

India's flagship Internet Company



InfoEdge's Q3FY21 revenue was in-line with our estimates whereas profitability was lower vs. our estimates

- Revenue came in at INR 2,723 Mn, +6% qoq / -15% yoy and 1% above our estimate of INR 2,708 Mn
- EBITDA came in at INR 682 Mn, +32% qoq / -36% yoy and -9% below our estimate of INR 746 Mn. EBITDA margin stood at 25% vs 20.1% / 33% in Q2FY21 and Q3FY20 respectively and vs our estimate of 27.5%.
- Company reported a PAT of INR 699 Mn +37% qoq / -21% yoy and -6% below our estimates
- EPS stood at INR 5.4 vs. INR 4 in Q2FY21 and INR 7.5 in Q3FY20.
- Billings were healthy double digit sequential growth during the quarter with Recruitment Billing at INR 2014 Mn (+20% qoq / -4% yoy), 99acres Billing at INR 524 Mn (+12% qoq / -3% yoy) and Others Billing at INR 431 Mn (+21% qoq / +21% yoy)

Segment-wise Analysis

A. Recruitment Segment

- Billings were reported at INR 201.4 Crores, down by 4.1% YoY
- Revenue stood at INR 189.5 Crores, declining by 17.7% YoY
- Operating EBITDA stood at INR 106.5 Crores, falling 20.6% YoY
- Margins stood at 56.2% vs 58.3% in Q3FY20
- Cash EBITDA stood at INR 118.3 Crores, growing by 4% YoY

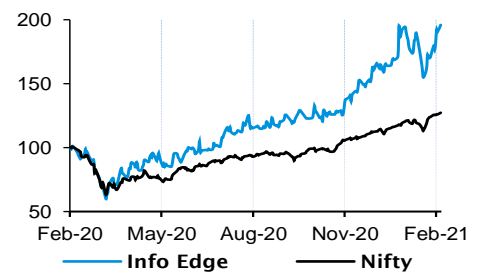
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	4122	-25

Market data

Current price	Rs	5,520
Market Cap (Rs.Bn)	(Rs Bn)	710
Market Cap (US\$ Mn)	(US\$ Mn)	9774
Face Value	Rs	10
52 Weeks High/Low	Rs	5876/1580
Daily Average Volume	('000)	747
BSE Code		532777
Bloomberg		INFOE:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-20	Sep-20
Promoters	38.47	38.47
Public	61.42	61.38
Others	0.11	0.15
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	10,983	12,727	10,868	15,220	18,481
EBITDA	3,413	4,027	3,029	4,742	5,967
Adjusted net profit	3,151	3,290	2,818	4,390	5,452
Free cash flow	3,373	3,138	1,912	5,492	5,850
EPS (Rs)	25.9	27.1	21.9	34.1	42.4
growth (%)	15%	4%	-19%	56%	24%
P/E (x)	226.6	194.0	239.5	153.8	123.8
P/B (x)	27.4	26.3	15.1	14.6	13.3
EV/EBITDA (x)	186.2	157.0	214.6	137.1	108.9
ROCE (%)	10.2	11.2	5.8	7.4	8.8
RoE (%)	14.2	13.8	8.1	9.6	11.3
Mkt Cap/Sales	58.1	50.2	62.1	44.4	36.5

Source: Company, Dalal & Broacha Research

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B. Naukri

- IT & Telecom continue to do well and there was a surge in online transactions during the quarter.
- Jobseeker Side: New CV registrations stood at 15,000 per day, growing by 5%. Average CV Modifications stood at 440,000, growth of 6% in Q3 and 11% in December 2020.
- Recruiter engagement on the platform has improved in Q3 as December witnessed peak of activities.

Naukri had a good recovery in collections and billings. December 2020 witnessed a growth in collections over December 2019.

C. IM Jobs

- Billings were reported at INR 6.61 Crores, growing by 35%YoY

D. 99 Acres

- Billings were reported at INR 52.4 Crores, declining by -3.5% YoY
- Revenue stood at INR 44.9 Crores, declining by 20.9%YoY
- Operating Loss stood at INR 3.5 Crores
- Cash Profit stood at INR 3.6 Crores vs Cash Loss of INR 2.8 Crores in Q3FY20.

In 99 Acres Billings recovered reaching 96% from last year's levels. All business verticals such as New Homes, Re-sale, Rental and Commercial showed sequential recovery in business compared to Q2.

E. Jeevansaathi

- Billings grew by 17%YoY to INR 26.2 Crores
- Revenue grew 15.5% YoY to INR 24.7 Crores
- Operating EBITDA Losses stood at INR 27.6 Crores, loss of INR 19.1 Crores from last year.
- Cash Loss stood at INR 26.4 Crores

Jeevasnsaathi saw growth momentum sustain in a seasonally weak quarter. Diwali Sales picked up to reach pre-covid levels of 20%+.

F. Shiksha

- Billings grew 27.9%YoY to INR 16.9 Crores
- Revenue grew 23.5% YoY to INR 13.2 Crores
- EBITDA stood at INR 0.8 Crores vs Loss of INR 1.7 Crores in Q3FY20.
- Cash Profit stood at INR 4.5 Crores

Investing aggressively in the content to get more users on the platform.

Conference Call Key Takeaways

- Management witnessed revival of activities across segments and all metrics growing strong.
- **Naukri:** Growth in Naukri was driven by IT & ITES sector followed by Pharma, Healthcare and Hospitality sector.
- **99 Acres:** 99 Acres saw demand for ready to move in houses and enquiries were at all time high in resale & new homes vs rentals. One can expect advertisement expenses to go up in order to combat increase in competitor's ad spends.
- Info Edge also test launched product in blue collar job segment in Delhi NCR region namely Jobsahead.com. Management indicated that they will roll out the product in 2-3 cities in the next 6 months.
- While database revenue in Naukri is and will remain the largest revenue contributor Management indicated that it is also trying to grow the non-database revenues and launching new products under the Naukri vertical such as mobile branding, talent pulse (data product which gives information about the job market such as kind of talent available, ongoing salary structure, etc.)
- **Investments:** Small financial investments such as TEAL in Real Estate, Coding Ninja, Nopaperforms, Univariety, etc. in education generally take a shorter time and are done to augment existing portfolio of business. Larger strategic investments are opportunistic in nature and may take more than a year to fructify. Any sort of synergies between existing businesses and investments will take a longer timeframe.
- **New initiatives:** Under 99 acres include reviews of societies, providing information & analytics (through TEAL) and other long-term plans to improve transparency in the real estate in order to increase the velocity of transactions.

Zomato received \$448 Mn investment post which Info Edge's completely diluted stake stands at 19%.

Across 4 verticals, company has 700 people working on product development.

Quarterly Performance Analysis

Exhibit 1

YE March (Rs. mn)	Q3 FY21	Q2 FY21	Q-o-Q change %	Q3 FY20	Y-o-Y change %	Q2 FY21 Est.	Deviation %
Total Revenue (INR Mn)	2,723	2,561	6.3%	3,205	(15.0%)	2,708	0.5%
Less:							
Network & other charges	67	60	11.3%	60	11.0%	66	0.3%
Employee Cost	1,315	1,363	(3.5%)	1,357	(3.1%)	1,461	-10.0%
Advertising & promotion charges	503	502	0.2%	498	1.0%	284	76.8%
Admin & Other expenditure	157	121	29.5%	231	(32.0%)	151	4.3%
Total Expenditure	2,041	2,046	(0.2%)	2,146	(4.9%)	1,963	4.0%
EBIDTA	682	516	32.2%	1,059	(35.6%)	746	-8.6%
Less: Depreciation	109	110	(0.5%)	104	4.8%	77	42.5%
Operating Income	572	406	41.1%	955	(40.1%)	669	-14.4%
Interest Paid	14	15	(6.1%)	16		15	
Other income (expense), net	316	263	20.1%	204	54.8%	292	8.2%
Profit Before Tax	875	654	33.7%	1,112	(21.4%)	946	-7.6%
Adj. PBT	875	654		1,143		946	
Tax	176	142	23.4%	232	(24.2%)	206	-14.7%
PAT before Minority Interest	699	512	36.6%	880	(20.6%)	740	-5.6%
Profit After Tax	699	512	36.6%	880	(20.6%)	740	-5.6%
PAT	699	512	36.6%	880	(20.6%)	740	-5.6%
Basic & Diluted EPS (Rs.)	5.4	4.0	36.6%	7.2	(25.0%)	5.8	-5.6%
Adjusted PAT	699	512	36.6%	911	(23.3%)	740	-5.6%
Basic & Diluted Outstanding (mn)	129	129		122		129	
Adjust EPS	5.4	4.0	36.6%	7.5		5.8	
Margin Analysis %			Change In bps		Change In bps		
EBIDTA Margin	25.0%	20.1%	491	33.0%	-801	27.5%	-249
Operating Margin	21.0%	15.8%	519	29.8%	-877	24.7%	-368
PBT Margin	32.1%	25.5%	658	35.6%	-353	34.9%	-282
NPM	25.7%	20.0%	569	28.4%	-275	27.3%	-167
Effective Tax Rate (%)	20.1%	21.8%	-168	20.3%	-20	21.8%	-168
Cost Analysis %			Change In bps		Change In bps		
Cost of Revenues/Sales	50.7%	55.5%	-481	44.2%	651	56.4%	-568
SG&A/Sales	24.2%	24.3%	-9	22.7%	150	54.0%	-2,972

Margins increased by over 500 bps qoq, however were marginally below our estimates on the back of higher-than-expected ad expenses

Management indicated that it would increase ad spend in 99acres for the next few quarters

Source: Dalal & Broacha Research, Company

Exhibit 2

Net Sales in Rs million	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY20	Q1FY21	Q2FY21	Q3FY21
Recruitment Solutions	2195	2264	2303	2306	9068	2002	1826	1895
Q-o-Q (%)	6%	3%	2%	0%		-13%	-9%	4%
Y-o-Y (%)	19%	19%	13%	11%	15%	-9%	-19%	-18%
99acres	564	570	582	564	2280	425	363	449
Q-o-Q (%)	4%	1%	2%	-3%		-25%	-15%	24%
Y-o-Y (%)	35%	26%	15%	4%	19%	-25%	-36%	-23%
Other Verticals	368	332	321	358	1379	375	372	379
Q-o-Q (%)	19%	-10%	-3%	12%		5%	-1%	2%
Y-o-Y (%)	10%	14%	19%	16%	15%	2%	12%	18%
Total	3127	3166	3206	3228	12727	2802	2561	2723
Q-o-Q (%)	7%	1%	1%	1%		-13%	-9%	6%
Y-o-Y (%)	21%	19%	14%	10%	16%	-10%	-19%	-15%

Management witnessed revival of activities across segments and all metrics growing strong

Naukri saw revival in the job market led by IT services sector

99acres saw strong demand for resale and new homes

Source: Dalal & Broacha Research, Company

Valuation & Outlook

InfoEdge reported a strong set of results in Q3FY21 and seems to have turned a corner as far as standalone business (Naukri, 99acres, Jeevansaathi and Shiksha) is concerned on the back of recovery in the economy and the real estate market. The stock has rallied aggressively over the last 6 months on the back of expected IPOs of its investee companies – Zomato and PolicyBazaar – in 2021. **We upgrade our target price from INR 3,335 to INR 4,122 on SOTP basis (Standalone + Zomato + PolicyBazaar).**

However, we reiterate (as we did in QFY21 result update) that *“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’.”*

In conclusion, we remain extremely positive on the long term prospects of the company and believe that it can truly be a long term compounder and therefore recommend investors to BUY ON DIPS at lower levels as and when opportunity permits.

Financial

Profit & Loss A/c						Balance Sheet (Standalone)					
YE March (Rs. mn)	FY19	FY20	FY21E	FY22E	FY23E	YE March (Rs. mn)	FY19	FY20E	FY21E	FY22E	FY23E
Net Sales	10,983	12,727	10,868	15,220	18,481	Liabilities					
% Growth	20%	16%	-15%	40%	21%	Equity Capital	1,220	1,223	1,286	1,286	1,286
Network & other charges	221	234	249	266	338	Reserves & Surplus	22,085	23,093	43,561	44,975	49,327
Employee cost	4,586	5,396	5,446	6,380	7,608	Others		566	566	566	566
Advertising & Promotion	1,757	2,044	1,564	2,648	3,214	Equity	23,306	24,882	45,413	46,827	51,179
Admin & Other expenditure	1,005	1,026	580	1,183	1,353	Net Worth	23,306	24,882	45,413	46,827	51,179
Total Operating Expenditure	7,569	8,700	7,839	10,478	12,514	Total Loans	4	2	2	2	2
EBIDTA	3,413	4,027	3,029	4,742	5,967	Capital Employed	23,309	24,884	45,415	46,830	51,181
Less: Depreciation	203.8	413.8	408.9	406.2	465.1	Assets					
EBIT	3,210	3,614	2,620	4,336	5,502	Gross Depreciation	1,251	1,276	1,776	2,276	2,776
Non-operating Income	1,112	876	1,079	1,331	1,522	Less: Depreciation	842	1,256	1,665	2,071	2,536
Extraordinary Income	334	0	0	0	0	Net Block	409	20	111	205	240
Profit Before tax	3,986	4,423	3,642	5,612	6,970	Investments	10,333	14,672	16,672	18,672	20,672
Tax	1,169	1,133	824	1,222	1,518	Investment - Others	15,578	9,854	9,400	11,087	14,676
Net Profit	2,817	3,290	2,818	4,390	5,452	Current Assets					
Adjusted Profit	3,151	3,290	2,818	4,390	5,452	Sundry Debtors	60	67	60	83	101
Reported Diluted EPS	23.2	27.1	21.9	34.1	42.4	Cash and Bank Balance	2,764	6,251	25,120	24,949	25,257
Adjusted Diluted EPS	25.9	27.1	21.9	34.1	42.4	Other Current Assets	0	0	0	0	0
Key Ratios						Total Current Assets	2,824	6,319	25,179	25,032	25,358
EBIDTA (%)	31.1%	31.6%	27.9%	31.2%	32.3%	Less:Current Liabilities					
NPM (%)	25.7%	25.8%	25.9%	28.8%	29.5%	Sundry Creditors	653	596	644	861	960
RoE (%)	14.2%	13.8%	8.1%	9.6%	11.3%	Provisions	496	549	549	549	549
RoCE (%)	10.2%	11.2%	5.8%	7.4%	8.8%	Other Current Liabilities	5,006	5,080	4,999	7,001	8,501
Tax Rate %	29.3%	25.6%	22.6%	21.8%	21.8%	Total Current Liabilities	6,156	6,225	6,192	8,411	10,010
Book Value Per share (Rs.)	191.7	200.0	348.8	359.8	393.6	Capital Applied	23,309	24,884	45,415	46,830	51,181
Valuation Ratios						Cash Flows (Standalone)					
P/E (x)	238.3x	204.0x	251.9x	161.7x	130.2x	YE December (Rs. Mn)	FY19	FY20E	FY21E	FY22E	FY23E
EV/EBITDA	195.8x	165.1x	226.0x	144.4x	114.7x	PAT	2,817.0	3,289.6	2,818.1	4,389.7	5,451.9
P/BV (x)	28.8x	27.6x	15.8x	15.3x	14.0x	(Less)/Add: Extraordinary Items	(334.1)	0.0	0.0	0.0	0.0
Market Cap. / Sales (x)	61.1x	52.7x	65.3x	46.6x	38.4x	Less: Non Operating Income	(1,111.5)	(876.2)	(1,079.0)	(1,331.1)	(1,522.5)
						Add: Depreciation	203.8	413.8	408.9	406.2	465.1
						Operating Profit before WC Changes	1,576.1	2,894.1	2,205.3	3,519.7	4,449.3
						(Inc)/Dec in Current Assets	15.4	(7.2)	7.7	(23.8)	(17.9)
						Inc/(Dec) in Current Liabilities	969.4	68.9	(32.4)	2,218.6	1,599.1
						Net Cash From Operations	2,560.8	2,955.8	2,180.6	5,714.5	6,030.5
						Cash Flow from Investing					
						(Inc)/Dec in Fixed Assets	(83.4)	(24.8)	(500.0)	(500.0)	(500.0)
						(Inc)/Dec in Investment (Strategic)	(2,070.0)	(4,339.1)	(2,000.0)	(2,000.0)	(2,000.0)
						Add: Non Operating Income	1,111.5	876.2	1,079.0	1,331.1	1,522.5
						Cash From Investing Activities	(2,188.6)	2,312.5	(967.6)	(2,855.3)	(4,567.0)
						Cash Flow from Financing					
						Dividend Paid	(671.3)	(979.2)	(917.0)	(917.0)	(917.0)
						Tax Paid on Dividend	(138.0)	(198.6)	(183.4)	(183.4)	(183.4)
						Net Cash from Financing Activities	(319.5)	(1,781.4)	17,655.6	(3,030.2)	(1,155.2)
						Net Inc/Dec in cash equivalents	52.8	3,486.9	18,868.5	(171.0)	308.3
						Opening Balance	2,711.6	2,764.4	6,251.3	25,119.8	24,948.9
						Closing Balance Cash	2,764.4	6,251.3	25,119.8	24,948.9	25,257.2

Source: Dalal & Broacha Research, Company

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