mn, +12.4% qoq / +7.8% yoy and 7.7% below our estimate of INR 912 Mn
- Reported PAT stood at INR 93 Mn and was mainly impacted by INR 749 Mn due to Diminution in Carrying Value of Investment in Startup Investment (Holding) Ltd. (which has investments in PolicyBazaar among other ventures) and Applect Learning System Pvt. Ltd. (which operates www.meritnation.com)
- Adjusted EPS stood at INR 6.9 vs. 6.2 / 6.4 in Q1FY20 / Q2FY19 respectively

Segmental Financial Highlights

Recruitment Solutions (71.4% of standalone revenue)

- Revenue was reported at INR 2264 Mn, up 3.1% qoq / 19% yoy
- Billing stood at INR 2098 Mn, -17% qoq and +14% yoy
- EBITDA margin for 99acres stood at 54.7% vs 54.5% in Q2FY19

99acres (18% of standalone revenue)

- Revenue at INR 570 Mn, up 1% qoq and 26% yoy
- Billing stood at INR 605 Mn, +25% qoq and +21% yoy
- Reported at EBITDA of INR 40 Mn, translating into an EBITDA margin of 7%

Concall Key Takeaways

Recruitment Solutions

- In Recruitment Solutions, management indicated a slowdown in non-IT segment (for a 2nd straight quarter) and that a slowing economy could be a challenge in the short term. If GDP continues to grow at 5-6%, will be difficult to grow at 15-20%.
- Hiring trends by IT companies were healthy during the quarter. Naukri works with over 8000 IT companies for their recruitment solutions. IT hiring has been growing steadily for the last 4-6 quarters.
- Tech spend will continue in products, algorithms, automation, etc for Naukri
- Reported an EBITDA of INR 123.9 Cr, translating into an EBITDA margin of 54.7% vs 54.5% in Q2FY19
- IIM jobs reported a billing of INR 4.63 Cr, a growth of 15% yoy and is operating at breakeven level

Consolidated Financials (In INR Mn)

	Net Sales	% Growth	EBITDA	Margin (%)	PAT	PAT Margin (%)	EPS	% Growth	P/E (x)	ROE (%)	ROCE (%)
FY18	9,155	14.1%	2,973	32.5%	2,737	19.9%	22.5	31%	173.3x	13.3%	8.7%
FY19	10,983	20.0%	3,413	31.1%	3,151	25.7%	25.9	15%	112.2x	14.2%	10.2%
FY20E	13,109	19.4%	4,030	30.7%	3,520	26.8%	28.9	12%	89.8x	14.4%	10.9%
FY21E	15,654	19.4%	4,708	30.1%	4,501	28.8%	37.0	28%	70.2x	16.4%	11.9%



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99acres

- Growth in 99acres was driven by Brokers in the primary and secondary segment. Brokers contributed 53% of overall revenue.
- Profitability in PBT level due to cut in marketing spend and not a new normal. 99acres could return to PBT loss if competition forces higher marketing
- Management warned about the severe financial crunch in the real estate market which has impacted new product launches on the developers side and slump in new home sales from the buyer's side. Management indicated caution and volatility in 99acres
- Reported an EBITDA of INR 4 Cr, translating into an EBITDA margin of 7%

Jeevansaathi

- Billing grew at 15% yoy while revenue stood at INR 20.8 Cr, a growth of 13.1% yoy
- EBITDA loss stood at INR 16.5 Cr up from INR 7.2 Cr last year
- Continue with high marketing spend for aggressive client acquisition in Jeevansaathi.com

Sheeksha.com

- Registered a revenue of INR 9.4 Cr with an EBITDA profit of INR 20 lacs

Other Highlights

- Diminution in Carrying Value of Investments largely on account of Merit Nation and Other Investments in Startups
- Marketing Spend at 16-18% of topline will continue for the rest of the fiscal
- Zomato operational efficiency initiatives such as cutting marketing spend on lower order values and reducing discounts have led to reduction in monthly burn rate from \$45 mn burn to \$20 Mn per month.
- Amazon's proposed entry in OFD is a different ballgame altogether. Not easy to replicate what company did in e-commerce to Food Delivery as variables are different

Q2FY20 Deviation Analysis

YE March (Rs. mn)	Q2 FY20	Q1 FY20	Q1-Q2 change %	Q2 FY19	Y-o-Y change %	Q2 FY20 Est.	Deviation %
Total Revenue (INR Mn)	3,166	3,128	1.2%	2,650	19.5%	3,049	3.8%
Less:							
Network & other charges	58	58	(0.1%)	52	11.9%	57	2.5%
Employee Cost	1,349	1,298	4.0%	1,118	20.7%	1,311	2.9%
Advertising & promotion charges	514	549	(6.3%)	404	27.3%	518	
Admin & Other expenditure	252	213	18.0%	252	0.1%	207	
Total Expenditure	2,173	2,118	2.6%	1,825	19.1%	2,093	3.8%
EBIDTA	993	1,010	(1.7%)	825	20.3%	956	3.8%
Less: Depreciation	101	99	1.7%	52	92.9%	61	64.9%
Operating Income	892	911	(2.0%)	773	15.5%	895	-0.3%
Interest Paid	17	18	(2.7%)	0		0	
Other income (expense), net	232	245	(5.4%)	275	(15.6%)	320	-27.5%
Extraordinary Expense	749	82		0		0	
Profit Before Tax	358	1,057	(66.1%)	1,048	(65.8%)	1,215	-70.5%
Adj. PBT	1,107	1,139		1,048		1,215	
Tax	266	390	(31.8%)	267	(0.4%)	304	-12.6%
PAT	93	667	(86.1%)	781	(88.1%)	912	-89.8%
Adjusted PAT	842	749	12.4%	781	7.8%	912	-7.7%
Basic & Diluted Outstanding (mn)	122	122		122		122	
Adjust EPS	6.9	6.2	12.4%	6.4		7.5	
Margin Analysis %			Change In bps		Change In bps		
EBIDTA Margin	31.4%	32.3%	-92	31.1%	23	31.4%	0
Operating Margin	28.2%	29.1%	-94	29.2%	-98	29.4%	-117
PBT Margin	35.0%	36.4%	-143	39.5%	-455	39.9%	-488
NPM	26.6%	23.9%	264	29.5%	-288	29.9%	-331
Effective Tax Rate (%)	24.0%	34.2%	-1,023	25.5%	-148	25.0%	-101
Cost Analysis %			Change In bps		Change In bps		
Cost of Revenues/ Sales	1.8%	1.9%	-2	2.0%	-13	1.9%	-2
SG&A/Sales	42.6%	41.5%	113	42.2%	44	43.0%	-37

EBIDTA margin came in at 31.4% on a standalone basis, exactly in line with our estimates

Margins in 99acres improved on account of reduced marketing spend. However, management stated that this is not necessarily an inflection point because if competition increases ad spend, 99acres will also have to increase spend accordingly.

ETR stood at 24% and can be considered as a new normal going ahead.



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Segment Billing Overview

Segment Billing (in Rs Mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY19	Q1FY20	Q2FY20
Recruitment Solutions	1821	1464	1632	2163	7080	2,101	1,841	1,936	2,598	8476	2,517	2,098
Q-o-Q (%)	-8%	-20%	1%	33%		-3%	-2%	5%	34%		-3%	-17%
Y-o-Y (%)	2%	14%	13%	9%	12%	15%	26%	19%	20%	20%	20%	14%
99acres (real estate)	298	333	378	562	1571	409	501	460	667	2037	484	605
Q-o-Q (%)	-24%	2%	14%	49%		-27%	22%	-8%	45%		-27%	25%
Y-o-Y (%)	8%	-5%	54%	43%	24%	37%	50%	22%	19%	30%	18%	21%
Others	297	228	274	318	1117	324	265	295	344	1228	362	302
Q-o-Q (%)	-9%	-23%	20%	16%		2%	-18%	11%	17%		5%	-17%
Y-o-Y (%)	32%	1%	17%	-3%	10%	9%	16%	8%	8%	10%	2%	14%
Total Billing	2416	2025	2285	3044	9770	2834	2607	2691	3609	11741	3363	3005
Q-o-Q (%)	-11%	-16%	13%	33%		-7%	-8%	3%	34%		-7%	-11%
Y-o-Y (%)	14%	9%	19%	13%	14%	17%	29%	18%	19%	20%	19%	15%

Notable, Y-o-Y Billing growth rate in the Recruitment solutions is at 6 quarter low of 14%. Moreover, although Billing growth in 99acres shown healthy trends (21% yoy growth over a 50% yoy growth in Q2FY19), management sounded cautious note due to the financial crunch in the real estate sector for the 2nd straight quarter.

Valuation & Outlook

A slowdown and financial crunch in the economy has translated into management giving a cautious note on non-IT segment of Recruitment solutions (43% of total standalone revenue) and 99acres (18% of standalone revenue) for the 2nd quarter straight. Additionally, we believe that hiring growth in the IT space should also slowdown given the weak guidance given by IT companies in the BFSI, Retail and Telecom space coupled with slower Billing Growth Rate of 14% in Q2FY20 vis-à-vis 19.8% in Q1FY20 and 25.8% in Q2FY19. At CMP of INR 2,600, we have achieved our TP of INR 2,439 and therefore we believe that it would be prudent to book profits at current levels. In conclusion, while we believe that some sort of correction is due in the stock, it should be considered as a good buying opportunity at lower levels.



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Profit & Loss A/c					
YE March (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	8,021	9,155	10,983	13,109	15,654
Total Revenue	8,021	9,155	10,983	13,109	15,654
Network & other charges	173	143	221	242	344
Employee cost	3,752	3,931	4,586	5,436	6,297
Advertising & promotion charge	881	1,164	1,757	2,392	3,053
Admin & Other expenditure	941	944	1,005	1,011	1,252
Total Operating Expenditure	5,746	6,182	7,569	9,080	10,946
EBIDTA	2,275	2,973	3,413	4,030	4,708
Less: Depreciation	240.6	215.5	203.8	415.9	430.3
EBIT	2,034	2,758	3,210	3,614	4,278
Non-operating Income	625	971	1,112	1,159	1,644
Extraordinary Income	40	913	334	0	0
Profit Before tax	2,619	2,814	3,986	4,773	5,922
Tax	575	991	1,169	1,253	1,420
Net Profit	2,044	1,824	2,817	3,520	4,501
Adjusted Profit	2,084	2,737	3,151	3,520	4,501
Reported Diluted EPS Rs	16.9	15.0	23.2	28.9	37.0
Adjusted Diluted EPS Rs	17.2	22.5	25.9	28.9	37.0

Balance Sheet (Standalone)					
YE March(Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
Liabilities					
Equity Capital	1,211	1,216	1,216	1,216	1,216
Reserves & Surplus	18,685	19,926	22,085	24,507	27,910
Equity	19,896	21,142	23,301	25,723	29,126
Net Worth	19,896	21,142	23,301	25,723	29,126
Total Loans	4	3	4	4	4
Capital Employed	19,900	21,145	23,305	25,727	29,130
Assets					
Gross Block	1,041	1,167	1,251	1,451	1,701
Less: Depreciation	442	638	842	1,258	1,688
Net Block	599	529	409	193	13
Investments	7,409	8,263	10,333	12,333	14,333
Investment - Others	12,011	14,546	15,578	14,667	16,976
Current Assets					
Sundry Debtors	75	44	60	67	86
Cash and Bank Balance	3,944	2,712	2,729	5,328	6,289
Other Current Assets	112	31	31	30	30
Total Current Assets	4,131	2,787	2,820	5,425	6,405
Less:Current Liabilities					
Sundry Creditors	461	538	653	746	900
Provisions	416	456	496	496	496
Other Current Liabilities	3,440	4,193	5,006	5,649	7,201
Total Current Liabilities	4,317	5,187	6,156	6,891	8,597
Capital Applied	19,910	21,145	23,305	25,727	29,130

Cash Flows (Standalone)					
YE December (Rs. Mn)	FY17	FY18	FY19	FY20E	FY21E
PAT	2,044.0	1,823.7	2,817.0	3,519.7	4,501.1
(Less)/Add: Extraordinary Items	(39.8)	(913.4)	(334.1)	0.0	0.0
Less: Non Operating Income	(625.2)	(970.9)	(1,111.5)	(1,159.0)	(1,643.7)
Add: Depreciation	240.6	215.5	203.8	415.9	430.3
Add: Interest Paid	1.0	0.8	0.8	0.0	0.0
Operating Profit before WC Changes	1,620.5	155.7	1,576.1	2,776.6	3,287.7
(Inc)/Dec in Current Assets	22.7	111.3	(16.1)	(5.7)	(18.5)
(Inc)/Dec in Current Liabilities	692.7	869.8	969.4	735.3	1,705.6
Net Cash From Operations	2,336.0	1,136.8	2,529.4	3,506.2	4,974.9
Cash Flow from Investing					
(Inc)/Dec in Fixed Assets	(138.1)	(126.7)	(83.4)	(200.0)	(250.0)
(Inc)/Dec in Investment (Strategic)	(1,238.2)	(854.5)	(2,070.0)	(2,000.0)	(2,000.0)
Add: Non Operating Income	625.2	970.9	1,111.5	1,159.0	1,643.7
Cash From Investing Activities	(506.1)	(2,673.7)	(2,188.6)	191.3	(2,915.9)
Cash Flow from Financing					
Dividend Paid	(362.8)	(667.4)	(671.3)	(915.1)	(915.1)
Tax Paid on Dividend	(74.0)	(136.0)	(138.0)	(183.0)	(183.0)
Net Cash from Financing Activities	(50.9)	304.7	(323.6)	(1,098.1)	(1,098.1)
Net Inc/Dec in cash equivalents	1,778.9	(1,232.2)	17.1	2,599.4	960.9
Opening Balance	2,164.9	3,943.8	2,711.6	2,728.7	5,328.1
Closing Balance Cash	3,943.8	2,711.6	2,728.7	5,328.1	6,289.0

Valuation Ratios					
YE March (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
P/E (x)	154.0x	173.3x	112.2x	89.8x	70.2x
P/BV (x)	15.8x	15.0x	13.6x	12.3x	10.9x
EV/EBIDTA (x)	136.7x	105.4x	91.8x	77.1x	65.8x
EV/Sales	38.8x	34.2x	28.5x	23.7x	19.8x
Market Cap./ Sales (x)	39.2x	34.5x	28.8x	24.1x	20.2x
Dividend Yield (%)	0.1%	0.2%	0.2%	0.3%	0.3%

Key Ratios					
EBIDTA (%)	28.4%	32.5%	31.1%	30.7%	30.1%
NPM (%)	25.5%	19.9%	25.7%	26.8%	28.8%
RoE (%)	11.0%	13.3%	14.2%	14.4%	16.4%
RoCE (%)	8.4%	8.7%	10.2%	10.9%	11.9%
Tax Rate %	21.9%	35.2%	29.3%	26.3%	24.0%
Book Value Per share (Rs.)	164.3	173.9	191.6	211.6	239.5

Free Cash Flow Statement					
YE March (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
EBITDA	2,275	2,973	3,413	4,030	4,708
FC Investment	138	127	83	200	250
WC Changes	715	981	953	730	1,687
Depreciation Tax Shield	53	76	60	109	103
Tax Expenses	499	1,047	1,001	1,058	1,129
FCF	2,406	2,857	3,342	3,610	5,119



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Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms. CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms. AbhilashaSatale	abhilasha.satale@dalal-broacha.com	022 67141135	Mid cap
Mr. Avinash Tanawde	avinash.tanawde@dalal-broacha.com	022 67141149	BFSI
Mr. Mayank Babla	mayank.babla@dalal-broacha.com	022 67141412	I.T,Media,Telecom
Ms. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021. Tel: 91-22- 2282 2992, 2287 6173,Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com