

**BUY**

TP: Rs 6,780 | ▲ 38%

**INFO EDGE**

| Technology & Internet

| 31 January 2022

### Impressive growth led by recruitment business

- Q3 revenue growth of 14.7% QoQ and 48% YoY was INFOE's highest in over a decade, led by its recruitment business
- EBIT margin at 25.4% stood below consensus due to increased other expenses and A&P cost
- We tweak EPS estimates and adjust Zomato and PolicyBazaar valuations, leading to a new TP of Rs 6,780 (vs. Rs 7,700); retain BUY

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**Robust quarterly growth:** INFOE's Q3FY22 revenue grew 14.7% QoQ and 48% YoY, outperforming street estimates. Growth was driven by a 16% /10% QoQ rise in revenue from recruitment solutions and other verticals. EBITDA margin at 27.8% was down 240bps QoQ due to higher other expense (+30bps) and A&P cost (+250bps: largely stemming from the matrimony business). INFOE recorded a non-recurring revenue item worth Rs 2.1bn from mark-to-market gains on its PB Fintech investment, which caused PAT to rise 370% YoY.

**Record-high billing:** Billing increased by a record 58% YoY in Q3 – led by 77% YoY growth in recruitment, followed by 16-17% growth in 99acres and other verticals. On a QoQ basis, billing was up 16% led by Naukri while 99acres declined 10%. Deferred sales grew 58% YoY (11% QoQ) driven by Naukri.

**Recruitment vertical drives momentum:** Billing increased 80% YoY in recruitment (including the acquired businesses of IIM Jobs, Zwayam and DoSelect). Zwayam and DoSelect are in the process of being integrated with Naukri. Realisations from Naukri have improved over the last six months due to price increases and rollback of discounts for heavy users. While the IT segment is seeing growing momentum, the other verticals are facing delayed demand traction due to the third Covid-19 wave.

**Real estate remains sluggish; Shiksha surprises:** INFOE's premium real estate listings on 99acres saw good adoption among brokers. The rental segment performed better than resale, new homes and commercial property. Management indicated that Q4 might be impacted due to Omicron. However, INFOE will continue to invest in real estate for the next few years. Q3 billings for education platform Shiksha grew 51% YoY which aided overall revenue growth.

**Maintain BUY:** Following the Q3 results, we maintain BUY with only minor changes of 1-2% in our FY23-FY24 EPS estimates as we increase revenue growth but lower margin expectations. Upon updating the latest valuations for Zomato and PolicyBazaar and rolling forward to Dec'23E valuations, we arrive at a revised SOTP-based TP of Rs 6,780 for INFOE (vs. Rs 7,700). Retain BUY.

### Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	INFOE IN/Rs 4,901
Market cap	US\$ 8.4bn
Free float	62%
3M ADV	US\$ 30.2mn
52wk high/low	Rs 7,465/Rs 4,024
Promoter/FPI/DII	38%/38%/24%

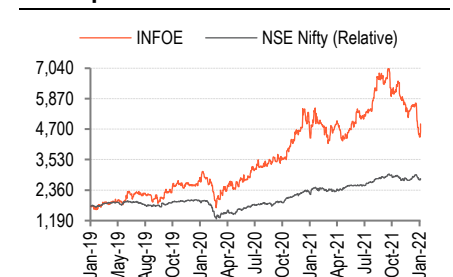
Source: NSE | Price as of 31 Jan 2022

### Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	10,986	14,524	17,472
EBITDA (Rs mn)	2,772	4,555	5,810
Adj. net profit (Rs mn)	2,739	4,432	5,372
Adj. EPS (Rs)	21.3	34.4	41.8
Consensus EPS (Rs)	21.3	28.5	34.4
Adj. ROAE (%)	7.8	6.0	5.2
Adj. P/E (x)	230.2	142.3	117.4
EV/EBITDA (x)	226.6	137.3	102.6
Adj. EPS growth (%)	(16.7)	61.8	21.2

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



## Other highlights

- Management indicated that hiring has been on an upswing and continues to hit peaks in the IT segment. This segment formed ~35% of the recruitment vertical's Q3FY22 revenue. Infrastructure hiring was sluggish – the vertical formed 9% of quarterly revenue, down 80bps QoQ and 200bps YoY. The company currently has a 15.29% stake in Zomato and 13.98% stake in PolicyBazaar.
- INFOE has invested in multiple startups by acquiring them either fully or partially. The investments in four core verticals (where INFOE is the sole investor) are termed as strategic while its other stakes are termed as financial investments.
- The IIMJobs and DoSelect (assessment platform) acquisitions are some of INFOE's major strategic investments. The company's AIF (Alternative Investment Fund) finances investments outside the four core verticals – these include Adda 247, 4B Networks, Coding Ninja, NoPaperForms, Greypip and RedStart.
- INFOE has updated the Naukri.com website for a smoother user experience.
- Management does not expect Q4 billings to be impacted by Omicron.

**Fig 1 – Quarterly performance**

(Rs mn)	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	9MFY22	9MFY21	YoY (%)
<b>Revenue</b>	<b>4033</b>	<b>2723</b>	<b>48.1</b>	<b>3,517</b>	<b>14.7</b>	<b>10747</b>	<b>8,086</b>	<b>32.9</b>
<b>Operating Expenditure</b>	<b>2,912</b>	<b>2,041</b>	<b>42.7</b>	<b>2,454</b>	<b>18.7</b>	<b>7,566</b>	<b>5,843</b>	<b>29.5</b>
Cost of revenues	2,107	1,538	36.9	1,837	14.7	5,685	4,582	24.1
as % of sales	52	56	-	52	-	53	57	(6.7)
SG&A expenses	805	503	60.1	617	30.4	1,881	1,260	49.2
as % of sales	20	18	-	18	-	17	16	12.3
<b>EBITDA</b>	<b>1,121</b>	<b>682</b>	<b>64.4</b>	<b>1,063</b>	<b>5.4</b>	<b>3,181</b>	<b>2,243</b>	<b>41.8</b>
Depreciation	97	109	(11.3)	99	(2.1)	299	331	(9.4)
<b>EBIT</b>	<b>1,024</b>	<b>572</b>	<b>78.9</b>	<b>964</b>	<b>6.2</b>	<b>2,881</b>	<b>1,912</b>	<b>50.7</b>
Other Income	426	316	34.8	440	(3.4)	1,276	781	63.2
Extraordinary items	2,178	-	-	92,938	-	95,116	0	-
<b>PBT</b>	<b>3,617</b>	<b>875</b>	<b>313.6</b>	<b>94,330</b>	<b>(96.2)</b>	<b>99,237</b>	<b>2,650</b>	<b>3644.5</b>
Total Tax	326	176	85.3	10,773	(97.0)	11,378	608	1772.4
<b>Adjusted PAT</b>	<b>3,291</b>	<b>699</b>	<b>371.0</b>	<b>83,557</b>	<b>(96.1)</b>	<b>87,858</b>	<b>2,042</b>	<b>4201.5</b>
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>3,291</b>	<b>699</b>	<b>371.0</b>	<b>83,557</b>	<b>(96.1)</b>	<b>87,858</b>	<b>2,042</b>	<b>4201.5</b>
<b>Reported EPS</b>	<b>25.6</b>	<b>5.7</b>	<b>350.0</b>	<b>649</b>	<b>(96.1)</b>	<b>682</b>	<b>17</b>	<b>3968.1</b>
<b>Margins (%)</b>			<b>(bps)</b>		<b>(bps)</b>			<b>(bps)</b>
EBITDA	27.8	25.0	280	30.2	(240)	29.6	27.7	190.0
EBIT	25.4	21.0	440	27.4	(200)	26.8	23.7	320.0
EBT	89.7	32.1	5,760.0	2,682.3	(259,260.0)	923.4	32.8	89,060.0
PAT	81.6	25.7	5,590.0	2,375.9	(229,430.0)	817.5	25.3	79,230.0
Effective Tax Rate	21.7	20.1	160	21.7	0	11.5	22.9	(1,150.0)

Source: Company, BOBCAPS Research

## Valuation methodology

Baking in the Q3FY22 performance and positive recruitment business outlook, we raise our FY22-FY24 revenue growth estimates by 3% each. However, we pare EBITDA expectations by ~ 4% for FY22 (up 1-3% for FY23-FY24) due to rising hiring costs. On factoring in the revised estimates, updating the latest valuations for Zomato and PolicyBazaar valuations and rolling forward to Dec'23E valuations, we arrive at a revised SOTP-based TP of Rs 6,780 for INFOE (vs. Rs 7,700). Retain BUY.

Our SOTP method values (1) Naukri.com at 110.6x Dec'23E P/E, based on the average one-year forward post-Covid multiple for INFOE sans Zomato and PolicyBazaar valuation, and (2) 99acres/Jeevansaathi.com at an unchanged 18x/12x sales. Following the recent price correction, Zomato is valued at US\$ 9.5bn (vs. US\$ 16.9bn earlier) and PolicyBazaar at US\$ 4.7bn (vs. US\$ 8.8bn), both per current market valuations.

**Fig 2 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	14,524	17,472	20,381	14,107	16,964	19,784	3.0	3.0	3.0
YoY growth (%)	32.2	20.3	16.7	28.4	20.2	16.6	-	-	-
EBITDA	4,555	5,810	6,839	4,742	5,749	6,633	(3.9)	1.1	3.1
EBITDA margin (%)	31.4	33.3	33.6	33.6	33.9	34	-	-	-
PAT	73,977	5,372	6,054	74,130	5,342	5,918	(0.2)	0.6	2.3
EPS (Rs)	574.4	41.7	47.0	575.6	41.5	46.0	(0.2)	0.6	2.3

Source: BOBCAPS Research

**Fig 3 – Key assumptions**

Parameter	FY21	FY22E	FY23E	FY24E
Net sales (Rs mn)	10,986	14,524	17,472	20,381
YoY growth (%)	(13.7)	32.2	20.3	16.7
EBIT margins (%)	21.3	27.9	29.8	30.1

Source: Company, BOBCAPS Research

**Fig 4 – Valuation summary**

SOTP valuation	Method	Value (Rs mn)	% stake	Value of the stake (Rs mn)	Value per share (Rs/sh)	% of total value
Naukri.com	110.6x Dec'23E P/E	592,048	100	592,048	4,602	68
99acres	18x Sales	48,684	100	48,684	378	6
Jeevansaathi	12x Sales	29,220	100	29,220	227	3
Zomato	Valued at US\$ 9.5bn - Jan'22	711,574	15	108,800	846	12
Policybazar	Valued at US\$ 4.7bn – as implied by latest transaction	357,667	14	49,716	386	6
Other investments	Book value	5,059	na	5,059	39	1
Cash and Cash equivalent	Book value	38,550	100	38,550	300	4
Target price (Rs/sh)		-	-	-	6,780	-

Source: BOBCAPS Research

**Fig 5 – Peer comparison**

Company	Price (Rs/sh)	Mcap (Rs mn)	Rating	Target Price (Rs)	Revenue CAGR FY21-24E (%)	EPS CAGR FY21-24E (%)	PE (x)		RoE (%)		
							FY22	FY23	FY21	FY22	FY23
Info Edge	4911.65	632,542	BUY	6,780	22.9	30.3	8.5	117.6	7.8	6.0	5.2
IndiaMart	4998.1	151,942	BUY	7,660	18.9	14.7	46.5	40.1	30.3	18.5	18.3
Affle India	1309.2	34,956	BUY	1,390	51.8	35.9	107.1	67.7	37.6	14.5	18.7
Just Dial	909.7	56,219	BUY	990	6.8	(10.4)	113.2	45.4	16.8	2.8	4.6

Source: BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- the real estate sector taking longer to recover post Covid, and
- delayed profitability of 99acres and other verticals.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Affle (India)	AFFLE IN	0.5	1,310	1,390	BUY
IndiaMart InterMesh	INMART IN	2.0	4,989	7,660	BUY
Info Edge	INFOE IN	8.4	4,901	6,780	BUY
Just Dial	JUST IN	0.8	906	990	BUY

Source: BOBCAPS Research, NSE | Price as of 31 Jan 2022

## Financials (Standalone)

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>12,727</b>	<b>10,986</b>	<b>14,524</b>	<b>17,472</b>	<b>20,381</b>
EBITDA	4,027	2,772	4,555	5,810	6,839
Depreciation	414	436	508	612	713
EBIT	3,614	2,336	4,047	5,198	6,125
Net interest inc./(exp.)	(67)	(57)	(75)	(91)	(106)
Other inc./(exp.)	876	1,188	1,951	2,071	2,071
Exceptional items	(1,233)	(32)	92,938	0	0
EBT	3,190	3,434	98,861	7,179	8,091
Income taxes	1,133	728	24,883	1,807	2,036
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>2,057</b>	<b>2,706</b>	<b>73,977</b>	<b>5,372</b>	<b>6,054</b>
Adjustments	1,233	32	(92,938)	0	0
<b>Adjusted net profit</b>	<b>3,290</b>	<b>2,739</b>	<b>4,432</b>	<b>5,372</b>	<b>6,054</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	592	601	796	957	1,117
Other current liabilities	4,890	5,501	6,567	7,900	9,215
Provisions	549	662	662	662	662
Debt funds	2	1	1	1	1
Other liabilities	761	652	652	652	652
Equity capital	1,223	1,285	1,285	1,285	1,285
Reserves & surplus	23,094	44,357	99,822	103,849	108,389
Shareholders' fund	24,317	45,642	101,107	105,134	109,674
<b>Total liab. and equities</b>	<b>31,110</b>	<b>53,059</b>	<b>109,785</b>	<b>115,307</b>	<b>121,321</b>
Cash and cash eq.	4,254	6,332	62,989	68,442	74,379
Accounts receivables	70	54	80	96	112
Inventories	0	0	0	0	0
Other current assets	8,722	23,545	23,545	23,545	23,545
Investments	14,672	15,000	15,000	15,000	15,000
Net fixed assets	434	318	362	414	475
CWIP	0	0	0	0	0
Intangible assets	41	37	37	37	37
Deferred tax assets, net	335	363	363	363	363
Other assets	2,582	7,410	7,410	7,410	7,410
<b>Total assets</b>	<b>31,110</b>	<b>53,059</b>	<b>109,785</b>	<b>115,307</b>	<b>121,321</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>3,256</b>	<b>2,828</b>	<b>75,646</b>	<b>7,371</b>	<b>8,121</b>
Capital expenditures	(237)	(81)	(552)	(664)	(774)
Change in investments	907	2,560	0	0	0
Other investing cash flows	819	(21,981)	75	91	106
<b>Cash flow from investing</b>	<b>1,489</b>	<b>(19,502)</b>	<b>(477)</b>	<b>(573)</b>	<b>(669)</b>
Equities issued/Others	3	18,752	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(199)	0	0	0	0
Dividends paid	(978)	0	(18,513)	(1,344)	(1,515)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(1,174)</b>	<b>18,752</b>	<b>(18,513)</b>	<b>(1,344)</b>	<b>(1,515)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>3,571</b>	<b>2,077</b>	<b>56,657</b>	<b>5,453</b>	<b>5,937</b>
<b>Closing cash &amp; cash eq.</b>	<b>4,253</b>	<b>6,332</b>	<b>62,989</b>	<b>68,442</b>	<b>74,379</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	16.0	21.0	575.0	41.8	47.1
Adjusted EPS	25.6	21.3	34.4	41.8	47.1
Dividend per share	6.0	0.0	143.7	10.4	11.8
Book value per share	189.0	354.8	785.9	817.2	852.5

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	49.5	57.2	43.0	34.1	27.7
EV/EBITDA	156.4	226.6	137.3	102.6	82.6
Adjusted P/E	191.7	230.2	142.3	117.4	104.1
P/BV	25.9	13.8	6.2	6.0	5.7

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	103.1	79.7	4.5	74.8	74.8
Interest burden (PBT/EBIT)	88.3	147.0	2442.9	138.1	132.1
EBIT margin (EBIT/Revenue)	28.4	21.3	27.9	29.8	30.1
Asset turnover (Rev./Avg TA)	42.1	26.1	17.8	15.5	17.2
Leverage (Avg TA/Avg Equity)	1.3	1.2	1.1	1.1	1.1
Adjusted ROAE	13.8	7.8	6.0	5.2	5.6

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	15.9	(13.7)	32.2	20.3	16.7
EBITDA	18.0	(31.2)	64.3	27.5	17.7
Adjusted EPS	4.4	(16.7)	61.8	21.2	12.7
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	31.6	25.2	31.4	33.3	33.6
EBIT margin	28.4	21.3	27.9	29.8	30.1
Adjusted profit margin	25.8	24.9	30.5	30.7	29.7
Adjusted ROAE	13.8	7.8	6.0	5.2	5.6
ROCE	8.3	7.5	99.0	5.1	5.6
<b>Working capital days (days)</b>					
Receivables	2	2	2	2	2
Inventory	0	0	0	0	0
Payables	17	20	18	18	19
<b>Ratios (x)</b>					
Gross asset turnover	27.3	29.2	42.7	45.0	45.8
Current ratio	2.2	4.4	10.8	9.7	8.9
Net interest coverage ratio	0.0	0.0	0.0	0.0	0.0
Adjusted debt/equity	(0.2)	(0.1)	(0.6)	(0.7)	(0.7)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

## Disclaimer

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

**BUY** – Expected return >+15%

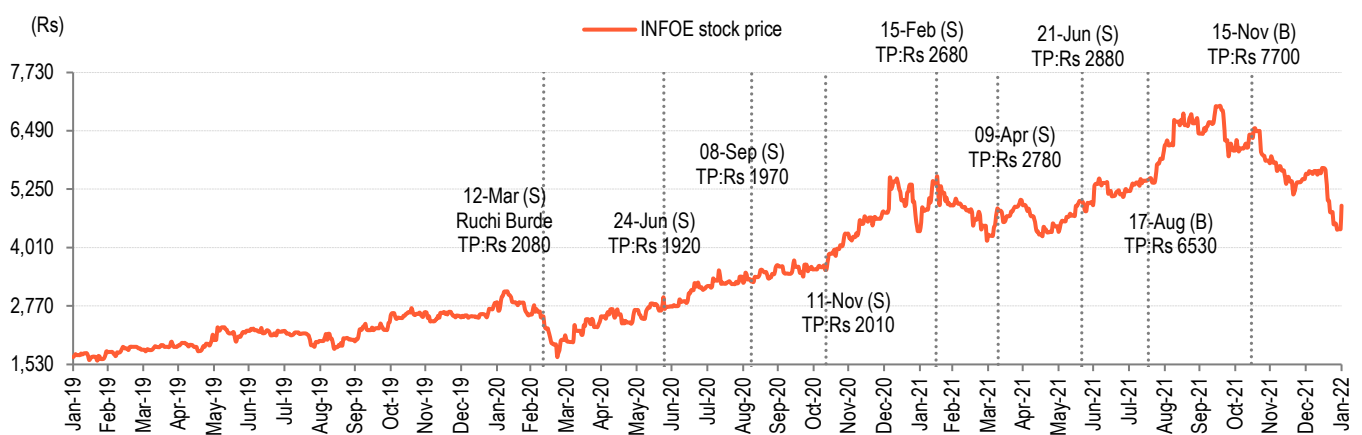
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): INFO EDGE (INFOE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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