



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia/ 022 67141442
Associate: Suraj Nandu/ 022 67141438

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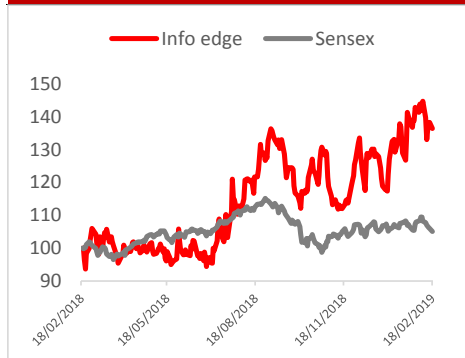
ACCUMULATE

Current Price	1632
52 Week Range	1125/1798
Target Price	1785
Upside	9.5%

Key Share Data

Market Cap (Rs.bn)	199.92
Market Cap (US\$ mn)	2796.08
No of o/s shares (mn)	122.11
Face Value	10
Monthly Avg. vol(BSE+NSE) Nos'000	276.46
BSE Code	532777
NSE Code	NAUKRI
Bloomberg	INFOE:IN

Price performance



% Shareholding

	Dec-18	Sept-18
Promoters	41.24	41.35
Public	58.57	58.62
Others	0.18	0.04
Total	100.0	100.0

MANAGEMENT MEET KTA

Update on Standalone entities (Naukri, 99acres, Jeevansaathi, Shiksha.com)

- **Naukri.com** is benefiting from strong hiring and churning trends in the IT services sector in FY18/9MFY19 (IT sector directly contributes 31% to Naukri's revenues which contributes 71% to Total standalone sales of Infoedge). Management stated that top 4-5 IT services companies contribute 4-5% to topline and hiring / churning has also been strong in mid to bottom bucket of the companies. Naukri reported a growth of 20% / 17% YoY in Q3FY19 / 9MFY19 whereas 5 year CAGR between FY14 and FY18 stood at 12.4%
- **99acres** (17% of standalone revenues) has also reported steady performance in the past 2 quarters after the real estate industry has moved past the overhang of De-mon, GST and RERA. 99acres grew 47% / 40% YoY in Q3FY19 / 9MFY19 whereas 5 year CAGR was 11.9%. The split between Brokers: Builders is 50 : 50 and company maintains that participation from brokers compared to builders has increased massively during 9MFY19.
- Management of the view the current liquidity issues in the real estate industry is related to Developer Finance while Retail finance remains unaffected
- **Jeevansaathi** is at #3 position in the online matrimony industry and company is trying to give stiff competition through strategic pricing and offerings

Investee Companies (Zomato, PolicyBazaar, etc)

Zomato

- Infoedge holds 27.68% stake and forms part of investee companies which are consolidated below PBT. Second largest shareholder is Ant Financial which holds 25-26% and is part of Alibaba Group.
- Zomato reported a topline growth of 80% in FY17 and 22% in FY18. FY18 Revenues stood at INR 466 Cr and losses stood at INR 106 (INR 390 Cr in FY17). We expect company to grow in the range of 15-20% between FY19-21E.
- Although apps like Swiggy and Scootsy have given strong competition to Zomato, Zomato Delivery is witnessing strong demand which is evident in the 20x increase in delivery team from 5000 to 1 lac over a period of 12 months
- We are particularly appreciative management's priority of optimal capital allocation and is vary of burning cash like some of its peers (Swiggy/Scootsy)
- Zomato still remains the number one player in the search and discovery space and Infoedge owns 27.68% stake in the company
- Zomato derives 70% of its revenues from Listing Fees and 30% through delivery currently. However, trends indicate that this split could easily reverse over the next few years
- Company is currently charging 16-18% of order value on delivery. Interestingly, a 25-30% fee would be profitable as per management but pricing power remains limited considering competition from Swiggy, Scootsy, etc. However, management stated that the industry is evolving rapidly and companies are finding various models (such as charging customers a delivery fee) which can boost profitability going ahead.
- Zomato Gold has been a major success for the company and there are ~800,000 members. Moreover, apart from the 2-5% administration cost, the entire amount charged to the user goes to bottom-line for the company. However, Zomato Gold contributes a very small amount to the overall revenues.

Standalone Financials (Rs. Mn)

Years	Revenue	Growth	EBITDA	Margins	APAT	Margins	EPS	Growth	ROE	ROCE
2015	6116	21%	1822	30%	1647	27%	16.5	40%	11.50%	13.80%
2016	7123	16%	1421	20%	1393	20%	10	-39%	6.40%	8.10%
2017	8021	13%	2275	28%	2084	26%	15.4	54%	10%	11.10%
2018	9155	14%	2973	32%	2737	30%	14.9	-3%	13.40%	13.40%



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Policy Bazaar

- Infoedge owns 9.84% stake in Policy Bazaar and Tamasek Holdings owns another 9.84% stake in EtechAces (which owns and operates PolicyBazaar) through a subsidiary - MakeSense Technologies. Other investors include Softbank and Tiger Global.
- PolicyBazaar reported revenues of INR 159 Cr, a growth of 225% YoY, whereas losses reduced by 78% in FY18 at INR 9.4 Cr in FY18 versus INR 44 Cr in FY17.
- We believe that PolicyBazaar is the 'Ace up the sleeve' and will drive the next big growth wave for the company over the next decade as the insurance industry will see the trend move towards online insurance management from the current agent-policy holder business model. We believe that the eventual evolution of the industry is towards the online model as costs for the sell-side (commissions for the Insurance companies) and buy-side (convenience and commissions) will be relatively lesser. Furthermore, online insurance holds huge potential as only 4% of the Indian population is insured and barely 2% of total premiums paid occur online.
- Post the last round of joint funding with Softbank Vision Fund, Infoedge owns 13.66% stake in the company.

Valuation & Outlook

We value Info edge's standalone business at 35x FY21e EPS of INR 41 to arrive at a target price of INR 1,435. As far as Investee companies are concerned, we consider to major investments – Zomato and PolicyBazaar in our valuation. As per the latest round of funding by Zomato (October 2018) coupled with our estimates, we value Zomato at INR 260 per share. Additionally, PolicyBazaar is valued at INR 90 per share. Therefore, as per SOTP valuation methodology, Infoedge's TP comes to INR 1,785 (9.5% upside from CMP). We recommend investors to **ACCUMULATE** the stock.



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