



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Q4 FY19 Result Update@ Dalal&Broacha

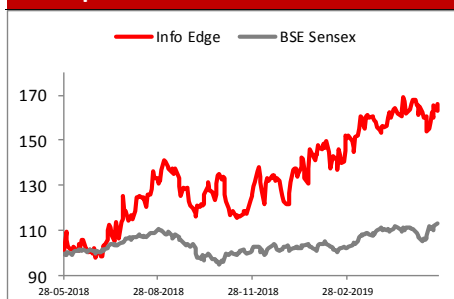
BUY

Current Price	1972
Target Price	2,388
Upside	20.5%
52 Week Range	1126 / 2056

Key Share Data

Market Cap (Rs.Bn)	244.86
Market Cap (US\$ Mn)	3501
No of o/s shares (Mn)	122
Face Value	5
Monthly Avg.	
Vol(BSE+NSE) '000	3872
BSE Code	532777
NSE Code	NAUKRI
Bloomberg	INFOE:IN

Price performance



% Shareholding	Mar-19	Dec-18
Promoters	40.7	41.2
Public	59.2	58.6
Others	0.09	0.18
Total	100	100

Info Edge's Q4FY19 performance was above our estimates

- On a standalone basis (Naukri, 99acres and Jeevansaathi), Info Edge reported a revenue of INR 2,927 Mn, +4.1% qoq / +21.6% yoy; +1.5% vs our estimate of INR 2,883 Mn
- EBITDA at INR 913 Mn, +9.6% qoq / +53.8% yoy; +7.2% vs our est. of INR 851 Mn
- EBITDA margin at 31.2% in Q4FY19 vs 29.6% / 24.7% in Q3FY19 / Q4FY18 and our estimate of 29.5%
- PAT stood at INR 663 Mn, -10.8% qoq. However, Q4 results included an Extra-ordinary expense of INR 174 Mn
- Extra-ordinary expense of INR 174 Mn was due to diminution in carrying value of investment by Startup Investments (holding company which has investments in various startups namely PolicyBazaar, Canvera Digital, Applect, etc.) and Smartweb Internet Services (All Check Deals)
- Adjusted PAT for Q4FY19 stood at INR 838 Mn, +12.7% qoq / +48% yoy and +9.1% vs our estimate of INR 767 Mn
- Adjusted EPS stood at INR 6.9 vs INR 6.1 / INR 4.7 in Q3FY19 / Q4FY18 and vs our est. of INR 6.3
- Notably, Share of losses in JVs and associates (in the consol statement) has deepened to INR 3,099.6 Mn in FY19 from INR 441.7 Mn in FY18 (which is mainly losses from Zomato and Policy Bazaar)

Segmental Financial Highlights

- Naukri revenue grew 1.8% qoq / 18% yoy
- 99acres revenue grew 7.9% qoq / 46% yoy
- Others (Jeevansaathi and Shiksha) revenue grew 15% qoq / 10% yoy
- PBT % for Naukri / 99acres / Others stood at 51.8% / -7.9% / -19.6%
- Billing growth in Naukri / 99acres / Others stood at 20.1% / 19.1% / 8.2% yoy

Concall Key Takeaways

(i) Company focused on marketing initiatives during the quarter and FY19. Marketing expenses increased 51% or INR 60 Cr YoY in FY19. FY20 marketing spends will be higher than FY19 (ii) Tech enhancements was the 2nd focus area in FY19 as company invested in Automation and AI (iii) Therefore Network & Other Charges increased from 1.6% to 2% of total revenue and Advertising & Promotion Charges increased from 12.7% to 16% of total revenue. Operating expenses increased from 67.5% of revenue to 68.9% of revenue. This resulted in margin contraction from 32.5% in FY18 to 31.1% in FY19 (iv) Cash Balance of INR 1617 Cr in FY19 vs 1516 in FY18. Cash from Operations stood at INR 131 for Q4 and INR 396 Cr for the year (v) Acquired IIM Jobs for INR 80 Cr during the quarter. IIM Jobs recorded revenue of INR 16.6 Cr in FY19, up 25% yoy. Company gets 8 Mn job applications per month and has 400 customers with a few large ones. This can add good value to Naukri's customer offerings and strengthen its position as a leader in the recruitment industry (vi) Real Estate business still slightly slow as small builders in pockets are finding it difficult to transition and H1FY19 was relatively stronger as well. QoQ growth in 99acres came down to single digits – 7.9% whereas YoY revenue growth was a solid 46%. Info Edge has 19,000 brokers and 5,000 Builders on board. 52% of revenue was derived from Brokers and 42% from Builders

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%	131.5x	13.4%	8.7%
FY19	10,983	20.0%	3,413	31.1%	3,151	25.7%	25.9	15%	85.1x	14.3%	10.3%
FY20E	12,882	17.3%	3,965	30.8%	3,542	27.5%	29.1	12%	67.7x	14.7%	10.7%
FY21E	14,719	14.3%	4,761	32.3%	4,209	28.6%	34.6	19%	57.0x	15.6%	11.6%



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(vii) Jeevansaathi continued to make a loss in Q4FY19. PBT loss was to the tune of INR 60 Mn in Q4. Management stated that company will continue to spend on marketing in the online matrimony space. Company recorded a net loss of INR 33 Cr in FY19 vs Net Loss of INR 22 Cr in FY18 (viii) Slowdown in IT Services space not a concern for the company so far (ix) PolicyBazaar not profitable yet. Company facing competition from new online insurance companies. However, non-insurance PaisaBazaar is doing quiet well.

Q4FY19 Performance Highlights:

YE March (Rs. mn)	Q4 FY19	Q3 FY19	Q-o-Q change %	Q4 FY18	Y-o-Y change %	Q4 FY19 Est.	Deviation %
Total Revenue (INR Mn)	2,927	2,811	4.1%	2,407	21.6%	2,883	1.5%
Less:							
Network & other charges	55	71	(22.1%)	41	33.5%	72	-23.6%
Employee Cost	1,212	1,151	5.3%	1,048	15.7%	1,181	2.6%
Advertising & promotion charges	474	503		478		519	
Admin & Other expenditure	273	253		246		259	
Total Expenditure	2,014	1,978	1.8%	1,813	11.1%	2,032	-0.9%
EBIDTA	913	833	9.6%	593	53.8%	851	7.2%
Less: Depreciation	49	50	(2.2%)	56	(12.2%)	58	-15.5%
Operating Income	864	783	10.3%	538	60.6%	794	8.9%
Interest Paid	0	0		0		0	
Other income (expense), net	304	296	2.8%	225	35.1%	303	0.5%
Extraordinary Income							
Extraordinary Expense	174	0		703		0	
Profit Before Tax	994	1,079	(7.9%)	60	1567.0%	1,096	-9.4%
Tax	331	336	(1.5%)	197	67.6%	329	0.5%
Deferred Tax							
PAT	663	743	(10.8%)	-138	(582.0%)	767	-13.6%
Adjusted PAT	838	743	12.7%	566	48.0%	767	9.1%
Basic & Diluted Outstanding (mr)	122	122		122		122	
Adjust EPS	6.9	6.1		4.7		6.3	
Margin Analysis %			Change in bps		Change in bps		
EBIDTA Margin	31.2%	29.6%	155	24.7%	653	29.5%	166
Operating Margin	29.5%	27.9%	166	22.3%	717	27.5%	200
PBT Margin	34.0%	38.4%	-443	2.5%	3,148	38.0%	-407
NPM	22.7%	26.4%	-378	-5.7%	2,838	26.6%	-396
Effective Tax Rate (%)	33.3%	31.1%	214	330.8%	-29,753	30.0%	327
Cost Analysis %			Change in bps		Change in bps		
Cost of Revenues/ Sales	1.9%	2.5%	-63	1.7%	17	2.5%	-62
SG&A/Sales	41.4%	41.0%	46	43.5%	-213	41.0%	43

EBITDA margins stood at 31.2% in Q4FY19, above our estimate of 29.5%.

Margins may be under pressure in FY20 due to higher marketing and tech spends across operating segments. However, we expect margins to bounce-back post FY20 as operating leverage on tech investments starts kicking in.

Valuation & Outlook

We believe that Info Edge is present in the right mix of industries, whether directly (recruitment, real estate, matrimony, etc) or through investee companies (Zomato & PolicyBazaar). Brands like Naukri and 99acres, which hold leadership position in their respective segments and consistently launch new and innovative offerings have created significant moat for Info Edge. Additionally, Investee companies such as Zomato and PolicyBazaar are present in the vibrant internet industry which is expected to continue growing at strong double digits (>40%) for the next 5 years. The stock is currently valued at 67.7x and 57x FY20e / FY21e EPS. **Based on SOTP valuation, we maintain our BUY rating with a TP of INR 2,388**, which is an upside of 20.5% from CMP.



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Profit & Loss A/c				
YE March (Rs. mn)	FY18	FY19	FY20E	FY21E
Net Sales	9,155	10,983	12,882	14,719
Total Revenue	9,155	10,983	12,882	14,719
Network & other charges	143	221	283	324
Employee cost	3,931	4,586	5,091	5,660
Advertising & promotion charge	1,164	1,757	2,512	2,797
Admin & Other expenditure	944	1,005	1,031	1,178
Total Operating Expenditure	6,182	7,569	8,917	9,958
EBIDTA	2,973	3,413	3,965	4,761
Less: Depreciation	215.5	203.8	257.6	294.4
EBIT	2,758	3,210	3,707	4,467
Non-operating Income	971	1,112	1,353	1,545
Extraordinary Income	913	334	0	0
Profit Before tax	2,814	3,986	5,060	6,013
Tax	991	1,169	1,518	1,804
Net Profit	1,824	2,817	3,542	4,209
Adjusted Profit	2,737	3,151	3,542	4,209
Reported Diluted EPS Rs	15.0	23.2	29.1	34.6
Adjusted Diluted EPS Rs	22.5	25.9	29.1	34.6

Cash Flows (Standalone)				
YE December (Rs. Mn)	FY18	FY19E	FY20E	FY21E
PAT	1,823.7	2,817.0	3,541.8	4,208.8
(Less)/Add: Extraordinary Items	(913.4)	(334.1)	0.0	0.0
Less: Non Operating Income	(970.9)	(1,111.5)	(1,352.6)	(1,545.5)
Add: Depreciation	215.5	203.8	257.6	294.4
Add: Interest Paid	0.8	0.8	0.0	0.0
Operating Profit before WC Changes	155.7	1,576.1	2,446.8	2,957.7
(Inc)/Dec in Current Assets	797.8	(192.4)	(116.1)	(207.6)
Inc/(Dec) in Current Liabilities	873.5	815.2	822.0	1,207.5
Net Cash From Operations	1,827.0	2,198.9	3,152.7	3,957.5
Cash Flow from Investing				
(Inc)/Dec in Fixed Assets	(126.7)	(200.0)	(200.0)	(250.0)
(Inc)/Dec in Investment (Strategic)	(4,373.6)	(2,000.0)	(2,000.0)	(2,000.0)
Add: Non Operating Income	970.9	1,111.5	1,352.6	1,545.5
Cash From Investing Activities	(3,526.1)	(1,088.5)	(847.4)	(704.5)
Cash Flow from Financing				
Dividend Paid	(667.4)	(790.3)	(911.9)	(911.9)
Tax Paid on Dividend	(136.0)	(158.1)	(182.4)	(182.4)
Net Cash from Financing Activities	312.5	(615.2)	(1,094.3)	(1,094.3)
Net Inc/Dec in cash equivalents	(1,386.6)	495.3	1,211.0	2,158.7
Opening Balance	3,203.5	1,816.9	2,312.2	3,523.2
Closing Balance Cash	1,816.9	2,312.2	3,523.2	5,681.9

Balance Sheet (Standalone)				
YE March (Rs. mn)	FY18	FY19	FY20E	FY21E
Liabilities				
Equity Capital	1,216	1,216	1,216	1,216
Reserves & Surplus	19,859	21,727	24,175	27,289
Equity	21,074	22,943	25,391	28,505
Net Worth	21,074	22,943	25,391	28,505
Total Loans	3	3	3	3
Capital Employed	21,077	22,946	25,393	28,508
Assets				
Gross Block	1,167	1,367	1,567	1,817
Less: Depreciation	638	842	1,100	1,394
Net Block	529	525	468	423
Investments	22,424	24,424	26,424	28,424
Current Assets				
Sundry Debtors	44	59	67	81
Cash and Bank Balance	1,817	2,312	3,523	5,682
Loans and Advances	1,432	1,610	1,719	1,913
Other Current Assets	31	31	30	30
Total Current Assets	3,325	4,013	5,340	7,706
Less: Current Liabilities				
Sundry Creditors	538	622	733	818
Provisions	456	456	456	456
Other Current Liabilities	4,207	4,938	5,649	6,771
Total Current Liabilities	5,201	6,016	6,838	8,045
Capital Applied	21,077	22,946	25,393	28,508

Free Cash Flow Statement				
YE March (Rs. mn)	FY18	FY19	FY20E	FY21E
EBITDA	2,973	3,413	3,965	4,761
FC Investment	127	200	200	250
WC Changes	1,671	623	706	1,000
Depreciation Tax Shield	76	60	77	88
Tax Expenses	1,047	1,001	1,189	1,428
FCF	3,547	2,895	3,358	4,171

Key Ratios				
EBIDTA (%)	32.5%	31.1%	30.8%	32.3%
NPM (%)	19.9%	25.7%	27.5%	28.6%
RoE (%)	13.4%	14.3%	14.7%	15.6%
RoCE (%)	8.7%	10.3%	10.7%	11.6%
Tax Rate %	35.2%	29.3%	30.0%	30.0%
Book Value Per share (Rs.)	173.3	188.7	208.8	234.4
Valuation Ratios				
P/E (x)	131.5x	85.1x	67.7x	57.0x
EV/EBITDA	80.0x	69.6x	59.6x	49.2x
P/BV (x)	11.4x	10.5x	9.4x	8.4x
Market Cap. / Sales (x)	26.2x	21.8x	18.6x	16.3x



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