

# Stock Update

## Bright outlook in core segments

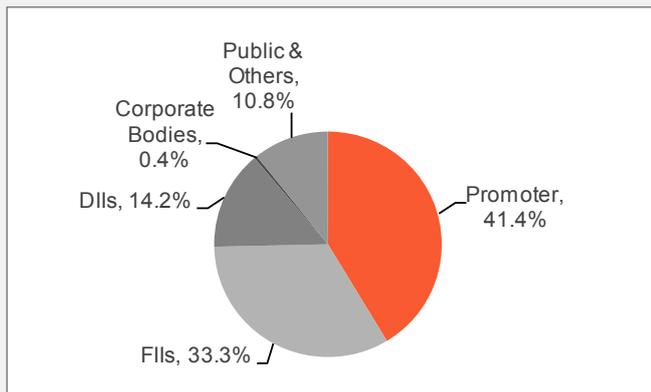
### Info Edge (India)

Reco: Buy | CMP: Rs1,674

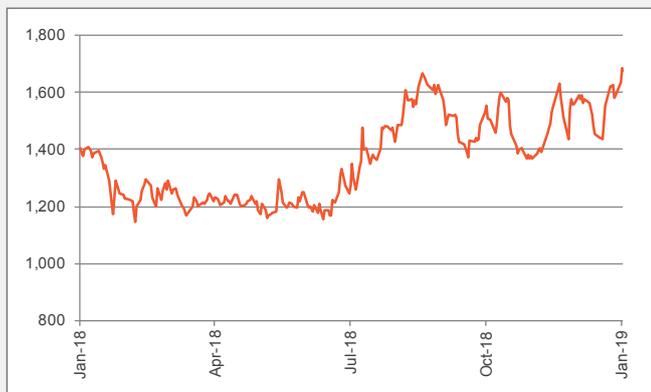
#### Company details

Price target:	Rs1,900
Market cap:	Rs20,442 cr
52-week high/low:	Rs1737/1125
NSE volume: (No of shares)	1.8 lakh
BSE code:	532777
NSE code:	NAUKRI
Sharekhan code:	NAUKRI
Free float: (No of shares)	7.2 cr

#### Shareholding pattern



#### Price chart



#### Price performance

(%)	1m	3m	6m	12m
Absolute	7.4	10.3	30.8	23.8
Relative to Sensex	6.3	5.6	30.9	17.3

#### Key points

- Recruitment: Expect growth momentum to continue:** Revenue growth momentum of the recruitment business (Naukri) was tapered off to a 12% CAGR over FY2016-FY2018 compared to an 18% CAGR over FY2010-FY2016, owing to softness in IT and ITES sector hiring (contributes 40-42% of overall Naukri revenue). However, revenue growth rate of the recruitment business has started showing improvement from FY2019, with improved growth rate of 15.7% y-o-y in Q2FY2019 (from 12.7%/15.2% y-o-y in 4QFY2018/1QFY2019). Acceleration in growth momentum was driven by strong growth in unique customers and realisation aided by improvement in IT hiring. We believe the momentum in IT and ITES hiring would continue to accelerate in FY2020E on account of peak utilisation level, higher attrition, uptick in skill-based hiring and improving demand. Naukri (71% of total revenue) is well placed to leverage from the upswing in hiring activities, given its leadership position in the online recruitment space with a 74% traffic share. In addition, traction for its recruitment management system (RMS) among corporate customers (around 2,500 clients) would also drive the company's revenue growth in the recruitment segment.
- 99acres to witness sustained growth:** Revenue of 99acres has reported a CAGR of 16% in the past five years despite lower new launches and slower demand owing to high inventory in the real estate space. Growth was primarily driven by higher online penetration of developers and brokers and shifting of buyers to online reality portal. During the past four quarters, revenue of 99acres has bounced back with stronger growth rate of 30%+ y-o-y, supported by revival in transactional volume. Further, unlike other online reality players, the company is focused on improving product and data quality for enhanced customer satisfaction. With 50% of overall traffic share, 99acres is well positioned to capitalise the opportunities that would arise from increasing online penetration of buyers in the real estate space and shifting of ad spend from print to online. Further, management highlighted that it sees traction among builders to advertise a large number of properties for longer time periods.
- With a smart investment strategy, bets progressing well:** Info Edge has a clear policy of acquiring stakes in the early stage of companies/start-ups, which are available at attractive valuations. Out of its investments in more than

15 start-ups, Zomato and PolicyBazaar have emerged as big bets and are contributing significantly to the sum-of-the-parts (SOTP) valuation of the company. Zomato has multi-folded its delivery volume to 21 million by December 2018 from 3.5 million at the starting of 2018. In addition, Zomato is entering into newer business avenues (restaurant supplies, food festival, corporate catering, delivery through drones and launch of digital wallets) within the Indian food delivery ecosystem. PolicyBazaar's consistent dominance and inflow of new investments indicate its potential for huge value creation going forward.

- ◆ **Expect strong revenue growth in Q3FY2019E:** We expect Info Edge to report strong revenue growth of 18% y-o-y in Q3FY2019, led by 15% y-o-y growth in the recruitment business and 27% y-o-y growth in 99acres. Growth in the recruitment business would be driven by strong billings growth momentum in the past couple of quarters. EBITDA margin is expected to contract by 500 BPS y-o-y, owing to increased employee expenses and higher advertisement spending in recruitment and 99acres business. Adjusted net

profit (excluding one-time exceptional expenses of Rs.16.9 crore in Q3FY2018) during the quarter is expected to grow by 9.5% y-o-y to Rs.76.9 crore.

- ◆ **Improving traction across segments:** A leadership position in core businesses along with improving valuation in certain investee companies (Zomato and PolicyBazaar) is expected to bode well for the company. With improving demand environment, Naukri and 99acres, which constitute around 85% of total revenue, are expected to deliver strong revenue growth in the coming years. With around 7x increase in delivery orders (3.5 million in January 2018 to 21 million in September 2018), Zomato continues to remain aggressive on its expansion plans, protection of its market share from close competitors and investment on innovative products within the Indian food delivery ecosystem. We believe PolicyBazaar, which is commanding over 50% share of total online insurance space, is set to begin its multi-year growth journey. Therefore, we maintain our Buy rating on Info Edge with a revised SOTP-based price target (PT) of Rs.1,900.

#### Valuations (Standalone)

Particulars	Rs cr				
	FY17	FY18	FY19E	FY20E	FY21E
Total revenue	802.1	915.5	1,096.7	1,268.3	1,503.6
EBITDA margin (%)	28.4	32.5	32.0	33.5	34.5
Adjusted net profit	208.4	273.7	321.6	394.5	468.9
Adjusted EPS (Rs.)	17.3	22.5	26.4	32.4	38.5
P/E (x)	97.0	74.6	63.5	51.7	43.5
EV/EBITDA (x)	86.9	64.1	53.9	44.2	36.1
RoE (%)	10.5	13.0	13.5	14.5	15.0
RoCE (%)	13.4	17.7	17.9	19.3	19.9

#### SOTP Valuation

Business segment	Stake	Valuation methodology	Per share value (Rs.)
Recruitment business	100%	EV/EBITDA	1043
99acres	100%	EV/Sales	197
Jeevansathi.com	100%	EV/Sales	46
<b>Standalone business (per share)</b>			<b>1286</b>
Zomato Media	28%	Valued at \$2 bn	327
PolicyBazaar (Etechaces Marketing)	14%	Valued at \$1 bn	76
Other investee company			26
Cash		Per share	185
<b>Total per share</b>			<b>1,900</b>

Source: Sharekhan research

#### Q3FY2019E preview

Particulars	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)	
Net Sales (Rs cr)	268.0	227.2	18.0	265.0	1.1	• Revenue growth would be driven by 15% y-o-y growth in Naukri's revenue and 27% y-o-y growth in 99acres revenue.
Operating Profit (Rs cr)	79.6	78.8	1.0	82.5	-3.5	
Reported net profit (Rs cr)	76.9	53.3	44.2	78.1	-1.5	• EBITDA margin is expected to decline due to wage hike and higher advertisement expenses.
Adjusted net profit (Rs cr)	76.9	70.3	9.5	78.1	-1.5	
EPS (Rs.)	6.3	5.8	9.5	6.4	-1.5	
OPM (%)	29.7	34.7	(500)	31.1	(140)	
NPM (%)	28.7	30.9	(220)	29.5	(80)	

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

# Sharekhan

by BNP PARIBAS

Know more about our products and services

For Private Circulation only

---

**Disclaimer:** This document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This Document is subject to changes without prior notice. This document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other reports that are inconsistent with and reach different conclusions from the information presented in this report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licencing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst has not dealt or traded directly or indirectly in securities of the company and that all of the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst further certifies that neither he nor his relatives has any direct or indirect financial interest nor have actual or beneficial ownership of 1% or more in the securities of the company nor have any material conflict of interest nor has served as officer, director or employee or engaged in market making activity of the company. Further, the analyst has also not been a part of the team which has managed or co-managed the public offerings of the company and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-61150000; email id: [compliance@sharekhan.com](mailto:compliance@sharekhan.com);

For any queries or grievances kindly email [igc@sharekhan.com](mailto:igc@sharekhan.com) or contact: [myaccount@sharekhan.com](mailto:myaccount@sharekhan.com)

---

**Registered Office:** Sharekhan Limited, 10th Floor, Beta Building, Lodha iThink Techno Campus, Off. JVLR, Opp. Kanjurmarg Railway Station, Kanjurmarg (East), Mumbai – 400042, Maharashtra. Tel: 022 - 61150000. Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE / MSEI (CASH / F&O / CD) / MCX - Commodity: INZ000171337; DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669; Research Analyst: INH000006183;

Disclaimer: Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on [www.sharekhan.com](http://www.sharekhan.com); Investment in securities market are subject to market risks, read all the related documents carefully before investing.