

Estimate change



TP change



Rating change



Bloomberg	INFOE IN
Equity Shares (m)	129
M.Cap.(INRb)/(USD\$)	561.5 / 6.7
52-Week Range (INR)	4985 / 3308
1, 6, 12 Rel. Per (%)	4/6/3
12M Avg Val (INR M)	1387

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	21.6	23.8	26.6
EBITDA	7.8	9.3	10.1
Adj. PAT	7.1	8.1	8.7
Reported PAT	4.1	8.1	8.7
Adj. EPS	54.6	62.8	67.1
EPS (INR)	31.8	62.8	67.1
EPS Gr. (%)	(6.7)	97.4	6.9
BV/Sh. (INR)	849.3	912.5	980.0

Ratios

RoE (%)	4.9	6.2	13.1
RoCE (%)	5.3	6.8	6.8
Payout (%)	50.0	50.0	50.0

Valuations

P/E (x)	136.6	69.2	64.7
P/BV (x)	5.1	4.8	4.4

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	38.0	38.1	38.1
DII	18.8	18.2	16.9
FII	31.3	31.7	32.0
Others	12.0	12.1	13.0

FII Includes depository receipts

CMP: INR4,345
TP: INR4,390 (+1%)
Neutral

IT weakness to drag Naukri's performance in FY24E

Healthy performance of 99acers; reiterate Neutral on fair valuations

- Info Edge (INFOE) delivered a better-than-expected 2QFY24 performance. Revenue increased 11.5% YoY in 2QFY24 (est. 9%). EBITDA margin, at 40.7%, was a strong 440bp beat on our estimate. Overall billings were up 4.8% YoY to INR5.7b, which came in better than expected given the ongoing pain in the recruitment vertical.
- The management continues to see a slowdown in IT hiring activity, which remains a key risk given its significantly high revenue contribution to the Naukri business. Non-IT has been doing well for the past couple of quarters and helped INFOE to partly offset the adverse impact from IT hiring. The management is adding more branches to support the demand from smaller towns, which is positive. While we expect a recovery in IT hiring in FY25, we believe Naukri's billings would decline in FY24E on a high base, which will result in a single-digit growth for FY24 and FY25.
- In 2QFY24, 99acres posted robust revenue growth (+25% YoY). The sector is witnessing strong tailwinds and is expected to do well in the coming few years. The marketing spends, though reducing, are likely to result in continued losses for 99acres in the near term, before it turns profitable.
- INFOE has surprised over the last two quarters with a sharp margin improvement and a lower dependency on advertisement and operating leverage. With slower growth in FY24 and FY25, we see limited upside on margins from here on. We expect an FY24/FY25 EBITDA margin of 39.2%/37.9%.
- We forecast standalone revenue and APAT to clock an 11% CAGR each over FY23-25, driven by the Naukri business.
- We continue to see a healthy long-term growth opportunity in its operating entities. With margins improving, we expect scale benefits over the next few years. However, the current valuations fairly price in its growth outlook.
- We value the company's operating entities using DCF valuation. Our SoTP-based valuation indicates a TP of INR4,390. **Reiterate Neutral.**

Strong revenue and billing performance; healthy beat on margin

- Standalone revenue stood at INR5.93b, up 11.5% YoY, above our estimate of 9% YoY for the quarter.
- Overall billings were up 4.5% YoY. Billings for Recruitment/99 Acres were strong at INR4.31b/0.92b vs. estimates of INR3.83b/0.87b.
- EBITDA margin was at 40.7% vs. our estimate of 36.3% (440bp beat).
- Margin improvement was aided by lower advertisement spending (11.6% of revenue vs. 14.0% expected).
- Adj. PAT jumped 27% YoY to INR2.1b (est. 1.8b) on margin beat and higher other income.

Highlights from the management commentary

- **Recruitment:** The caution in hiring for IT Services continues and the hiring is expected to remain weak. While volumes remain impacted, salaries for IT employees have gone up by ~15%, which gives some support. For non-IT hiring, INFOE is seeing good growth from smaller towns. It is expanding its branch network to better serve these towns, as the customers are not tech-savvy there. It will continue to add branches to better tap the demand from smaller towns.
- **Real estate:** The real estate market remains strong despite higher prices. This trend is expected to continue in the near future. Broker and user spending continued to increase on the portal. User activity is on the uptrend. The daily active user base grew 13% QoQ. Though burn has come down meaningfully over the last few quarters and there is a possibility of breaking even over the medium term, the management suggested that it will invest more if the growth outlook improves further. The competitive intensity has become a bit more rational compared to last year.

Valuations and view

- Though we expect a healthy recovery in IT services demand in FY25, the near-term growth in Recruitment is expected to be adversely impacted by lower IT demand, resulting in slow overall growth for INFOE.
- With the management investing prudently, some of its current investments should scale up over the medium-to-long term, thereby contributing to the group's valuation.
- We individually value INFOE's group entities using a DCF-based valuation. Our SoTP-based TP stands at INR4,390. **We reiterate our Neutral stance on the stock.**

Standalone quarterly performance

Y/E March									(INR m)			
	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%/bp)
Revenues	5,077	5,318	5,552	5,640	5,843	5,930	5,978	6,027	21,586	23,778	5,797	2.3
YoY (%)	58.8	51.2	33.4	23.8	15.1	11.5	7.7	6.9	39.9	10.2	9.0	250bp
Salary costs	2,244	2,259	2,262	2,323	2,464	2,435	2,509	2,497	9,087	9,905	2,483	-1.9
Ad and Promotion costs	876	831	746	703	680	686	747	784	3,155	2,897	812	-15.4
Other Expenses	326	389	376	411	432	398	407	410	1,502	1,647	400	-0.4
EBITDA	1,631	1,840	2,168	2,203	2,266	2,411	2,315	2,336	7,842	9,329	2,102	14.7
EBITDA Margin (%)	32.1	34.6	39.1	39.1	38.8	40.7	38.7	38.8	36.3	39.2	36.3	440bp
Depreciation	99	105	115	129	153	176	149	151	447	629	116	51.6
EBIT Margin (%)	30.2	32.6	37.0	36.8	36.2	37.7	36.2	36.3	34.3	36.6	34.3	340bp
Other Income	419	499	396	437	578	636	478	482	1,751	2,174	435	46.2
-PBT bef. Extra-ordinary	1,942	2,225	2,440	2,500	2,667	2,824	2,614	2,638	9,107	10,743	2,410	17.2
Provision for Tax	457	544	523	524	668	687	627	633	2,047	2,615	578	18.8
ETR (%)	23.6	24.4	21.4	20.9	25.0	24.3	24.0	24.0	22.5	24.3	24.0	30bp
PAT bef. Extra-ordinary	1,484	1,681	1,917	1,977	1,999	2,137	1,987	2,005	7,059	8,127	1,831	16.7
EOI	0	0	-2,760	-187	0	-50	0	0	-2,947	0	0	
Reported PAT	1,484	1,681	-843	1,789	1,999	2,187	1,987	2,005	4,112	8,127	1,831	19.4
QoQ (%)	23.0	13.3	-150.1	-312.4	11.7	9.4	-9.2	0.9			-8.4	
YoY (%)	47.0	-98.0	-125.1	48.3	34.7	30.1	-335.8	12.0	-95.4	97.7	8.9	
EPS (INR)	11.5	13.1	14.9	13.8	15.5	16.6	15.4	15.5	31.8	62.8	14.2	16.7

Key performance indicators

Y/E March	FY23				FY24E				FY23
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	
Operating metrics									
Headcount	5,107	5,282	5,336	5,311	5,568	5,594			5,311
Naukri – Revenue per unique customer	51019	55627	59403	56336	56279	58,465			129735
99acres – Listings (k)	1,109	1,052	1,077	1,191	1,163	1,134			4,526
Revenue (YoY %)									
Recruitment	74%	63%	40%	27%	15%	9%			48%
99acres	35%	44%	24%	23%	25%	25%			31%

**Highlights from the management commentary****Recruitment**

- The caution in hiring for IT Services continues, and the hiring is expected to remain weak. While volumes remain impacted, salaries for IT employees have gone up by ~15% which gives some support.
- While management saw slight recovery in client retention, slower hiring and low attrition continued to impact demand for IT hiring.
- The demand for the Non-IT segment continues to remain good for healthcare, transport, and real estate. Management suggested that non-IT grew in mid-teen YoY.
- Job Hai continues to grow well, and the company will continue to make investments there.
- For non-IT hiring, INFOE is seeing good growth from smaller towns. It is expanding its branch network to better serve these towns as the customers are not tech-savvy there. It will continue to add branches to better tap the demand from smaller towns.
- Lots of IT Services companies are getting rid of additional headcount and going slow on campus hiring. If demand picks up, there would be a lot of lateral hiring, which would be beneficial for INFOE.
- For IT Services, 4Q base effect would not be as pronounced as in recent quarters, so YoY growth should look better.
- GCCs have seen lower impact compared to IT Services. Bigger GCCs have seen more impact compared to smaller ones. GCCs form about 15-20% of overall IT revenues.
- If the economy grows at a healthy rate (6-7%), and IT hiring bounces back, the company is confident of growing at 20%+ levels.

Real Estate

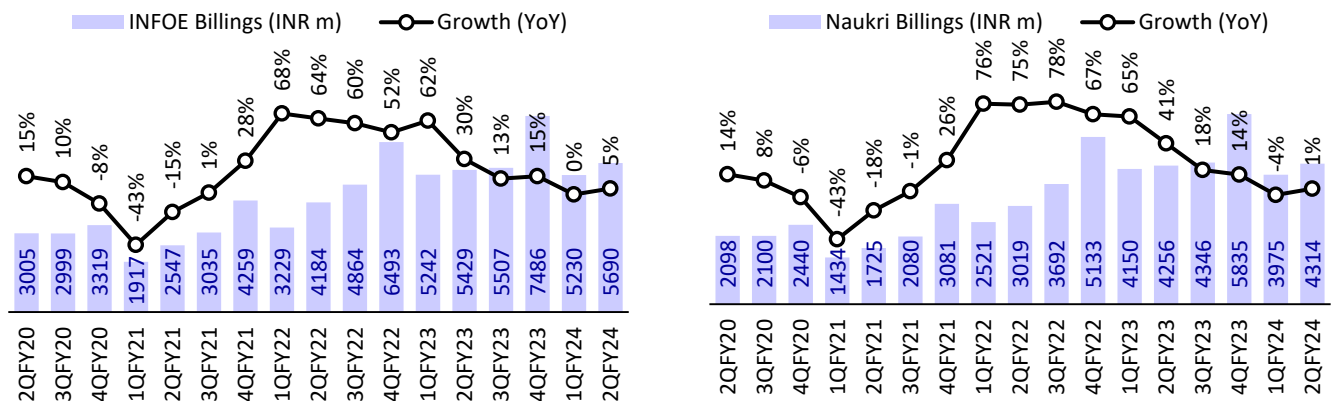
- The real estate market remains strong despite higher prices. This trend is expected to continue in near future.
- Broker and user spending continued to increase on the portal. User activity is on the uptrend. Daily active user base grew 13% QoQ.
- Strong topline growth along with controlled cost helped to reduce burn in 99 Acers.
- INFOE continues to deploy AI, create differentiated content and reduce spam on the portal.

- Though burn has come down meaningfully over the last few quarters and there is a possibility of breaking even over the medium term, the management suggested that it will invest more if the growth outlook improves further.
- Real-estate as a category is expected to see strong growth over next 2-3 years.
- The competitive intensity has become a bit more rational compared to last year.

Other highlights

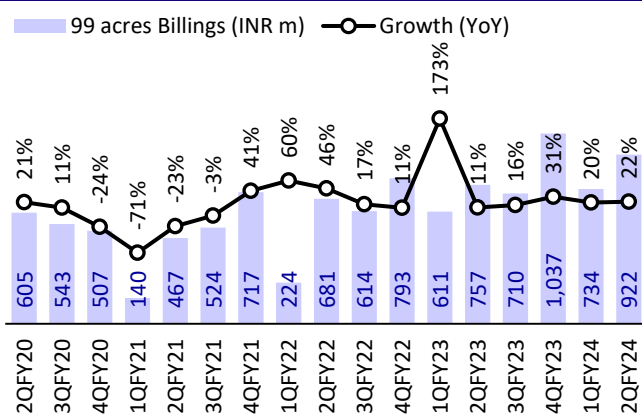
- Jeevansathi recorded good engagement and high traffic as its chat feature became free.
- INFOE has launched new products on the platform to better monetize the traffic. The marketing spends were down 39% YoY.
- Jeevansathi is 1/5th the size of largest player. The focus remains to cut back on spends and break even in the near term.
- INFOE has no plans to trim stakes in Zomato or Policy bazar as of now.
- INFOE had over hired last year and has gone slower on hiring since last year which aided margins. Though company has no plans to lay off employees, it will go slower in campus hiring and backfilling lost employees.

Exhibit 1: Billings for Naukri business were better than expected given the pain in IT hiring



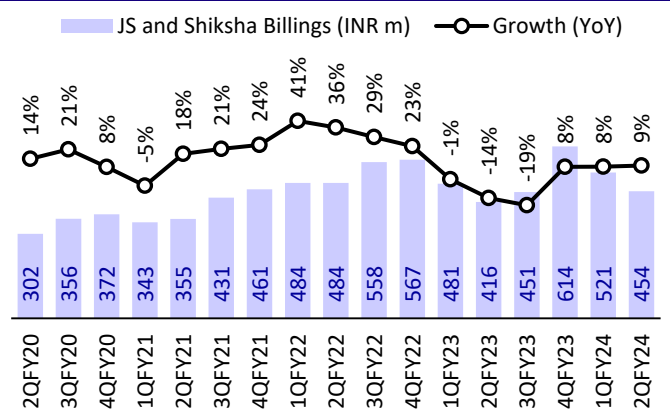
Source: Company, MOFSL

Exhibit 2: 99acres' billings were up 22% YoY



Source: MOFSL, Company

Exhibit 3: Billings from JS and Shiksha grew 9% YoY



Source: MOFSL, Company

Exhibit 4: SoTP-based TP at INR4,390

Segment	Methodology	Methodology description	Valuation toward INFOE (INR b)	Contribution (INR per share)
Naukri	DCF	❖ Estimate 10% revenue CAGR and 10% EBIT CAGR over FY23-34. Our WACC/terminal growth estimate stands at 11.5%/6%, respectively	269	2,078
99acres.com	DCF	❖ Estimate 17% revenue CAGR over FY23-34. Our WACC/terminal growth estimate stands at 12%/7%, respectively	32	250
Zomato.com	Market valuation	❖ As per our DCF based Target price of INR 135	161	1,243
Policybazaar.com	Market valuation	❖ Factoring in current market valuation	56	430
Jeevansathi.com and other	Multiples	❖ 7x FY24E EV/sales	16	123
Other investee companies			11	85
Cash on the books			23	178
Total (Rounded)				4,390

Source: MOFSL, Company

Exhibit 5: Revisions to our estimates

Standalone business	Revised estimate		Earlier estimate		Change (%/bp)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue (INR m)	23.8	26.6	23.3	25.9	2.1	2.8
YoY (%)	10.2	12.0	7.9	11.2	230bp	80bp
EBITDA (%)	39.2	37.9	37.1	37.4	220bp	60bp
EBIT (%)	36.6	35.4	34.9	35.4	170bp	10bp
EPS (INR)	62.8	67.1	58.2	65.6	7.8	2.2

Source: MOFSL, Company

Valuation and view

- Though we expect a healthy recovery in IT services demand in FY25, the near-term growth in Recruitment is expected to be adversely impacted by lower IT demand, resulting in slow overall growth for INFOE.
- With the management investing prudently, some of its current investments should scale up over the medium-to-long term, thereby contributing to the group's valuation.
- We individually value INFOE's group entities using a DCF-based valuation. Our SoTP-based TP stands at INR4,390. **We reiterate our Neutral stance on the stock.**

Financials and valuations

Income Statement (INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	9,155	10,983	12,727	11,091	15,430	21,586	23,778	26,639
Change (%)	14.1	20.0	15.9	-12.9	39.1	39.9	10.2	12.0
Employee expense	3,931	4,586	5,396	5,528	7,030	9,087	9,905	11,132
Advertising cost	1,164	1,757	2,044	1,819	2,849	3,155	2,897	3,596
Other expense	1,088	1,226	1,260	913	1,003	1,502	1,647	1,811
EBITDA	2,973	3,413	4,028	2,831	4,549	7,842	9,329	10,100
As a percentage of Net Sales	32.5	31.1	31.6	25.5	29.5	36.3	39.2	37.9
Depreciation	215	204	414	438	398	447	629	666
Interest	1	1	67	57	46	39	131	133
Other Income	971	1,112	876	1,188	1,699	1,751	2,174	2,131
PBT	3,728	4,320	4,423	3,524	5,804	9,107	10,743	11,432
Tax	991	1,169	1,133	753	1,387	2,047	2,615	2,744
Rate (%)	26.6	27.1	25.6	21.4	23.9	22.5	24.3	24.0
Adjusted PAT	2,737	3,151	3,290	2,771	4,417	7,059	8,127	8,688
Extraordinary Items	-913	-334	-1,233	-32	84,720	-2,947	0	0
Reported PAT	1,824	2,817	2,057	2,739	89,137	4,112	8,127	8,688
Change (%)	-10.8	54.5	-27.0	33.2	NM	NM	97.7	6.9

Balance Sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	1,216	1,220	1,223	1,285	1,287	1,290	1,290	1,290
Reserves	19,859	22,019	23,094	44,357	1,38,434	1,07,975	1,16,102	1,24,790
Net Worth	21,074	23,239	24,317	45,642	1,39,721	1,09,265	1,17,392	1,26,080
Loans	44.0	46.0	568.7	449.1	11,115.9	7,086.4	7,086.4	7,086.4
Capital Employed	21,118	23,285	24,885	46,091	1,50,837	1,16,351	1,24,479	1,33,167
Gross Block	1,866	2,109	3,279	3,462	3,704	4,953	4,428	4,748
Less: Depreciation	1,337	1,540	1,954	2,391	2,796	3,243	3,725	4,221
Net Block	529	569	1,325	1,072	908	1,710	703	527
CWIP	0	0	0	0	0	0	0	0
Investments	10,720	12,857	16,404	21,694	1,29,751	96,145	99,145	1,09,145
Curr. Assets	15,028	15,984	13,381	30,293	31,032	31,287	41,883	59,780
Current Investments	11,456	3,400	2,554	0	4,409	7,547	8,547	11,547
Debtors	44	60	70	54	79	90	134	235
Cash	1,458	1,052	4,275	6,351	1,323	2,242	-5,464	-6,039
Loans and Advances	0	0	0	0	0	230	0	0
Other Current Assets	2,070	11,472	6,482	23,888	25,220	21,178	38,666	54,037
Current Liab. and Prov.	5,159	6,125	6,225	6,968	10,854	12,791	17,252	36,285
Current Liabilities	4,703	5,628	5,676	6,306	10,061	11,947	16,408	35,441
Provisions	456	496	549	662	793	844	844	844
Net Current Assets	9,869	9,860	7,156	23,325	20,178	18,496	24,631	23,495
Application of Funds	21,118	23,285	24,885	46,091	1,50,837	1,16,351	1,24,479	1,33,167

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	14.9	22.9	16.7	21.5	34.1	31.8	62.8	67.1
Cash EPS	24.1	27.3	30.1	25.2	37.2	58.1	67.6	72.2
Book Value	173.4	190.8	199.4	361.6	1,086.0	849.3	912.5	980.0
DPS	5.5	6.0	6.0	8.0	21.0	15.9	31.4	33.6
Payout (%)	37.0	26.2	35.9	37.7	61.6	50.0	50.0	50.0
Valuation (x)								
P/E	292.2	189.3	260.0	201.7	127.4	136.6	69.2	64.7
Cash P/E	180.5	158.9	144.4	172.1	116.9	74.8	64.2	60.1
EV/EBITDA	188.8	164.6	138.8	196.7	125.9	72.4	61.7	57.0
EV/Sales	61.3	51.2	43.9	50.2	37.1	26.3	24.2	21.6
Price/Book Value	25.0	22.8	21.8	12.0	4.0	5.1	4.8	4.4
Dividend Yield (%)	0.1	0.1	0.1	0.2	0.5	0.4	0.7	0.8
Profitability Ratios (%)								
RoE	13.4	14.2	13.8	7.8	4.8	4.9	6.2	13.1
RoCE	13.4	14.2	13.9	7.9	4.5	5.3	6.8	6.8
RoIC	-91.1	135.3	70.5	18.8	18.9	44.5	40.3	35.2
Turnover Ratios								
Debtors (Days)	2	2	2	2	2	2	2	3
Fixed Asset Turnover (x)	17.3	19.3	9.6	10.4	17.0	12.6	33.8	50.6

Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
CF from Operations	1,901	2,097	1,735	2,092	3,427	6,187	10,475	8,530
Cash for Working Capital	1,166	860	752	756	3,820	1,688	-12,841	3,561
Net Operating CF	3,067	2,956	2,487	2,848	7,247	7,875	-2,366	12,091
Net Purchase of FA	-4,158	-2,276	-9,039	-391	-8,523	-10,880	-320	-320
Free Cash Flow	-1,091	680	-6,552	2,456	-1,276	-3,004	-2,686	11,771
Net Purchase of Invest.	-7,973	8,718	5,245	-18,438	-2,016	5,413	-826	-7,869
Net Cash from Invest.	-12,132	6,442	-3,794	-18,829	-10,539	-5,467	-1,146	-8,189
Proceeds from Equity	48	27	3	18,292	2	3	0	0
Proceeds from LTB/STB	-1	0	-204	-233	-186	-213	-131	-133
Dividend Payments	-803	-808	-1,176	0	-2,058	-1,932	-4,064	-4,344
Cash Flow from Fin.	-757	-781	-1,377	18,059	-2,242	-2,141	-4,194	-4,477
Net Cash Flow	-9,822	8,618	-2,684	2,077	-5,534	267	-7,706	-575
Opening Cash Bal.	11,280	1,458	1,053	4,275	6,351	1,323	2,242	-5,464
Add: Net Cash	-9,822	-405	3,222	2,076	-5,028	919	-7,706	-575
Closing Cash Bal.	1,458	1,053	4,275	6,351	1,323	2,242	-5,464	-6,039

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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