



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Q2 FY21 Result Update@ Dalal&Broacha

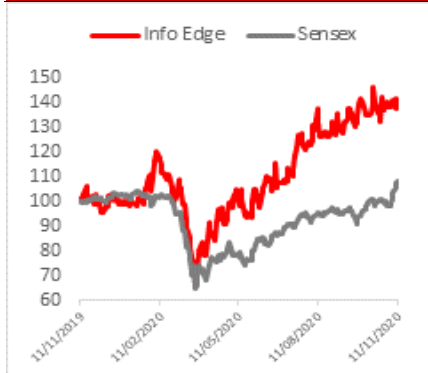
Buy on Dips

Current Price	3,685
Target Price	3,335
Upside	
52 Week Range	1580/3784

Key Share Data

Market Cap (Rs. Bn)	456
Market Cap (US\$ Mn)	6114
No of o/s shares (Mn)	129
Face Value	10
Monthly Avg. Vol (BSE+NSE) ('000)	621
BSE Code	532777
NSE Code	NAUKRI
Bloomberg	INFOE:IN

Price performance



% Shareholding	Sep-20	Aug-20
Promoters	38.47	38.47
Public	61.38	61.35
Others	0.15	0.18
Total	100	100

InfoEdge's Q2FY21 performance was in-line with our revenue estimates, however, profitability was way below our estimates due to higher than expected Employee Costs and Advertising and Promotion Expenses.

- Revenue came in at INR 2,609 Mn, -7% qoq / -18% yoy and 1% above our estimate of INR 2,589 Mn
- EBITDA came in at INR 501 Mn, -52% qoq / -50% yoy and 42% below our estimate of INR 866 Mn. EBITDA margin stood at 19% vs 37.3% / 31.4% in Q1FY21 and Q2FY20 respectively and vs our estimate of 33.5%.
- Profitability was below our estimates due to revenue de-growth coupled with increase in Operating costs – (a) Ad and Marketing spends which stood at INR 504 Mn, +97% qoq / -2% yoy and +113% above our estimate of INR 236 Mn and (b) Employee cost at INR 1,408 Mn, +9% qoq / +4% yoy and 9% above our estimates
- On an Adjusted Basis, company reported a Loss of INR (316) Mn, Profit of INR 832 Mn qoq and Profit of INR 842 Mn yoy
- Adjusted EPS stood at INR (2.5) vs. INR 6.8 in Q1FY21 and INR 6.9 in Q2FY20.
- Company had an exceptional Gain on Reduction in its associate/JV of INR 3740.3 Mn during the quarter
- Billings were strong during the quarter with Recruitment Billing at INR 1673 Mn, +19% qoq / -20% yoy, 99acres Billing at INR 467 Mn, +234% qoq / -23% yoy and Others Billing at INR 355 Mn, +3% qoq / +18% yoy

Segment-wise Analysis

A. Recruiter Segment

- Billings stood at INR 167.3 Crores, declining by 20.2% YoY
- Revenue was reported at INR 182.6 Crores, de-growth of 19.3% YoY
- Operating EBITDA stood at INR 100.5 Crores, dropping 18.9% YoY
- EBITDA Margins stood at 55% as against 54.7% in Q2FY20
- Cash EBITDA stood at INR 75.4 Crores, declining by 20% YoY

B. Naukri

- Collections had a robust recovery as collections in corporate sales were down by 13% as against 48% decline in Q1FY21. September Collections were down by 10% YoY.
- Recovery has been rapid across as Industry Segments. Billings in I.T. & Telecom business comprised of largest Revenue base and has reached pre-covid levels.
- Monthly recovery in Direct Online Sales highlights the revival in sales from retailers and small customers.
- Job Seeker activity has been on the road the recovery since June. Added 16,528 more CVs on an average per day in Q2FY21.

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%	245.7x	13.3%	8.7%
FY19	10,983	20.0%	3,413	31.1%	3,151	25.7%	25.9	15%	159.1x	14.2%	10.2%
FY20	12,727	15.9%	4,027	31.6%	3,290	25.8%	27.1	4%	136.2x	13.8%	11.2%
FY21E	10,834	(14.9%)	3,077	28.4%	2,845	26.3%	22.1	-18%	166.5x	8.2%	5.9%
FY22E	15,186	40.2%	4,718	31.1%	4,366	28.8%	34.0	53%	108.5x	9.6%	7.3%

Source: Company, Dalal&Broacha Research



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Continued.....

- **Recruiter engagement has also improved** however Recruiters activity are still down by 12% in September and the overall drop is 30% for Q2FY21. Recovery has been led by I.T. and I.T.E.S segment.
- **Traffic share in job portal space continues to remain in the 90s** in the country's competitive recruiter markets.

C. IIM Jobs

- **IM Jobs reported billing of INR 5.17 Crores**, growing by 11.6% YoY

D. 99 Acres

- **Billings stood at INR 46.7 Crores**, drop of 22.9% YoY
- **Revenue was reported at INR 36.3 Crores**, declining by 36.3% YoY
- **Operating Loss stood at INR 7.2 Crores**
- **Adjusted EBITDA stood at a loss of INR 5.8 Crores** as against the profit of INR 5.2 Crores in Q2FY20.
- **Cash Profit stood at INR 2.9 Crores** vs profit of INR 6.8 Crores in Q2FY20.

E. Jeevan Saathi

- **Billings stood at INR 24.7 Crores**, growing by 18.6% YoY
- **Revenue was reported at INR 23.8 Crores**, growing by 14.4% YoY
- **Operating EBITDA Loss stood at INR 33.3 Crores**, up from loss of INR 16.5 Crores in Q2FY20
- **Cash Loss stood at INR 32.7 Crores**

F. Shiksha

- **Billings stood at INR 10.8 Crores**, growing by 15.2% YoY
- **Revenue was reported at INR 13.4 Crores**, growing at 7.7% YoY
- **EBITDA stood at INR 0.9 Crores** as against INR 0.2 Crores in Q2FY20
- **Cash Loss stood at INR 1.7 Crores**

Conference Call Key Takeaways

1. Segment Highlights

a) Naukri

- Growth in traffic is back to pre-covid levels as of September 2020.
- Job Speak Index (Proxy for hiring activity in India) is rising Month-on-Month basis. September & October witnessed a drop in Index by 23% YoY and has improved significantly as against 60% drop in Q1FY21.
- Sectors like Travel & Hospitality still have a long road towards recovery and has been reflected in the Index decline.

b) 99 Acres

- Traffic was back to pre-covid levels even as the builders remain cautious about their advert spends.
- Brokers have started spending on resale and rental segments.
- Lack of new launches and buyer's reluctance towards new houses, the new home segment remained muted for the quarter.
- Business has improved sequentially from July to September recovering to 76% of Q2FY20.
- Average Billing has been impacted whereas advert spends on facilities and marketing have been reduced by the company which has supported the growth momentum in 99 Acres.
- Daily Listings from owners were higher than Pre-covid levels while broker listings are still lagging but remain on the road to recovery.
- Traffic has recovered completely by Q2FY21 and by the end of the quarter Traffic was 10% above the pre-covid levels.

c) Jeevan Saathi

- Jeevan Saathi is the key business area for Info Edge as they continue to aggressively spend on this segment.



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- ii. Jeevan Saathi has witnessed rapid growth in terms of traffic as well as billings.
 - iii. Further acceleration of growth rate was led by aggressive marketing spends which has resulted in pre-covid levels of Sales growth.
 - iv. Features like Video Calling, Video Profiles and Video based Online meet ups continue to strengthen growth as well as user engagement during the quarter.
 - v. Improved Payment experience has also stimulated improvement in realizations.
- d) Shiksha**
- i. Continuously making efforts to get more user-generated content on the website.
 - ii. Educational Content on the platform has grown drastically over the years since inception.
2. **Deferred Sales Revenue on standalone basis stood at INR 371.9 Crores** as against INR 480.7 Crores in Q2FY20 declining by 22.6% YoY.
 3. **Marketing spend will be aggressive across all the business segments** to strengthen the brand presence going ahead.
 4. **Traffic Loss in the first few months was due to the pandemic crisis** but the competitors were impacted more which has helped Naukri gain share over Indeed's recruiter platform.
 5. **Investments: A) Zomato** – 1) Witnessing revival of business with food delivery. 2) Revenue as well as volume is marching towards pre-covid levels. **B) Policy Bazaar** – Registered profitability in core businesses (Health & Term Insurance) as growth rate is higher than the industry growth in these two segments. **C) Paisa Bazaar** – Witnessing revival in operations and expecting recovery in H2FY21.

Valuation & Outlook

Traffic across all segments, ie Naukri, 99acres, Jeevansaathi and Shiksha, continues to improve month on month for Info Edge. We believe that gradual unlocking of the economy and revival post a vaccine in 2021 will be key triggers for Info Edge as jobs return and the real estate sector revives. We continue to remain positive

Through the success of Naukri, 99acres, Zomato and PolicyBazaar, we believe that the management has discovered the right ingredients for a tech unicorn and developed an eye for identifying tech start-ups that can potentially be tech unicorns. Acceleration towards the internet and digital (due to the pandemic) should provide fodder to management's strategy of investing in tech start-ups and scaling them up. However, these investments convert over a very long time frame and require 'patient capital'.

Therefore, we continue to remain positive on the long term prospects of the stock and recommend a BUY on Dips strategy with a revised target price of INR 3,335 (earlier INR 2,936) based on SOTP valuation methodology.



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Profit & Loss A/c					
YE March (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	9,155	10,983	12,727	10,834	15,186
Total Revenue	9,155	10,983	12,727	10,834	15,186
Network & other charges	143	221	234	249	266
Employee cost	3,931	4,586	5,396	5,592	6,380
Advertising & Promotion	1,164	1,757	2,044	1,344	2,642
Admin & Other expenditure	944	1,005	1,026	572	1,181
Total Operating Expenditure	6,182	7,569	8,700	7,757	10,469
EBIDTA	2,973	3,413	4,027	3,077	4,718
Less: Depreciation	215.5	203.8	413.8	375.7	405.4
EBIT	2,758	3,210	3,614	2,701	4,312
Non-operating Income	971	1,112	876	1,053	1,328
Extraordinary Income	913	334	0	0	0
Profit Before tax	2,814	3,986	4,423	3,696	5,582
Tax	991	1,169	1,133	850	1,216
Net Profit	1,824	2,817	3,290	2,845	4,366
Adjusted Profit	2,737	3,151	3,290	2,845	4,366
Reported Diluted EPS Rs	15.0	23.2	27.1	22.1	34.0
Adjusted Diluted EPS Rs	22.5	25.9	27.1	22.1	34.0

Key Ratios					
EBIDTA (%)	32.5%	31.1%	31.6%	28.4%	31.1%
NPM (%)	19.9%	25.7%	25.8%	26.3%	28.8%
RoE (%)	13.3%	14.2%	13.8%	8.2%	9.6%
RoCE (%)	8.7%	10.2%	11.2%	5.9%	7.3%
Tax Rate %	35.2%	29.3%	25.6%	23.0%	21.8%
Book Value Per share (Rs.)	173.9	191.7	200.0	349.0	359.8

Valuation Ratios					
P/E (x)	245.7x	159.1x	136.2x	166.5x	108.5x
EV/EBITDA	149.8x	130.5x	109.7x	145.8x	95.1x
P/BV (x)	21.2x	19.2x	18.4x	10.6x	10.2x
Market Cap. / Sales (x)	48.9x	40.8x	35.2x	43.7x	31.2x

Balance Sheet (Standalone)					
YE March(Rs. mn)	FY18	FY19	FY20E	FY21E	FY22E
Liabilities					
Equity Capital	1,216	1,220	1,223	1,286	1,286
Reserves & Surplus	19,926	22,085	23,093	43,588	44,979
Others			566	566	566
Equity	21,142	23,306	24,882	45,440	46,831
Net Worth	21,142	23,306	24,882	45,440	46,831
Total Loans	3	4	2	2	2
Capital Employed	21,145	23,309	24,884	45,443	46,834
Assets					
Gross Block	1,167	1,251	1,276	1,776	2,126
Less: Depreciation	638	842	1,256	1,631	2,037
Net Block	529	409	20	144	89
Investments	8,263	10,333	14,672	16,672	18,672
Investment - Others	14,546	15,578	9,854	9,390	11,056
Current Assets					
Sundry Debtors	44	60	67	59	83
Cash and Bank Balance	2,712	2,764	6,251	25,102	25,083
Other Current Assets	31	0	0	0	0
Total Current Assets	2,787	2,824	6,319	25,161	25,166
Less:Current Liabilities					
Sundry Creditors	538	653	596	638	860
Provisions	456	496	549	549	549
Other Current Liabilities	4,193	5,006	5,080	4,984	6,986
Total Current Liabilities	5,187	6,156	6,225	6,170	8,395
Capital Applied	21,145	23,309	24,884	45,443	46,834

Cash Flows (Standalone)					
YE December (Rs. Mn)	FY18	FY19	FY20E	FY21E	FY22E
PAT	1,823.7	2,817.0	3,289.6	2,845.5	4,366.3
(Less)/Add: Extraordinary	(913.4)	(334.1)	0.0	0.0	0.0
Less: Non Operating Incom	(970.9)	(1,111.5)	(876.2)	(1,053.0)	(1,328.2)
Add: Depreciation	215.5	203.8	413.8	375.7	405.4
Operating Profit before WC	155.7	1,576.1	2,894.1	2,227.2	3,501.9
(Inc)/Dec in Current Asset	111.3	15.4	(7.2)	7.9	(23.8)
Inc/(Dec) in Current Liabil	869.8	969.4	68.9	(54.7)	2,224.8
Net Cash From Operations	1,136.8	2,560.8	2,955.8	2,180.4	5,702.8
Cash Flow from Investing					
(Inc)/Dec in Fixed Assets	(126.7)	(83.4)	(24.8)	(500.0)	(350.0)
(Inc)/Dec in Investment (S	(854.5)	(2,070.0)	(4,339.1)	(2,000.0)	(2,000.0)
Add: Non Operating Incom	970.9	1,111.5	876.2	1,053.0	1,328.2
Cash From Investing Activiti	(2,673.7)	(2,188.6)	2,312.5	(983.4)	(2,688.1)
Cash Flow from Financing					
Dividend Paid	(667.4)	(671.3)	(979.2)	(917.0)	(917.0)
Tax Paid on Dividend	(136.0)	(138.0)	(198.6)	(183.4)	(183.4)
Net Cash from Financing Act	304.7	(319.5)	(1,781.4)	17,653.8	(3,033.7)
Net Inc/Dec in cash equivale	(1,232.2)	52.8	3,486.9	18,850.8	(18.9)
Opening Balance	3,943.8	2,711.6	2,764.4	6,251.3	25,102.1
Closing Balance Cash	2,711.6	2,764.4	6,251.3	25,102.1	25,083.2

Free Cash Flow Statement					
YE March (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
EBITDA	2,973	3,413	4,027	3,077	4,718
FC Investment	127	83	25	500	350
WC Changes	981	985	62	-47	2,201
Depreciation Tax Shield	76	60	106	86	88
Tax Expenses	1,047	1,001	1,032	708	1,027
FCF	2,857	3,373	3,138	1,909	5,629



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