

Stock Update

Growth outlook remains intact, but priced-in

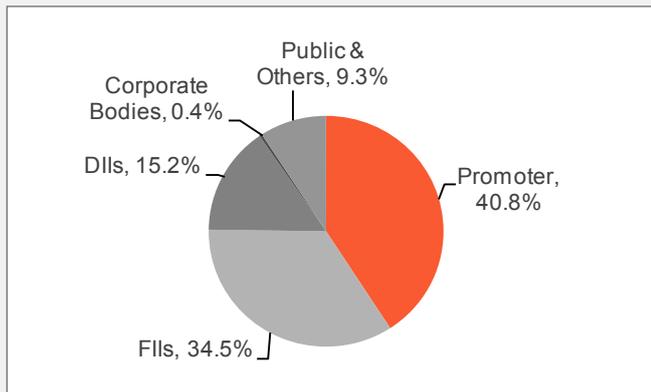
Info Edge (India)

Reco: Hold | CMP: Rs2,262

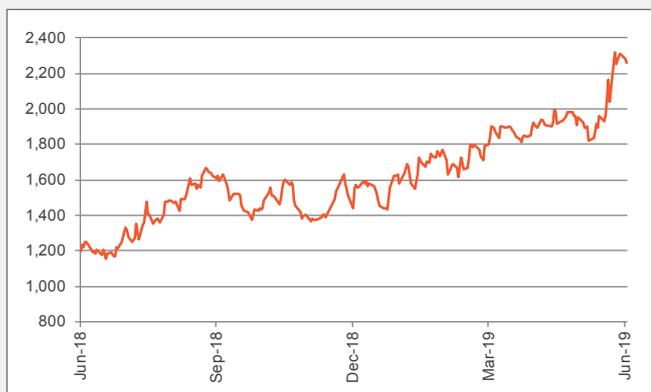
Company details

Price target:	Rs2,350
Market cap:	Rs27,624
52-week high/low:	Rs2,432/1,125
NSE volume: (No of shares)	2.5 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	17.3	27.9	59.5	90.6
Relative to Sensex	10.2	17.5	39.6	67.8

Key points

- Recruitment: Sustainable growth momentum, but cautious on margins:** Info Edge's recruitment business (Naukri) has returned to a higher growth trajectory in FY2019 after weak revenue growth over the past couple of years, with revenue growth of 17.5% y-o-y versus 12.5%/12.3% in FY2017/FY2018. Being the industry leader, almost all leading companies in India are listed in its platform. During FY2019, the number of unique customers/companies on the platform grew by 11.4% y-o-y to ~84.6K (~7% of total number of active registered companies in India) and total number of resumes uploaded on its platform increased by 10.5% y-o-y to 63 million. We believe, with broad-based recovery in hiring led by the IT&ITES sector, higher demand from customers would drive better pricing of its products going ahead. Further, the acquisition of Highorbit Careers (operates the websites iimjobs.com and hirst.com) would help Naukri to enhance its reach in the online recruitment solutions space. Though the revenue growth momentum in the recruitment business is likely to sustain, given strong growth in billings and deferred revenue along with recovery in IT hiring, higher spends on promotions, product development and technology upgradation to combat competition would impact its operating margins going ahead.
- 99acres, other businesses: Gradual growth to reduce losses ahead:** Info Edge has managed to deliver strong revenue growth in 99acres during Q4FY2019, six consecutive quarters of robust y-o-y revenue growth exceeding minimum 30%+ mark. However, billing growth during the quarter was moderated to 19% y-o-y against 30% y-o-y in Q3FY2019. Notably, higher revenue growth in 99acres and other businesses has reduced operating losses during the quarter, with reduction in EBITDA losses in 99acres to Rs. 2.9 crore (down from loss of Rs. 13.5 crore in Q4FY2018) and in Jeevansathi to Rs. 5.8 crore (down from loss of Rs. 11.5 crore in Q4FY2018). We expect losses for these segments to decline further in the coming years as management believes real estate is in the early stage of the strong upcycle and lower ad spends in Jeevansathi going ahead.
- Zomato: On an expansion spree:** Out of its investments in more than 20 entities, Zomato and PolicyBazaar have emerged as big bets and are contributing significantly to the sum-

of-the-parts (SOTP) valuation of the company, while Happily Unmarried and Meritnation are progressing well in their respective businesses. Zomato's management highlighted that the company currently delivers about 100 million orders a month and is growing at a rate of 10-20% month-on-month. Zomato now operates the service in 310 cities in India, up from 200+ cities in FY2019 and 15 cities in FY2018. Further, Zomato has raised around \$277 million over the past six months from the sale of UAE business (\$172 million) and another funding round (\$105 million), which would be used for further expansion to cities in India and combating stiff competition from Swiggy. Over the past couple of years, the online food delivery market has been driven by two major players (Zomato and Swiggy). Though the competition to gain market share remains

high, we believe the expansion phase of the industry would remain high for the next 2-3 years.

- ◆ **Positives priced-in, downgrade to Hold after the recent run-up:** Info Edge's stock price has moved up by around 17% in the past 15 days, considering strong broad-based performance in Q4FY2019 and rapid scaling up of cities by Zomato. Though core businesses are well poised to progress well in FY2020E/FY2021E, the recent run up in the stock price has capped the upside. Hence, we have downgraded our rating from Buy to Hold with a revised SOTP-based price target (PT) of Rs. 2,350. In the long term, we believe leadership position in its core businesses along with improving valuation in certain investee companies (Zomato and PolicyBazaar) would bode well for the company.

Valuation (Standalone)

Particulars	Rs cr			
	FY18	FY19	FY20E	FY21E
Total Revenue	915.5	1,098.3	1,304.4	1,549.8
EBITDA margin (%)	32.5	31.1	32.5	34.0
Adjusted net profit	273.7	315.1	375.0	453.2
Adjusted EPS (Rs.)	22.5	25.8	30.8	37.2
PER (x)	100.4	87.2	73.3	60.6
EV/EBITDA	87.8	79.2	63.4	50.9
ROE (%)	13.0	13.6	14.2	14.9
ROCE (%)	17.7	18.6	19.4	20.4

Source: Company, Sharekhan Research

SOTP Valuation

Business segment	Stake	Valuation methodology	Per share value (Rs.)
Recruitment business	100%	EV/EBITDA	1235
99acres	100%	EV/Sales	268
Jeevansathi.com	100%	EV/Sales	68
Standalone business (per share)			1,571
Zomato Media	26%	Valued at \$3.3 billion	493
PolicyBazaar	14%	Valued at \$1 billion	78
Other investee company			38
Cash		Per share	171
Total per share			2,350

Source: Company, Sharekhan Research

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