

Recruitment to drive growth in coming quarters...

About the stock: Info Edge provides internet based service delivery like recruitment services (Naukri), real estate (99 acres), Jeevansathi and Shiksha.

- Quasi play on Indian start up like Zomato, PolicyBazaar, Shoekonect, Ustra, Gramophone
- Prudent capital allocation and recruitment business EBITDA margin >50%

Q1FY22 Results: Info Edge reported robust Q1FY22 results.

- Revenues increased 10.2% QoQ & 14.1% YoY to ₹ 319.7 crore
- EBITDA margin increased from 18.3% in Q4FY21 to 31.2%
- Billing increased 67% YoY (down 24% QoQ) to ₹ 314 crore

What should investors do? Info Edge's share price has grown by ~6x over the past five years (from ~₹ 833 in August 2016 to ~₹ 5,441 levels in August 2021).

- We continue to remain positive and retain our BUY rating on the stock

Target Price and Valuation: We value Info Edge at ₹ i.e. 6270 on SOTP basis

Key triggers for future price performance:

- Improving hiring trend in IT, healthcare, education, telecom and improving billing trend to drive recruitment revenues
- Lower interest rate & affordability is expected to drive 99acres revenues. Traction in Jeevansathi, Shiksha to further drive revenues
- Expect revenues to grow at a CAGR of 28.8% over FY21-23E

Alternate Stock Idea: Apart from Info Edge, in IT coverage we also like Teamlease.

- Key beneficiary of formalisation of economy and underpenetrated temp staffing market
- BUY with a target price of ₹ 4,550

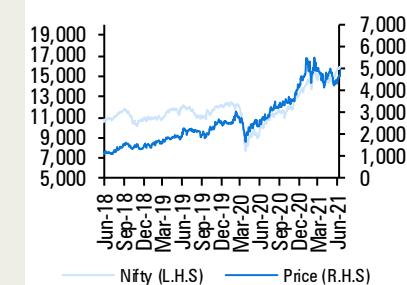
Particulars

Particular	Amount
Market Cap(₹ Crore)	70,495.2
Total Debt (₹ Crore)	0.1
Cash and Invests (₹ Crore)	3,650.0
EV (₹ Crore)	66,845.3
52 week H/L	5876/ 3220
Equity capital	128.5
Face value	₹ 10

Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	38	38	38	38
FII	39	41	39	38
DII	13	11	11	13
Public	10	10	11	11

Price Chart



Recent event & key risks

- Billing remain robust
- Key Risk:** (i) Deceleration in Naukri revenues, (ii) Higher than expected marketing expenses.

Research Analyst

Devang Bhatt
devang.bhatt@icicisecurities.com

Key Financial Summary

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Net Sales	1,098	1,273	1,099	8.9%	1,494	1,874	30.6%
EBITDA	341	403	277	15.4%	477	708	59.7%
EBITDA margins (%)	31.1	31.6	25.3		31.9	37.8	
Net Profit	315	329	274	17.0%	480	660	55.1%
EPS (₹)	25.9	26.8	21.2		37.1	51.0	
P/E	210.3	203.1	260.2		146.7	106.8	
RoNW (%)	13.6	13.5	6.0		9.9	12.6	
RoCE (%)	18.6	18.0	7.7		13.1	16.7	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q1FY22 Earnings Conference Call highlights

- InfoEdge reported robust Q1FY22 numbers that were above our estimates. Revenues increased 10.2% QoQ mainly led by 12.0% QoQ increase in recruitment revenues and 16.2% QoQ increase in other revenues
- EBITDA margins increased from 18.3% in Q4FY21 to 31.2% in Q1FY22 mainly led by lower advertising expenses, network and other expenses
- Naukri reported a revenue increase of 11.2% YoY (up 12.0% QoQ) to ₹ 222.6 crore while margins declined 431 bps YoY (up 592 bps QoQ) to 52.9%. Billings in Naukri increased 73.6% YoY (down 18.3% QoQ) in Q1FY22. In terms of revenue share, the company generates 67% from database subscription (expects it to hover around this level) and 15% from job listing (aims to improve its share). Naukri occupies 25% share in overall white collar job market and has 75000 companies on its platform
- The company is witnessing a healthy improvement in billing led by improvement IT and ITeS segment (~50-55% of revenues), higher renewals, new customer addition, higher demand from job seeker, higher branding and pricing improvement. Info Edge expects Q2FY22E and Q3FY22E to witness robust billing growth (above FY20 billing) led by a revival of postponed billing renewal. This coupled with IIMjobs, higher growth in non IT business, mobile branding solution and software led approach to further boost revenues. The company is also entering new segments like blue collar industry (Jobhai) and is currently focused on the NCR region. Info Edge plans to roll out nationwide in the next few months
- 99acres:** Revenues increased 15.8% YoY (down 1.8% QoQ) to ₹ 49.2 crore while the company made losses at the EBITDA level. The company has also seen healthy growth in billing on YoY terms (up 60% YoY) due to low base. However, billing was down 69% QoQ. 99 Acres was impacted by the second wave but has seen green shoots in June. Improvement in home visit, higher rental market and increase in broker listing to drive growth. The company believes real estate is better placed now compared to five years ago and is expected to witness healthy traction led by desire for bigger homes
- Jeevansathi:** Jeevansathi reported revenues of ₹ 25.2 crore (growth of 12.0% YoY) and continues to make a loss. Aggressive marketing spends continue to weigh on segment profitability but is key to driving higher growth. The company expects a recovery in coming quarters as north and west (commands 20-25% market share) recovers and will continue to focus on the north & west
- Shiksha:** Shiksha reported revenue of ₹ 22.6 crore (up 51.7% YoY). The company continued to make efforts to upgrade its content quality and user experience on its platform shiksha.com. The company has also invested in software companies like code ninja, nopaper & university to drive growth. Naukri learning (a medium to cross sell skill upgrade to Naukri job seekers) and study abroad counselling is also expected to drive growth
- Other businesses:** The company is seeing healthy traction in Gramophone, Shop kirana and Shipsy. Info Edge has made investment in healthcare start-ups but believes it is hard to drive growth
- QIP:** The company is still evaluating investments

Exhibit 1: Variance Analysis

	Q1FY22	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	Comments
Revenue	319.7	286.1	280.1	14.1	290.0	10.2	Revenues increased QoQ led by 12.0% QoQ increase in recruitment revenues and 16.2% increase in other revenues
Employee expenses	151.8	148.8	129.7	17.0	151.5	0.2	
Marketing expenses	45.9	54.9	25.6	79.3	55.7	-17.7	
Network & other charges	6.3	6.9	5.5	13.6	7.1	-11.4	
Other expenses	16.1	23.2	14.8	9.0	22.6	-28.7	
EBITDA	99.7	52.3	104.6	-4.7	53.2	87.4	
EBITDA Margin (%)	31.2	18.3	37.3	-614 bps	18.3	1284 bps	Lower advertising and other expenses boosted margins
Depreciation & amortisation	10.3	10.6	11.1	-7.3	10.6	-2.3	
EBIT	89.4	41.8	93.4	-4.3	42.6	109.6	
EBIT Margin (%)	28.0	14.6	33.4	-540 bps	14.7	1325 bps	
Other income (less interest)	41.0	35.8	20.3	102.1	40.6	0.8	
PBT	130.3	77.6	113.7	14.6	83.3	56.5	
Tax paid	28.1	18.8	29.0	-3.1	12.0	133.8	
PAT	101.0	57.3	83.2	21.3	66.7	51.4	
APAT	101.0	57.3	83.2	21.3	69.9	44.4	PAT was above our estimates due to higher-than-expected operating margins

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,453	1,494	2.8	1,821	1,874	2.9	We expect shift of advertising to online medium to drive long term growth in the company
EBITDA	458	477	4.1	686	708	3.2	
EBITDA Margin (%)	31.5	31.9	38 bps	37.7	37.8	11 bps	Margins to stabilise at 38% in FY23E
Reported PAT	468	480	2.6	635.0	660	3.9	
EPS (₹)	36.2	37.1	2.6	49.1	51.0	3.9	

Source: Company, ICICI Direct Research

Exhibit 3: SOTP based valuation

	Valuation Method	Basis	Multiple (x)	Valuation	₹/share
Business					
Recruitment Business	PE Method	FY23E EPS	75	49728	3869.2
99 Acres	EV/Sales	FY23E Revenues	14	4229	329.1
Jeevansathi & Other busin	EV/sales	FY23E Revenues	5	1088	84.6
Investee					
Zomato		15.23% stake		12080	939.9
Other Business	P/BV		7	2775	215.9
Policybazaar		15.1% stake		6741	524.5
Net Cash & financial investments				3936	306.2
Target Valuation				80576	6269
Rounded Off Target					6270
Price					

Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement

(Year-end March)	FY20	FY21	FY22E	₹ crore FY23E
Total operating Income	1,273	1,099	1,494	1,874
Growth (%)	16	(14)	36	25
Employee Expenses	540	549	625	673
Marketing Expenses	204	182	247	309
Network and Other Charg	23	25	25	32
Other Expenditure	103	65	121	152
EBITDA	403	277	477	708
Growth (%)	18	(31)	72	49
Depreciation	41	44	44	46
EBIT	361	234	433	662
Interest	7	6	6	6
Other Income	88	119	210	220
PBT	442	347	637	876
Total Tax	113	73	157	216
Reported PAT	206	271	480	660
Adjusted PAT	329	274	480	660
Growth (%)	4	(17)	75	37
Adjusted EPS (₹)	26.8	21.2	37.1	51.0

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

(Year-end March)	FY20	FY21	FY22E	₹ crore FY23E
Profit after Tax	206	271	480	660
Add: Depreciation	43	44	44	46
(Inc)/dec in Current Assets	(1)	(2)	(10)	(10)
Inc/(dec) in CL and Provisions	(13)	15	205	197
Others	(58)	(25)	(159)	(171)
CF from operating activities	302	285	560	723
(Inc)/dec in Investments	679	(1,925)	155	(342)
(Inc)/dec in Fixed Assets	(24)	(8)	(24)	(24)
Others	(459)	50	210	220
CF from investing activities	197	(1,883)	341	(146)
Proceeds from fresh issue of s	0	-	(0)	(0)
Inc/(dec) in loan funds	(0)	1,829	-	-
Dividend & DDT	(118)	-	(192)	(264)
Others	(0)	(6)	(6)	(6)
CF from financing activities	(142)	1,806	(215)	(287)
Net Cash flow	357	208	686	290
Exchange difference				
Opening Cash	70	427	635	1,321
Closing Cash	427	635	1,321	1,611

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet

(Year-end March)	FY20	FY21	FY22E	₹ crore FY23E
Liabilities				
Equity Capital	122	129	129	129
Reserve and Surplus	2,309	4,436	4,724	5,119
ESOP	-	-	-	-
Secured Loan	0	0	0	0
Minority interest	-	-	-	-
Other non-current liabilities	57	45	45	45
Sources of funds	2,489	4,609	4,897	5,293
Assets				
Gross Block	235	249	290	332
Less: Acc Depreciation	106	146	189	235
Net Block	128	103	101	96
Capital WIP	-	-	-	-
Net Intangible assets	4	4	4	4
Other Investments	-	-	-	-
Liquid Investments	255	-	-	-
Inventory	-	-	-	-
Debtors	7	5	7	9
Loans and Advances	-	-	-	-
Cash	427	635	1,321	1,611
Other Current Assets	615	2,353	2,361	2,369
Other Non-Current Assets	1,674	2,206	2,051	2,392
Creditors	60	60	82	103
Provisions	55	66	90	113
Other current liabilities	508	570	776	973
Net Current Assets	682	2,296	2,742	2,801
Application of Funds	2,489	4,609	4,897	5,293

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY20	FY21	FY22E	₹ crore FY23E
Per share data (₹)				
Reported EPS	26.8	21.2	37.1	51.0
Cash EPS	20.1	24.3	40.4	54.5
BV	198.0	352.3	374.9	405.5
DPS	6.0	8.0	14.8	20.4
Cash Per Share	34.8	49.0	102.1	124.5
Operating Ratios (%)				
EBITDA Margin	31.6	25.3	31.9	37.8
EBIT Margin	28.4	21.3	29.0	35.3
PAT Margin	25.8	25.0	32.1	35.2
Debtor days	2	2	2	2
Creditor days	17	20	20	20
Return Ratios (%)				
RoE	13.5	6.0	9.9	12.6
RoCE	18.0	7.7	13.1	16.7
RoIC	20.0	5.9	12.1	18.0
Valuation Ratios (x)				
P/E	203.1	260.2	146.7	106.8
EV / EBITDA	173.3	251.8	145.1	97.3
EV / Net Sales	54.9	63.6	46.3	36.8
Market Cap / Sales	55.4	64.2	47.2	37.6
Price to Book Value	27.5	15.4	14.5	13.4
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.0	3.4	2.5	2.0
Quick Ratio	1.0	3.4	2.5	2.0

Source: Company, ICICI Direct Research

Exhibit 7 : ICICI Direct coverage universe (IT)

Company	Cmp (₹)	TP (₹)	Rating	Mcap (₹ Cr)	EPS (₹)				P/E (x)				RoCE (%)				RoE (%)				
					FY20	FY21	FY22E		FY23E	FY20	FY21	FY22E		FY20	FY21	FY22E		FY20	FY21	FY22E	
							E	E				FY22	FY23			E	E				
HCL Tech (HCLTEC)	1,123	1,110	Hold	3,04,639	40.8	45.8	50.6	60.9	28	25	22	18	23.0	23.5	24.1	25.7	21.6	20.8	20.5	21.4	
Infosys (INFTEC)	1,704	1,825	Buy	7,25,833	38.9	45.5	54.8	64.3	44	37	31	27	30.8	31.7	34.0	37.0	25.2	25.2	27.8	30.3	
TCS (TCS)	3,467	3,800	Buy	12,82,790	86.2	86.7	108.3	127.2	40	40	32	27	44.4	45.9	50.9	54.0	38.4	37.5	43.0	45.3	
Tech M (TECMAH)	1,373	1,375	Buy	1,08,994	59.5	50.2	64.7	74.6	23	27	21	18	18.3	19.8	22.8	23.7	17.5	17.8	20.4	20.8	
Wipro (WIPRO)	614	670	Hold	3,36,598	16.6	19.1	21.1	25.7	37	32	29	24	19.3	21.3	22.8	27.5	17.4	19.5	21.6	26.3	
Mindtree (MINCON)	2,909	3,065	Buy	47,945	38.3	67.4	81.1	95.8	76	43	36	30	23.0	32.5	33.1	33.1	20.0	25.7	25.9	25.7	
LTI (LTINFC)	4,788	5,065	Buy	83,656	86.6	110.3	125.4	145.5	55	43	38	33	30.7	31.9	30.9	30.6	28.1	26.5	25.7	25.4	
Coforge (NITEC)	4,784	5,500	Hold	28,992	71.4	73.3	106.3	139.1	67	65	45	34	23.0	23.3	26.8	29.8	18.5	18.5	23.4	26.2	
Infoedge (INFEDG)	5,441	6,270	Buy	70,495	26.8	21.2	37.1	51.0	203	257	147	107	18.0	7.7	13.1	16.7	13.5	6.0	9.9	12.6	
Teamlease (TEASER)	4,093	4,550	Buy	6,998	20.5	45.3	68.9	100.3	200	90	59	41	15.0	14.2	16.4	19.8	6.5	11.6	15.8	18.6	

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

We, Devang Bhatt, PGDBM, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

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 ICICI Securities and affiliates to any registration or licensing 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.