

**InfoEdge reported a mixed bag of results in Q2FY22 with revenue below our estimates while EBITDA and PAT were marginally above our estimates**

(Standalone Numbers)

- Revenue came in at INR 3,516.8 Mn, +10% qoq / +37.3% yoy and 6% below our estimate
- EBITDA came in at INR 1063.1 Mn, +6.6% qoq / +106.2% yoy and 1% above our estimate
- EBITDA margin stood at 30.2% vs 31.2% / 20.1% in Q1FY22 / Q2FY21 respectively and above our estimate of 28.1%.
- Adjusted PAT stood at INR 1,015.4 Mn, +0.6% qoq / +98.5% yoy and 0.5% above our estimate
- Adjusted EPS stood at INR 7.9 vs. INR 8 / INR 4 in Q1FY22 / Q2FY21 respectively.
- Reported PAT stood at INR 83,557.2 vs INR 1,009.5 Mn / INR 511.5 Mn in Q1FY22 / Q2FY21 respectively. Reported PAT included INR 92,937.9 Mn of Exceptional gains# and a heightened Deferred Tax outgo of INR 10,396 (these numbers are adjusted for in the Adjusted PAT of INR 1,015.4 Mn mentioned above)

**Segment-wise Analysis**

**A. Recruitment Segment**

- Billings were reported at INR 2,911 Mn, +74% YoY
- Revenue stood at INR 2,565 Mn, +40.5% YoY
- EBITDA Margins stood at 60% vs 56% / 55% in Q1FY22 / Q2FY21, respectively

**Financial Summary**

| Y/E Mar (Rs mn)     | FY19   | FY20   | FY21E  | FY22E  | FY23E  |
|---------------------|--------|--------|--------|--------|--------|
| Net sales           | 10,983 | 12,727 | 10,986 | 14,711 | 19,134 |
| EBITDA              | 3,413  | 4,027  | 2,775  | 4,424  | 5,697  |
| Adjusted net profit | 3,151  | 3,290  | 2,742  | 4,295  | 5,064  |
| Free cash flow      | 3,373  | 3,138  | 1,844  | 4,750  | 5,983  |
| EPS (Rs)            | 25.9   | 27.1   | 21.3   | 33.4   | 39.4   |
| growth (%)          | 15%    | 4%     | -21%   | 57%    | 18%    |
| P/E (x)             | 282.1  | 241.5  | 306.5  | 195.6  | 165.9  |
| P/B (x)             | 34.1   | 32.7   | 18.8   | 18.2   | 16.8   |
| EV/EBITDA (x)       | 232.0  | 195.7  | 293.8  | 184.4  | 143.1  |
| ROCE (%)            | 10.2   | 11.2   | 5.3    | 6.5    | 7.8    |
| RoE (%)             | 14.2   | 13.8   | 7.9    | 9.5    | 10.5   |
| Mkt Cap/Sales       | 72.3   | 62.4   | 76.5   | 57.1   | 43.9   |

Source: Company, Dalal & Broacha Research

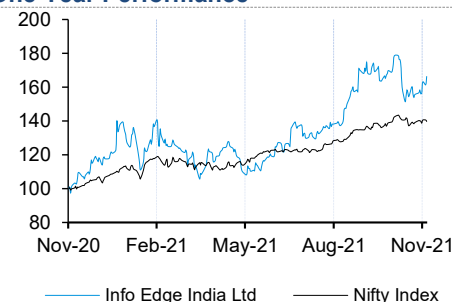
| Rating             | TP (Rs)      | Up/Dn (%)   |
|--------------------|--------------|-------------|
| <b>Buy on Dips</b> | <b>5,980</b> | <b>-8.5</b> |

**Market data**

|                      |           |               |
|----------------------|-----------|---------------|
| <b>Current price</b> | <b>Rs</b> | <b>6,533</b>  |
| Market Cap (Rs.Bn)   | (Rs Bn)   | 841           |
| Market Cap (US\$ Mn) | (US\$ Mn) | 11,296        |
| Face Value           | Rs        | 10            |
| 52 Weeks High/Low    | Rs        | 7,465 / 3,784 |
| Average Daily Volume | ('000)    | 470           |
| BSE Code             |           | 532777        |
| Bloomberg            |           | INFOE.IN      |

Source: Bloomberg

**One Year Performance**



Source: Bloomberg

| % Shareholding | Sep-21     | Jun-21     |
|----------------|------------|------------|
| Promoters      | 38.40      | 38.41      |
| Public         | 61.49      | 61.42      |
| Others         | 0.11       | 0.17       |
| <b>Total</b>   | <b>100</b> | <b>100</b> |

Source: BSE

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**B. 99 Acres**

- Billings were reported at INR 681 Mn, +204% QoQ / +46% YoY
- Revenue stood at INR 483 Mn, declining by -2% QoQ / +33% YoY
- EBITDA loss stood at INR (186) Mn versus INR 12 Mn / INR (58) Mn in Q1FY22 / Q2FY21 respectively

**Performance of 99acres bounced back during the quarter. One can expect this segment to outperform given the vibrancy in the real-estate market**

**C. Jeevansathi**

- Revenue stood at INR 254 Mn, +0.8% QoQ / +6.7% YoY
- Operating EBITDA Losses stood at INR (202) Mn versus INR (229) Mn / INR (238) Mn in Q1FY22 / Q2FY21 respectively

**D. Shiksha**

- Revenue stood at INR 216 Mn, -5% QoQ / +61% YoY
- Operating EBITDA stood at INR 62 Mn versus INR 82 Mn / INR 14 Mn in Q1FY22 / Q2FY21 respectively

## Conference Call Key Takeaways

**Naukri**

- Performance of IT as well as non-IT sectors was strong during the quarter
- Higher attrition rates in IT sector are in turn more beneficial for Naukri
- Operating EBITDA in recruitment stood at 60%
- Billing in IIM Jobs was up 110% YoY basis. IIM Jobs will most likely be merged in Q3FY22.
- Billing in Zwayam was up 40% QoQ
- First Naukri grew 100% YoY, on a small base however
- Outlook: IT sector has been outperforming for Naukri but seeing green shoots in non-IT segments as well. QoQ Billing growth in Naukri should slow down slightly as sequential Billing growth in Q2FY22 was very strong

**99 acres**

- PBT loss increased to INR (249) Mn in Q2FY22 versus INR (29) Mn / INR (106) Mn in Q1FY22 / Q2FY21 respectively.
- Operating EBITDA stood at loss of INR (186) Mn in Q2FY22 on a revenue of INR 483 Mn
- Daily listings grew 29% qoq
- Renewal rates are back at pre-COVID levels and customers are also looking at upgrades on the platform
- Outlook: Affordability index for property purchases / rents is highest in the last entire decade as personal incomes are higher - which should reflect in this segment going ahead. Will increase

investment in this segment going ahead to maintain leadership as it is key to success in the Internet Sector

### Shiksha

- Focussing on deepening relationships with private universities for undergraduate programs in addition to post-grad programs
- Shiksha reported an EBITDA of INR 62 Mn on a revenue of INR 216 Mn in Q2FY22 (versus EBTIDA of INR 82 Mn on a revenue of INR 228 Mn in Q1FY22 and EBITDA of INR 14 Mn on a revenue of INR 134 Mn in Q2FY21)

### Other highlights

- Cash and Bank (including the Wholly Owned Subsidiaries) stood at INR 3,880 Cr
- Do not plan to raise additional funds in AIF until it is fully deployed
- Money raised from Zomato OFS will be added to Cash & Bank and will look for productive deployment of same, no specific plan yet
- Margin performance hereon will depend on growth. Company focusses on growth as margin is a derivative
- Shiprocket is a pure financial investment in the pre-IPO funding and Info Edge will most likely exit

## Quarterly Performance Analysis

### Exhibit 1

| YE March (Rs. mn)                    | Q2 FY22       | Q1 FY22      | Q-o-Q change %       | Q2 FY21      | Y-o-Y change %       | Q2 FY22 Est. | Deviation %  |
|--------------------------------------|---------------|--------------|----------------------|--------------|----------------------|--------------|--------------|
| <b>Total Revenue (INR Mn)</b>        | <b>3,517</b>  | <b>3,197</b> | <b>10.0%</b>         | <b>2,561</b> | <b>37.3%</b>         | <b>3,751</b> | <b>-6.2%</b> |
| <b>Less:</b>                         |               |              |                      |              |                      |              |              |
| Network & other charges              | 71            | 63           | 14.1%                | 60           | 19.4%                | 89           | -20.1%       |
| Employee Cost                        | 1,605         | 1,518        | 5.7%                 | 1,363        | 17.8%                | 1,601        | 0.2%         |
| Advertising & promotion charges      | 617           | 459          | 34.6%                | 502          | 23.0%                | 708          | -12.8%       |
| Admin & Other expenditure            | 160           | 161          | (0.3%)               | 121          | 32.1%                | 298          | -46.2%       |
| <b>Total Expenditure</b>             | <b>2,454</b>  | <b>2,200</b> | <b>11.5%</b>         | <b>2,046</b> | <b>20.0%</b>         | <b>2,697</b> | <b>-9.0%</b> |
| <b>EBIDTA</b>                        | <b>1,063</b>  | <b>997</b>   | <b>6.6%</b>          | <b>516</b>   | <b>106.2%</b>        | <b>1,054</b> | <b>0.9%</b>  |
| Less: Depreciation                   | 99            | 103          | (3.9%)               | 110          | (9.8%)               | 120          | -17.5%       |
| <b>EBIT</b>                          | <b>964</b>    | <b>894</b>   | <b>7.9%</b>          | <b>406</b>   | <b>137.7%</b>        | <b>934</b>   | <b>3.2%</b>  |
| Interest Paid                        | 12            | 13           | (6.7%)               | 15           |                      | 13           |              |
| Other income (expense), net          | 440           | 410          | 7.5%                 | 263          | 67.5%                | 373          | 18.2%        |
| Extraordinary Income                 | 92,938        |              |                      |              |                      |              |              |
| <b>Profit Before Tax</b>             | <b>94,330</b> | <b>1,290</b> |                      | <b>654</b>   |                      | <b>1,293</b> |              |
| Adj. PBT                             | 1,392         | 1,290        |                      | 654          |                      | 1,293        |              |
| Tax                                  | 377           | 281          | 34.3%                | 142          | 164.5%               | 281          | 33.9%        |
| <b>PAT before Minority Interest</b>  | <b>83,557</b> | <b>1,010</b> |                      | <b>512</b>   |                      | <b>1,012</b> |              |
| <b>Profit After Tax</b>              | <b>83,557</b> | <b>1,010</b> |                      | <b>512</b>   |                      | <b>1,012</b> |              |
| <b>PAT</b>                           | <b>93,953</b> | <b>1,010</b> |                      | <b>512</b>   |                      | <b>1,012</b> |              |
| <b>Basic &amp; Diluted EPS (Rs.)</b> | <b>649.8</b>  | <b>7.9</b>   |                      | <b>4.0</b>   |                      | <b>7.9</b>   |              |
| Adjusted PAT                         | 1,015         | 1,010        | 0.6%                 | 512          | 98.5%                | 1,012        | 0.3%         |
| Basic & Diluted Outstanding (mn)     | 129           | 129          |                      | 129          |                      | 129          |              |
| Reported EPS                         | 7.9           | 7.9          | 0.6%                 | 4.0          |                      | 7.9          | 0.3%         |
| <b>Margin Analysis %</b>             |               |              | <b>Change In bps</b> |              | <b>Change In bps</b> |              |              |
| EBIDTA Margin                        | 30.2%         | 31.2%        | -95                  | 20.1%        | 1,010                | 28.1%        | 213          |
| Operating Margin                     | 27.4%         | 28.0%        | -55                  | 15.8%        | 1,157                | 24.9%        | 251          |
| NPM                                  | 28.9%         | 31.6%        | -271                 | 20.0%        | 890                  | 27.0%        | 189          |
| Effective Tax Rate (%)               | 27.1%         | 21.7%        | 531                  | 21.8%        | 528                  | 21.7%        | 531          |
| <b>Cost Analysis %</b>               |               |              | <b>Change In bps</b> |              | <b>Change In bps</b> |              |              |
| Cost of Revenues/Sales               | 47.7%         | 49.4%        | -178                 | 55.5%        | -787                 | 45.1%        | 259          |
| SG&A/Sales                           | 22.1%         | 19.4%        | 273                  | 24.3%        | -222                 | 42.7%        | -2,059       |

Source: Dalal & Broacha Research, Company

Margins were marginally weaker qoq on the back of higher Advertising and Promotion expenses as a % of sales.

We can expect margins to be largely stable with an upward bias as growth revives across businesses

Exceptional gains from OFS in Zomato's listing and Revaluation of investment in Zomato (as Zomato is now a financial investment vis-à-vis JV earlier) stood at INR 94,330 Mn in Q2FY22. Adjusted for these exceptional gains, Adjusted PAT stood at INR 1,015 Mn.

## Valuation & Outlook

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InfoEdge, on a standalone basis, is trading at 195.6x / 165.9x FY22e / FY23e EPS. Performance of standalone businesses has revived – 1) Naukri performed well as hiring in Technology services (50-55% of Naukri revenue) has been the most vibrant in the last 15 years and there are green shoots in non-IT sectors as well 2) 99acres business is also on track and has a strong outlook as the real estate sector is extremely vibrant with a healthy trajectory 3) Shiksha is performing well for Info Edge and is expected to grow steadily as information on new universities and programs add value for users. Going ahead, these segments are expected to recover as normalcy seeps in and economy unlocks. As far as investee companies are concerned, PolicyBazaar has seen a stellar listing and Zomato has also maintained, and infact grown, in valuation after an already strong listing.

Taking the above factors into consideration, we upgrade the target price on the stock (based on SOTP valuation methodology) to INR 5,980 (from INR 5,439 earlier), however, since the stock has rallied by more than 20% in the last 3 months, we recommend a BUY on dips strategy on the stock.



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