

12 April 2024

India | Equity Research | Sector Update

Internet

Quick commerce to continue leading the way

We believe online may continue to outpace offline in Q4FY24E, with quick commerce continuing to be the fastest growing sub-segment. We estimate Blinkit GOV to grow >100% YoY, aided by a mix of store expansion and assortment. Even food delivery GOV growth (I-Sec est: 29% YoY) could be higher than 20% YoY guidance given during Q3FY24 earnings call. We estimate Nykaa's revenue to grow ~29% YoY, which would imply further gain in share from offline. We estimate Info Edge's revenue to grow 10.5% YoY, signalling a recovery in both recruitment and real estate. In our view, Nazara's revenue growth is estimated to remain subdued given a seasonally weaker quarter, but profit delivery could be a positive surprise (I-Sec est: PAT growth of 786% YoY). Top picks: Zomato, Info Edge and Nazara.

Zomato

We believe Zomato's food delivery GOV may grow 29.2% YoY in Q4FY24E. We expect food AOV to remain flattish sequentially (2.7% YoY). We expect Blinkit to grow 19.8% QoQ and Hyperpure's business (B2B) to grow 9.6% QoQ in Q4FY24E. Overall, we estimate adjusted revenue growth of 6.9% QoQ (70.9% YoY) and overall adjusted EBITDA margin to improve to 6.0% as a proportion of adjusted revenue (vs 3.5% in Q3FY24). We estimate an adjusted EBITDA of INR 2.3bn in Q4FY24E (vs INR 1.3bn in Q3FY24). We maintain **BUY** on the stock with a 3 stage DCF-based target price of INR 300.

Info Edge

We expect Info Edge's revenue to grow 4.7% QoQ/ 10.5% YoY to INR 6.2bn. We estimate EBITDA to be INR 2.5bn, growing 5.4% QoQ/15.2% YoY with 30bps QoQ expansion in margin to 40.7%. We expect Recruitment Solutions' revenue to increase 4.1% QoQ to ~INR 4.7bn given the stabilisation in IT hiring; 99acres is likely to continue its strong growth trajectory (growing ~26% YoY). We estimate PAT of INR 2.1bn (0.1% QoQ/ 19.5% YoY). We maintain **BUY** on the stock with SoTP-based target price of INR 6,993.

Nykaa

In its Q4FY24 earnings preview, management highlighted NSV growth in 'high twenties' (I-Sec: 28.8% YoY). In BPC category, NSV grew in 'mid-twenties' YoY, as per the release ([link](#)). The release has also guided for consolidated revenue growth in 'high twenties' (I-Sec: 29.2%YoY). We estimate 10bps QoQ EBITDA margin decline in Q4FY24E. Overall, we estimate EBITDA growth of 27.9% YoY. We maintain **ADD** on the stock with DCF-based target price of INR 175.

Delhivery

In Q4FY24E, we expect the company's express parcel shipment volume to grow 9.4% YoY (decline 2% QoQ). We estimate steady improvement (2% QoQ) in PTL volume. Overall, we estimate revenue to grow 10.5% QoQ (decline 6.3% QoQ) and adjusted EBITDA is likely to be INR 229mn (adj. EBITDA margin of 1.1%). We maintain **BUY** on the stock with target price of INR 600 (40x FY26 EV/EBITDA).

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IndiaMart

We expect Q4FY24E revenue to grow 17.4% YoY (3.4% QoQ). We estimate flattish subscriber addition at ~2.1K sequentially. We believe EBITDA margin may grow 200bps YoY in Q4FY24E (decline by 150bps QoQ). Overall, we estimate EBITDA to grow 26.8% YoY to INR 838mn. We maintain **BUY** on the stock with target price of INR 3,500 (based on 32x 1-year forward EV/EBITDA multiple).

JustDial

Overall, we estimate revenue to grow 4.4% QoQ (19.0% YoY) aided by B2B revenue growth of 7.6% QoQ (35.4% YoY) in Q4FY24E. We believe EBITDA may grow 19.9% QoQ (118% YoY) to INR 723mn in Q4FY24E, with margin expansion of ~340bps QoQ. We maintain **BUY** on the stock with target price of INR 1,101 (based on 12x 1-year forward EV/EBITDA multiple).

Nazara

We expect revenue to grow 6.6% YoY (decline 4.1% QoQ) in Q4FY24E. In our view, this should be on account of growth in e-sports (31% YoY). We believe EBITDA margin may improve to 10.0% in Q4FY24E vs 9.6% in Q4FY23 and overall EBITDA can grow 11.4% YoY to INR 309mn and PAT can grow 786% YoY. We maintain **BUY** on the stock with target price of INR 1,080 based on 34x FY26E EV/EBITDA (ex-minority).

Matrimony

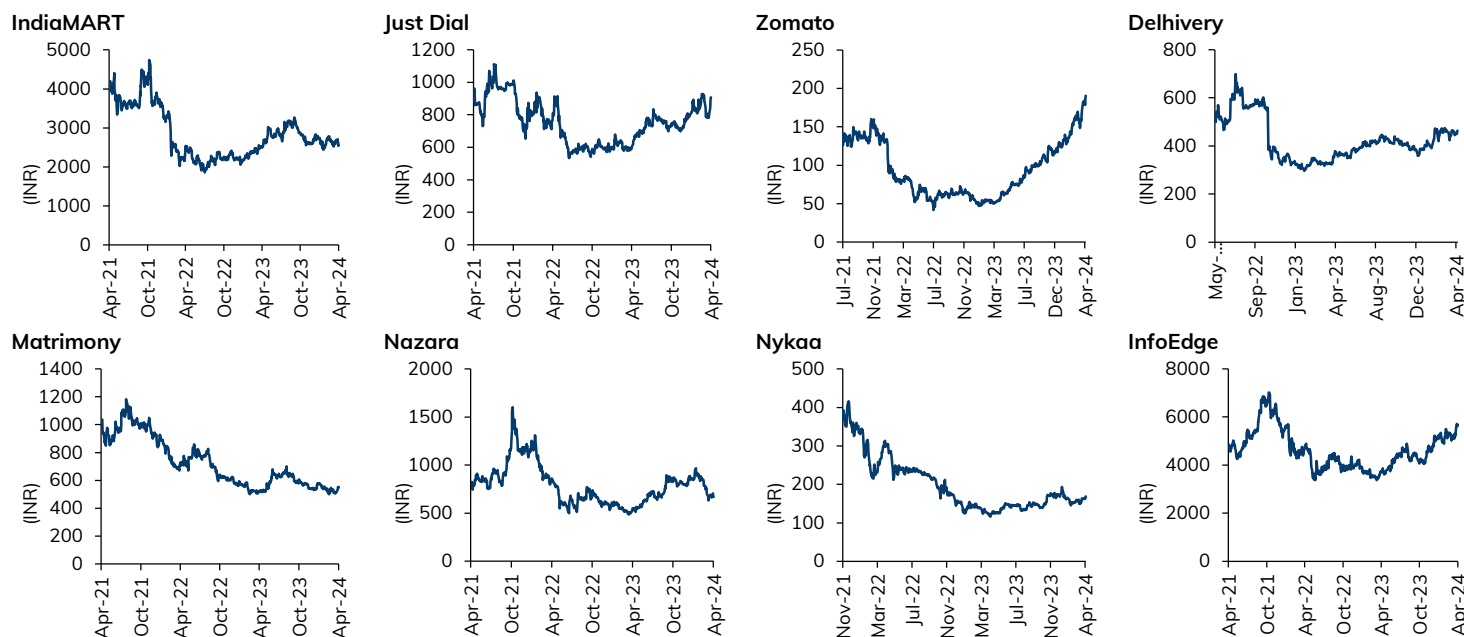
We believe the company's matchmaking services may grow 3.5% QoQ in revenue terms in Q4FY24E. We believe marriage services (~2.5% of revenues) may continue to grow faster at 12.0% QoQ. We estimate overall revenue to grow 3.8% QoQ/ 6.2% YoY. We expect EBITDA margin to expand 160bps QoQ to 15.8% in Q4FY24E. By our estimates, EBITDA and PAT are likely to grow 15.9% QoQ / 15.3% YoY and decline 14.9% QoQ / 11.9% YoY, respectively. We maintain **ADD** on the stock with target price of INR 601 (based on ~20x 1-year forward P/E multiple)

Exhibit 1: Q4FY24 estimates

(in INR mn)	Q4FY24E	Q3FY24	QoQ	Q4FY23	YoY
IndiaMART					
Revenue	3,156	3,053	3%	2,688	17%
EBITDA	838	857	-2%	661	27%
EBITDA margin	26.6%	28.1%	-150 bps	24.6%	200 bps
PAT	804	819	-2%	558	44%
Just Dial					
Revenue	2,767	2,650	4%	2,325	19%
Adj. EBITDA	748	605	24%	356	110%
Adj. EBITDA margin	27.0%	22.8%	420 bps	15.3%	1172 bps
PAT	1,052	920	14%	836	26%
Zomato					
Revenue	35,137	32,880	7%	20,560	71%
EBITDA	1,548	510	204%	-2,254	n.a.
EBITDA margin	4.4%	1.6%	285 bps	-11.0%	n.a.
PAT	2,488	1,380	80%	-2,044	n.a.
Delhivery					
Revenue	20,551	21,097	-3%	18,596	11%
EBITDA	403	809	n.a.	134	n.a.
EBITDA margin	2.0%	3.8%	-187 bps	0.7%	124 bps
PAT	-337	-65	n.a.	-1,587	n.a.
Matrimony					
Revenue	1,216	1,173	4%	1,145	6%
EBITDA	192	166	16%	167	15%
EBITDA margin	15.8%	14.2%	167 bps	14.6%	126 bps
PAT	128	111	15%	114	12%
Nazara					
Revenue	3,083	3,204	-4%	2,893	7%
EBITDA	309	377	-18%	277	11%
EBITDA margin	10.0%	11.8%	-175 bps	9.6%	44 bps
PAT	230	258	-11%	26	786%
Nykaa					
Revenue	16,821	17,888	-6%	13,017	29%
EBITDA	904	988	-9%	707	28%
EBITDA margin	5.4%	5.5%	-15 bps	5.4%	-6 bps
PAT	104	162	-36%	24	333%
InfoEdge					
Revenue	6234	5954	5%	5639	11%
EBITDA	2537	2406	5%	2202	15%
EBITDA margin	40.7%	40.4%	29 bps	39.0%	165 bps
PAT	2138	2135	0%	1976	8%

Source: I-Sec research, Company data

Price charts



Source: Bloomberg

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