

RESEARCH
Info Edge | Target: Rs 7,700 | +21% | BUY

Strong real estate and recruitment business pickup

SUMMARY
Info Edge

- Q2 revenue grew 37% YoY, outperforming consensus, with broad-based uptick across Naukri, 99acres and other verticals
- PAT surged 163x YoY due to gains flowing through from Zomato stake sale
- Reiterate BUY on buoyant outlook for Naukri and 99acres; TP revised to Rs 7,700 (vs. Rs 6,530) on rollover

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Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.56	1bps	5bps	67bps
India 10Y yield (%)	6.37	0bps	4bps	49bps
USD/INR	74.44	0.1	1.1	0.2
Brent Crude (US\$/bbl)	82.17	(0.8)	(2.2)	92.1
Dow	36,100	0.5	3.4	22.5
Shanghai	3,539	0.2	(0.5)	6.9
Sensex	60,687	1.3	(1.0)	39.7
India FI (US\$ mn)	11-Nov	MTD	CYTD	FYTD
FI-D	(19.0)	90.7	20.4	2,047.6
FI-E	505.4	103.1	6,361.6	(964.7)

Source: Bloomberg

BOBCAPS Research

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BUY

TP: Rs 7,700 | ▲ 21%

INFO EDGE

| Technology & Internet

| 15 November 2021

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Robust revenue growth: INFOE reported Q2FY22 sales growth of 37% YoY, beating consensus estimates of ~36%. Growth was broad-based across segments, with Naukri/99acres/Jeevansaathi up 41%/33%/25% YoY. The number of resumes uploaded on Naukri increased 10% YoY and IT services formed the highest share (35.9%) of the recruitment platform's revenues.

EBITDA margin stood at 30.2%, up 10pps YoY. Advertisement and employee expenses were down 200/760bps YoY. Billing for Naukri.com/ 99acres/ Other verticals was up 74%/ 46%/ 21%, YoY. PAT jumped 163x YoY because of mark -to-market unrealized gains of Rs92.9bn from Zomato stake sale and 67.5% growth in other income. Deferred sale was up 55%/43%/ 21% for recruitment, 99acres and other verticals, respectively signaling strong future revenue growth.

Real estate sector pickup: While 99acres' revenue growth did recover in Q1FY22, the rebound has been pronounced this quarter. Lockdowns hit the real estate market hard in April and May, particularly in two prominent locations of Mumbai and Bengaluru. While the top metros in the south and west are recovering, Delhi remains an area of concern. The NCR real estate market has started to revive only recently. The recovery stems from an increase in affordability, rise in demand for bigger homes post pandemic and stamp duty incentives in certain parts of India.

Recruitment market buzzing: Naukri saw 22% YoY growth in the daily number of resumes added in Q2FY22 and IIMJobs posted 110% revenue growth. Post Covid, demand for talent has risen sharply across sectors. While this will help revenue growth, employee cost will increase for INFOE as well, impacting its margin. Besides IT, demand for talent has picked up in the retail, travel and banking sectors. Management is focusing on a strategy to monetise the recruitment platform.

Maintain BUY: We expect demand for INFOE's recruitment, real estate and educational portals to keep growing, but anticipate a YoY slowdown in Q3FY22 due to the base effect. We raise EPS estimates post Q2, update the latest valuations of Zomato and PolicyBazaar, and roll over to a new SOTP-based TP of Rs 7,700. BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	INFOE IN/Rs 6,343
Market cap	US\$ 11.0bn
Free float	62%
3M ADV	US\$ 38.2mn
52wk high/low	Rs 7,465/Rs 3,784
Promoter/FPI/DII	38%/38%/24%

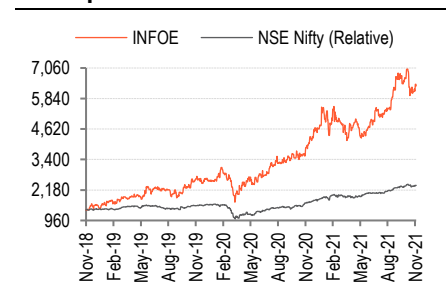
Source: NSE | Price as of 15 Nov 2021

Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	10,986	14,107	16,964
EBITDA (Rs mn)	2,772	4,742	5,749
Adj. net profit (Rs mn)	2,739	4,585	5,342
Adj. EPS (Rs)	21.3	35.6	41.5
Consensus EPS (Rs)	21.3	28.5	34.4
Adj. ROAE (%)	7.8	6.2	5.2
Adj. P/E (x)	298.0	178.0	152.8
EV/EBITDA (x)	293.5	171.0	135.9
Adj. EPS growth (%)	(16.7)	67.4	16.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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