Internet

Q2FY24 preview : Online still growing faster

The trend of online growing faster than offline (link) may have likely sustained in Q2FY24E. This is evident from the trends in 'consumer foodservice' and 'fashion and lifestyle' categories, where both Zomato and Nykaa are likely to post higher growth than their offline peers. In the listed B2B e-commerce space, we believe demand-led growth should have improved sequentially; however, IndiaMart's net customer addition would continue to be below the 7K-8K per quarter desired run rate. In our view, gaming sector (specially e-sports) is likely to grow as some key multiplayer games have been re-introduced into the Indian market. We believe, gradual recovery in matrimonial space should continue.
Our top picks for the quarter: Zomato, Nazara and Just Dial

Zomato (BUY, TP: INR 160)

We estimate Zomato's food delivery GOV to grow 4% QoQ (14.8% YoY) in Q2FY24E given a high base of 11.4% QoQ GOV growth in Q1FY24. We estimate food AOV to remain flattish sequentially (3.2% YoY). We estimate food ordering contribution margin to expand by 60bps QoQ led by take rate improvements. We estimate Blinkit to grow 30.9% QoQ (aided by a low base in Q1FY24) and Hyperpure business (B2B) to grow 7% QoQ in Q2FY24E. Overall, we estimate adjusted revenue growth of 10.1% QoQ (46% YoY) and overall adjusted EBITDA margin to improve to 3.4% as a proportion of adjusted revenue (vs 0.4% in Q1FY24). We estimate an adjusted EBITDA of INR1.1bn in Q2FY24E (vs INR0.1bn in Q1FY24). We maintain **BUY** on the stock with target price of INR 160.

Delhivery (BUY, TP: INR 500)

In Q2FY24E, we estimate the company's express parcel shipment volumes to be flattish sequentially (7.9% YoY: 1% QoQ) given the festive season has been delayed this year. We estimate steady improvement (3.5% QoQ) in PTL volumes; however, it would still be ~25% below pre-acquisition levels. Overall, we estimate revenue to grow 2% QoQ (9.6% YoY) and adjusted EBITDA to improve to INR 68mn, with adj. EBITDA margins improving 100bps QoQ to -0.3%. We maintain **BUY** on the stock with target price of INR 500.

IndiaMart (BUY, INR 3,500)

We estimate Q2FY24E revenue to grow 26.8% YoY (8.2% QoQ) led by 25.2% (YoY) growth in collections in Q2FY24E. We believe subscriber addition may be ~5.2K this quarter, an improvement from Q1FY24 but still below the company's desired range of 7K-8K per quarter. We estimate EBITDA margin to improve by 87bps QoQ (+35bps YoY) in Q2FY24E. Overall, we estimate EBITDA to grow 28.4% YoY and PAT to grow 19.5% YoY in Q2FY24E. We maintain **BUY** on the stock with target price of INR 3,500.

JustDial (BUY, INR 870)

Overall, we estimate revenue to grow 4.9% QoQ (26.2% YoY) aided by B2B revenue growth of 8.3% QoQ (50.4% YoY) in Q2FY24E. We estimate EBITDA to grow 15.0% QoQ (1.48x YoY) to INR 422mn in Q2FY24E, with margin expansion of 140 bps QoQ. We upgrade the stock to **BUY** (from ADD) and maintain our target price of INR 870.

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Zomato - TP: 160, (BUY)

Delhivery - TP: INR 500, (BUY)

Indiamart - TP: 3500, (BUY)

Justdial - TP: 870, (BUY)

Nazara - TP:1080, (BUY)

Matrimony - TP:750, (BUY)

Nykaa - TP:165, (ADD)

Nazara (BUY, INR 1,080)

We estimate revenue to grow 20.1% YoY (15.8%QoQ) in Q2FY24E. In our view, this may be led by sustained strong growth in e-sports (40% YoY), gamified early learning (54% YoY) and ad-tech segments (34% YoY). We estimate EBITDA margin to improve to 10.9% in Q2FY24E vs 8.1% in Q2FY23 and overall EBITDA to grow 56.9% YoY to INR 334mn. We increase our target EV/EBITDA multiple from 32x to 38x in line with stock's CMP. We maintain **BUY** on the stock and raise our target price to INR 1080 from INR 850.

Matrimony (BUY, INR 750)

We estimate the company's matchmaking services to grow 4% QoQ in revenue terms in Q2FY24E. We believe marriage services (~2.5% of revenues) may continue to grow faster at 6.2% QoQ. We estimate overall revenue to grow 4% QoQ and 11.7% YoY. We expect EBITDA margin expansion of 40bps QoQ to 17.1% in Q2FY24E. By our estimates, EBITDA and PAT are likely to grow 6.6%QoQ / 18.5%YoY and 5.0%QoQ / 27.1%YoY, respectively. Given the recent correction in share price, we upgrade the stock to **BUY** (from **ADD**), and maintain our target price of INR 750.

Nykaa (ADD, INR 165)

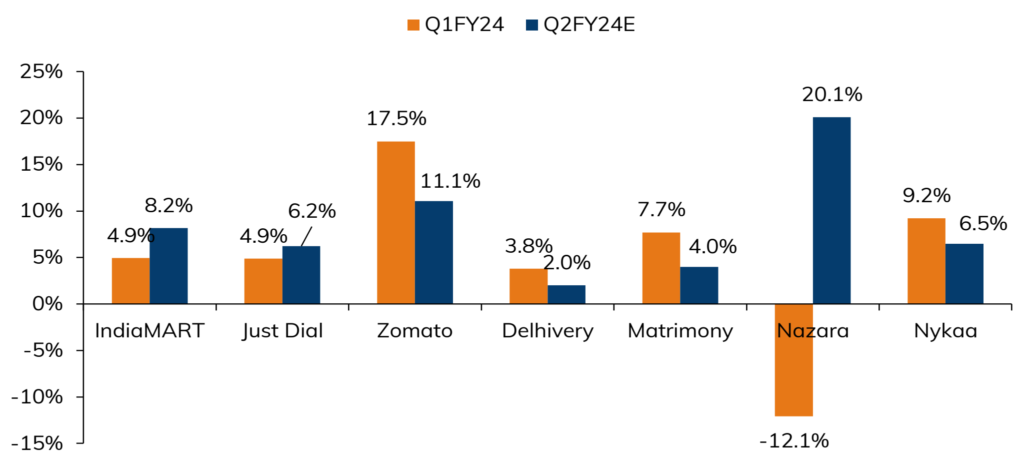
In its earnings preview, management highlighted that fashion segment saw a sharp recovery in Q2FY24 with NSV growth in 'early thirties' (I-Sec: 31%YoY). This was a significant acceleration from a trend growth of 14.1%YoY seen in Q1FY24, which we believe was due to the 'Hot Pink Sale' in Jul'23. Also, the trend of online growing faster than offline in Q2FY24 was called out by management. In BPC category, NSV grew ~20% YoY according to the release (link). Management attributed the slower growth trend to delayed festive season (NSV growth in Q1FY24 was 22.8%YoY). The release has also guided for consolidated revenue growth in 'early twenties' (I-Sec: 23%YoY). We believe EBITDA margin improvement in the near term could be lower than estimated. We estimate 20bps QoQ EBITDA margin improvement in Q2FY24E. Overall, we estimate revenue growth of 23% YoY with EBITDA growth of 32.7% YoY (EBITDA margin expansion of 39bps YoY/ 19bps QoQ) on account of scale efficiencies. We maintain **ADD** on the stock with target price of INR 165.

Exhibit 1: Q2FY24 Preview

(in INR mn)	Q2FY24E	Q1FY24	QoQ	Q2FY23	YoY
IndiaMART					
Revenue	3,051	2,821	8.2%	2,406	26.8%
EBITDA	863	773	11.6%	672	28.4%
EBITDA margin	28.3%	27.4%	87 bps	27.9%	35 bps
PAT	817	831	-1.7%	684	19.5%
Just Dial					
Revenue	2,590	2,470	4.9%	2,053	26.2%
Adj. EBITDA	447	363	23.2%	195	129.4%
Adj. EBITDA margin	17.3%	14.7%	257 bps	9.5%	777 bps
PAT	895	834	7.3%	522	71.5%
Zomato					
Revenue	26,838	24,160	11.1%	16,610	61.6%
Adj. EBITDA	1,054	120	778%	-1,920	n.a.
Adj. EBITDA margin	3.9%	0.5%	340 bps	-11.6%	1550 bps
PAT	1,304	20	6418%	-2,510	n.a.
Delhivery					
Revenue	19,690	19,297	2%	17,961	10%
EBITDA	72	-130	n.a.	-1,377	n.a.
EBITDA margin	0.4%	-0.7%	110bps	-7.7%	810bps
PAT	-757	-959	n.a.	-2,623	n.a.
Matrimony					
Revenue	1,283	1,233	4%	1,149	12%
EBITDA	219	206	7%	185	18%
EBITDA margin	17.1%	16.7%	41 bps	16.1%	98 bps
PAT	149	142	5%	117	27%
Nazara					
Revenue	3,055	2,544	20%	2,638	16%
EBITDA	334	331	1%	213	57%
EBITDA margin	10.9%	13.0%	-207 bps	8.1%	287 bps
PAT	144	209	-31%	174	-17%
Nykaa					
Revenue	15,139	14,218	6%	12,308	23%
EBITDA	811	735	10%	611	33%
EBITDA margin	5.4%	5.2%	19 bps	5.0%	39 bps
PAT	112	33	239%	41	172%

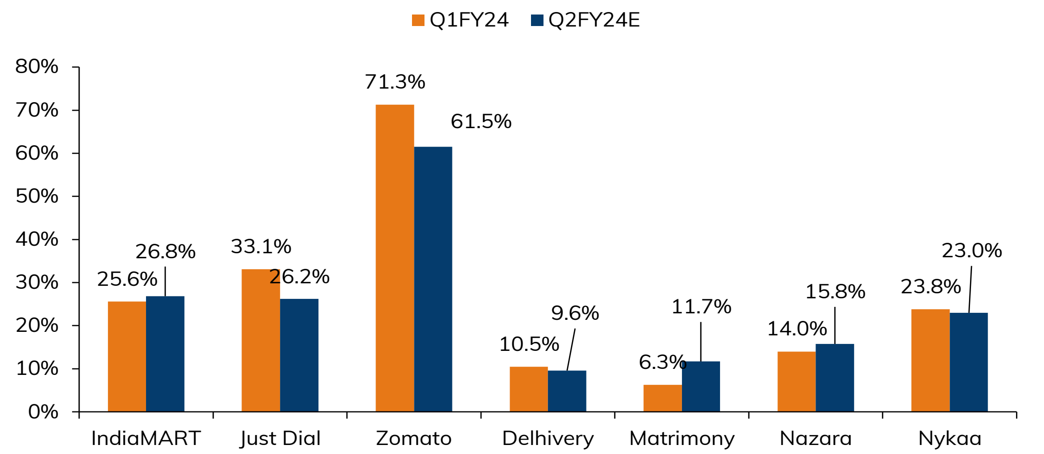
Source: I-Sec research, Company data

Exhibit 2: QoQ revenue growth (%)



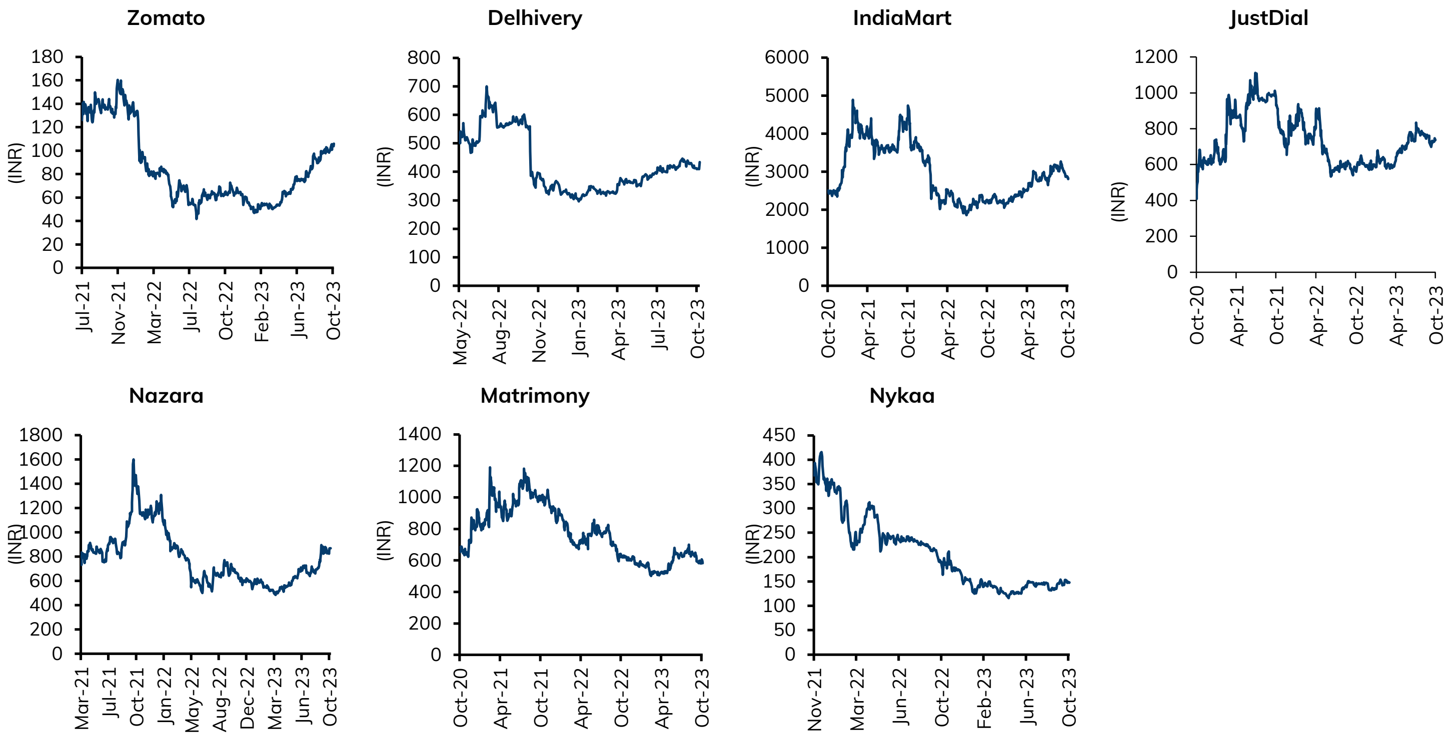
Source: I-Sec research, Company data

Exhibit 3: YoY revenue growth (%)



Source: I-Sec research, Company data

Price charts



Source: Bloomberg

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