

Stock Update

Challenges remain, maintain Hold with a revised PT of Rs.1,250

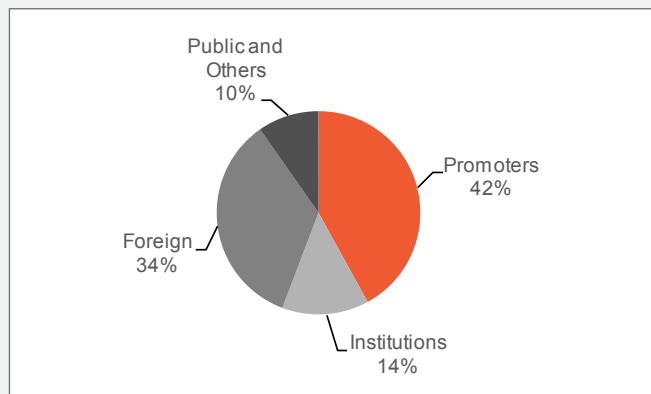
Info Edge (India)

Reco: Hold | CMP: Rs1,150

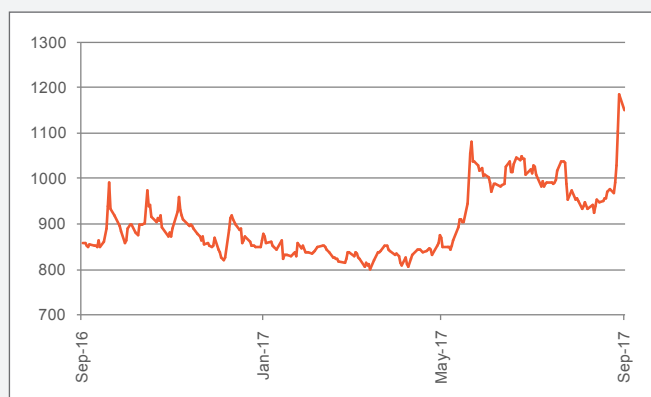
Company details

Price target:	Rs1,250
Market cap:	Rs13,958 cr
52-week high/low:	Rs1,238/752
NSE volume: (No of shares)	1.5 lakh
BSE code:	532777
NSE code:	NAUKRI
Sharekhan code:	NAUKRI
Free float: (No of shares)	7.0 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	22.8	18.1	45.0	41.1
Relative to Sensex	19.5	13.1	30.8	22.6

Key points

- Signs of improvement but pain persists:** Info Edge's revenue contribution from the IT/ITES segment remains the highest. The company derived around 42% (30% revenue generated directly from IT/ITES clients and the remaining portion came from IT recruitment firms) of its total revenue from this segment in 2017. During Q1FY2018, revenue from this segment was adversely impacted by slowdown in hiring in the IT sector and lower collection attributed to GST rollout. However, management has highlighted that hiring is now broad based, and it sees traction in hiring in the non-recruiting segments such as private banking, insurance, hospitality and infrastructure. Given the high dependence on the IT/ITES sector, weakness in the economy coupled with lower level of hiring by IT sector companies will impact the performance of the company's recruitment business.
- 99acres under pressure owing to sector headwinds:** Info Edge's 99acres business has been underperforming over the past few quarters due to continued sluggishness in the real estate sector (especially in NCR region), higher inventory, demonetisation (from Q3FY2017) and introduction of RERA regulations. Implementation of RERA regulations has created uncertainties among project developers, which has further aggravated the real estate market. In the long term, however, implementation of RERA is likely to have a positive impact on the company's 99acres business as the market becomes more organised and a safer place for buyers.
- Zomato showing signs of growth:** Zomato's (Info Edge owns 47% stake) cash burn rate has come down significantly, operating losses have squeezed (almost at breakeven level) and revenue growth has accelerated at a healthy pace (driven by strong growth in online food orders as well as average order value). As per a recent media report, Zomato plans to raise funds up to \$200 million from Alibaba and its affiliate Alipay, which may value Zomato at a higher premium to earlier valuation. Note that Zomato had earlier raised \$60 million in funding from Temasek and Vy Capital in September 2015, which valued Zomato at \$960 million. This food-tech space has gained traction post the recent new-entrants of Uber (launched UberEATS) and Google in this business. Being a dominant player in Southeast Asia and Middle East regions, Zomato could fetch higher valuation from international investors, which could support Info Edge's overall valuation.

- ♦ **Valuation – Retain Hold:** Internet companies in India are witnessing pain because of increasing competition from new and established global players. Further, sector-specific headwinds in the space have impacted earnings upswings in recent quarters. In this context, Info Edge's stock price has moved up by around 22% in the past one month and 44% in the past six months despite facing challenges. However, improving conditions of Zomato (higher valuation in the upcoming round of fund raising) and successful

acceptance of the recent IPO, Matrimony.com, have improved investor sentiments in the space. We have a positive view on Info Edge's business properties and its execution capabilities. However, the recent run up in the stock price limits any material upside in the near term. Hence, we can look for some profit booking at current levels and long-term investors should continue to Hold. We maintain our Hold rating on the stock with a revised SOTP-based price target (PT) of Rs.1,250.

Valuation (Standalone)

Particulars	Rs cr			
	FY16	FY17	FY18E	FY19E
Total revenue	717.6	802.1	911.3	1,107.2
EBITDA margin (%)	18.9	28.4	31.0	32.2
Adjusted net profit	136.6	208.4	241.7	313.6
Adjusted EPS (Rs)	11.3	17.3	20.0	26.0
P/E (x)	101.6	66.6	57.4	44.3
EV/EBITDA (x)	101.1	59.0	47.1	37.2
RoE (%)	7.6	10.5	11.0	12.7
RoCE (%)	10.7	13.4	15.7	16.9
Dividend yield (%)	0.3	0.2	0.2	0.2

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