

The grand job-wedding-housewarming party is here!

Job, wedding and own house are the three (stereo) typical and interconnected life goals in the Indian sociocultural construct. Besides the parental influence, this trinity now seems to have another common driving force – liquidity!

As we anticipated in mid-Jun-21 ([link](#)), hiring across sectors has witnessed a robust pickup. Net EPFO additions in Jun-21 were ~85% higher than the pre-covid run-rate. RBI's Aug-21 'State of the economy' report ([link](#)) hints at up to ~38% YoY salary hikes across sectors – the best in 15 years. Resignations and voluntary retirements too are surging in line with global trends. 'Rethinking of work' by employees is driving massive supply-demand mismatch across industries further boosting the need for 'search' platforms like Naukri. We foresee an employees' job market for at least 12-18 months (vs employers' market for 5+ years now). This is driving strong traction in online realty too (99 Acres DAUs in Jul-21: +28% v/s Feb-21) further led by: (1) low interest rates, (2) new launches, (3) online shift.

We expect a sharp pent-up increase in Jeevansathi's (downloads in Jul-21: >13x v/s Feb-21) paid listings as wedding restrictions ease and most of the ~17mn deferred weddings (I-Sec est., CY20 & CY21) come into planning pipeline. The robust volume spike at 99 Acres / Jeevansathi should come along with EBITDA profitability surprising the street. Post our upgrade in mid Jun-21, the stock was up ~29% (vs ~10% return in NIFTY). Given the improved growth and margin outlook across segments, we upgrade FY22E - FY24E EBIT by 23%-35% and TP by 28%. We value Naukri at 75x FY23E EPS. As elaborated in our report ([link](#)), our 1-year forward valuation of Zomato stands at US\$22bn. We factor in holding company discount of 15% on listed / to be listed investments of Infoedge.

► **Strong hiring. Naukri can be a key beneficiary of demand-supply mismatch.** As we expected in mid Jun-21, there was a robust and broad based pick-up in hiring – across sectors. Trends in markets like the US, which publish job market data periodically, hint at a significant demand-supply mismatch. For instance, the US currently has 10mn job openings while 8.4mn people are unemployed! This is being led by rethinking of work, family responsibilities & flexibility by employees. While granular data on Indian market is absent, anecdotally, we notice similar trends.

Entrepreneurship, preference to work in start-ups and need for flexibility are the biggest drivers of the demand-supply mismatch. In this backdrop, we foresee employees' market for at least 12-18 months with search platforms like Naukri benefitting. Under-investment by India Inc. for the previous 5+ years, and current reflationary environment give us the confidence. Notably, even as the NIFTY 50 / BSE 200 aggregate revenues grew 52% / 47% over FY16-20, permanent headcount increased just 16%/15%. Even accounting for technology led productivity gain, we see further headroom for hiring.

Market Cap	Rs796bn/US\$10.9bn
Reuters/Bloomberg	INED.BO/INFOE IN
Shares Outstanding (mn)	128.8
52-week Range (Rs)	6287/3280
Free Float (%)	61.6
FII (%)	38.0
Daily Volume (US\$'000)	43,580
Absolute Return 3m (%)	32.8
Absolute Return 12m (%)	88.0
Sensex Return 3m (%)	11.8
Sensex Return 12m (%)	53.3

Year to March	2021	2022E	2023E	2024E
Revenue (Rs mn)	10,986	16,039	22,610	28,326
Net Income (Rs mn)	2,742	4,948	7,249	8,839
EPS (Rs)	17.0	38.2	56.0	68.3
% Chg YoY	(36.7)	125.5	46.5	21.9
P/E (x)	366.1	162.3	110.8	90.9
CEPS (Rs)	26.1	44.5	64.9	78.9
EV/E (x)	276.4	145.3	92.4	74.2
Dividend Yield (%)	0.1	0.2	0.3	0.3
RoCE (%)	5.2	7.3	10.3	11.7
RoE (%)	7.8	10.1	13.2	14.5

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Company update and  
earnings revision

## Internet

Target price: Rs8,050

### Earnings revision

(%)	FY22E	FY23E
Sales	↑ 15.5	↑ 27.1
EBIT	↑ 23.2	↑ 34.0
EPS	↑ 13.1	↑ 17.7

### Target price revision

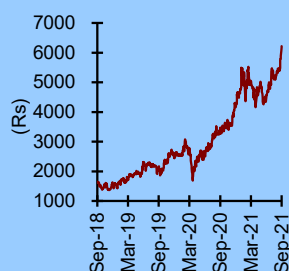
Rs8,050 from Rs6,300

### Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	38.5	38.4	38.4
Institutional investors	51.9	50.6	51.0
MFs and others	10.5	10.3	11.4
Insurance Cos.	0.6	0.7	1.6
FII	40.8	39.6	38.0
Others	9.6	11.0	10.6

Source: www.nseindia.com

### Price chart



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- **Vibrant job market is driving traction in online real estate classifieds.** In addition to the foregoing, other tailwinds such as: (1) low interest rates, (2) strong pipeline of new launches, (3) print to online shift, and (4) recent D2C approach taken by many builders are driving robust traction in online real estate classifieds. For instance, Daily Active Users (DAU) of 99 Acres in Jul-21 was 28% higher from that in Feb-21 - before the start of the covid 2nd wave. Competitive intensity has been a key reason for the suboptimal profitability in this segment for Info Edge.

However, both the number of VC / PE funding rounds and the funded amount came down over CY20 and CY21-YTD (*exhibit 7*). Further to the robust demand, this is a key positive hinting at potentially low cash burn by competition going ahead. In conjunction with an expected spike in paid listings, we expect EBITDA profitability to exceed the street estimates. Nevertheless, the full stack aspirations of competitors like Square Yards is a key risk to watch out for.

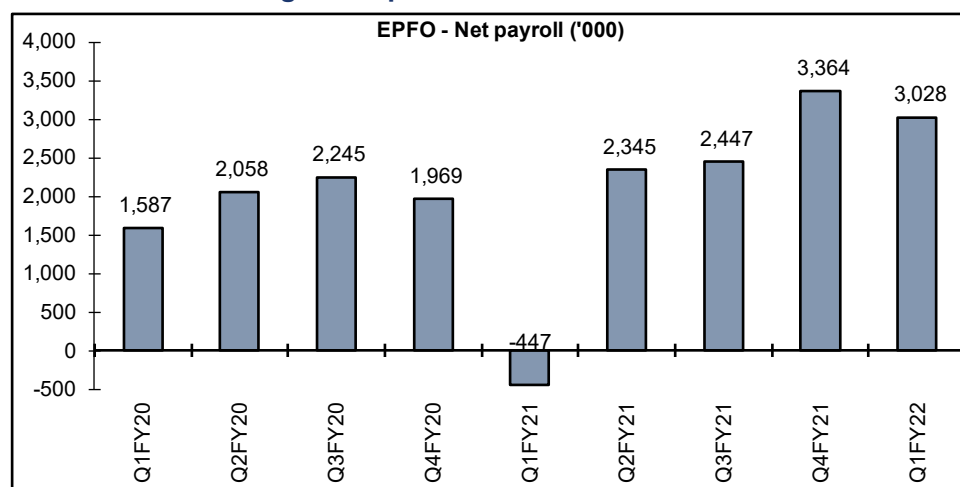
- **Post the deferral of 17mn weddings, massive pent-up demand on the cards.** Lockdown-led limitations to traditional matchmaking translated into significant traffic share gain for matrimonial sites (from physical channels). This digital shift was more pronounced in tier-2 and tier-3 cities. Lockdowns and stringent wedding related restrictions (on guest count, etc.) meant that nearly 17mn weddings (vs annual run-rate of 10mn-12mn, I-Sec est.) are deferred over CY20-CY21. Some of these deferrals might already be past the search phase, i.e. the 6-9 months before the wedding date when people list the profiles on the matrimonial site.

Others should come into the search / planning phase soon encouraged by: (1) easing lockdown restrictions, and (2) best in a decade job security / outlook. Incipient signs of this uptick are already seen in the exponential increase in Jeevansathi's downloads in the recent past (July 21: >13x Feb-21). We anticipate a sharp increase in paid listings in the near term to also drive EBITDA profitability (in FY23) – a surprise on the street's current expectations.

- **Info Edge is the best proxy on the grand job-wedding-housewarming party!** Given the improved growth and margin outlook across segments, we upgrade our FY22E-FY24E EBIT estimates by 23%-35%. However, we trim our other income estimates primarily led by the lower than earlier expected quantum of cash proceeds from Zomato's IPO (Rs 3.8bn v/s Rs 7.5bn). Our normalized earnings (ex- gain on sale of Zomato) estimates / TP witnesses 13%-19% / 28% upgrade.

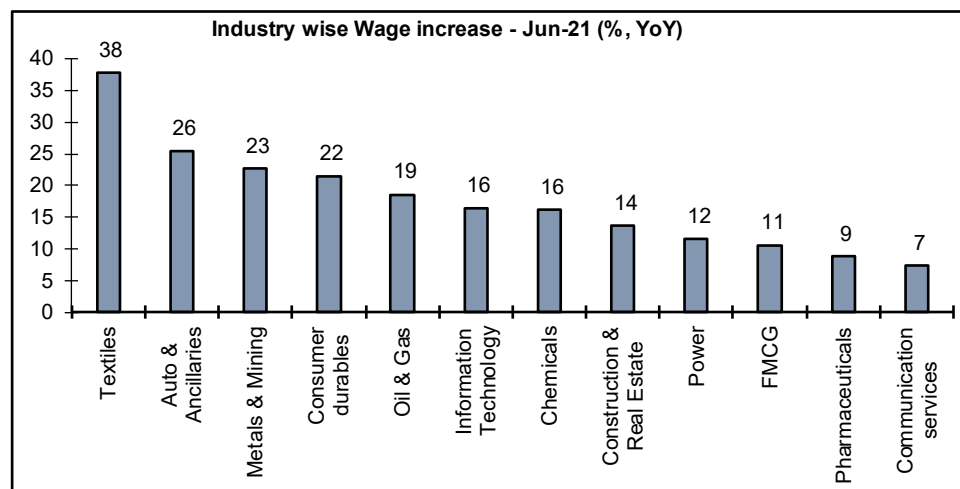
We value Naukri at 75x FY23E EPS. We value 99 Acres and Jeevansathi each at 20x FY23E sales. As elaborated in our report ([link](#)), our 1-year forward valuation of Zomato stands at US\$22bn. We factor in a holding company discount of 15% on the listed / to be listed investments of Infoedge. Impending IPO of an investee firm will be a key catalyst. Covid third wave can be a risk to our estimates / TP.

**Chart 1: Payroll addition run-rate in H1CY21 is ~63% higher than pre-covid level notwithstanding the impact of second wave**



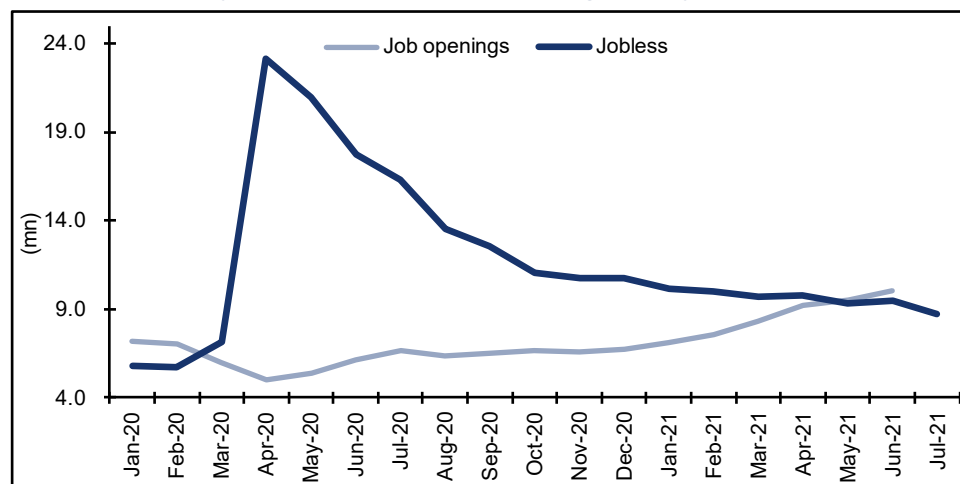
Source: I-Sec research, EPFO India

**Chart 2: Robust increase in salaries across sectors**

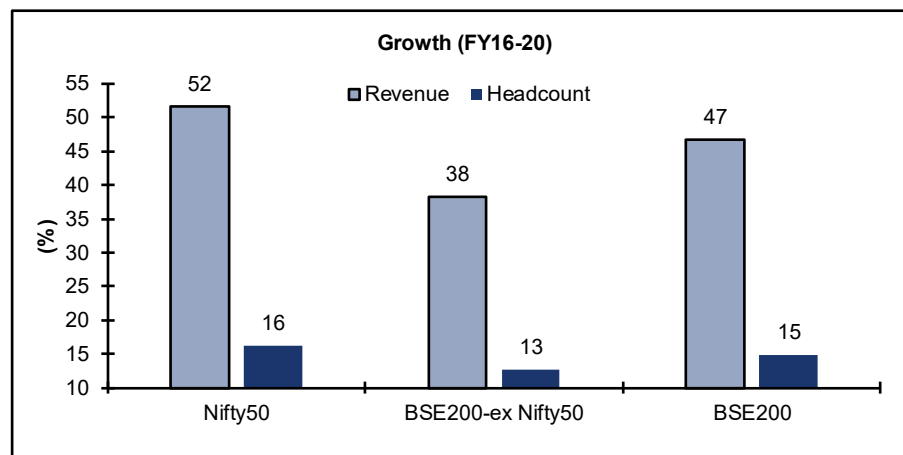


Source: I-Sec research, RBI - State of the Economy Report Aug-21

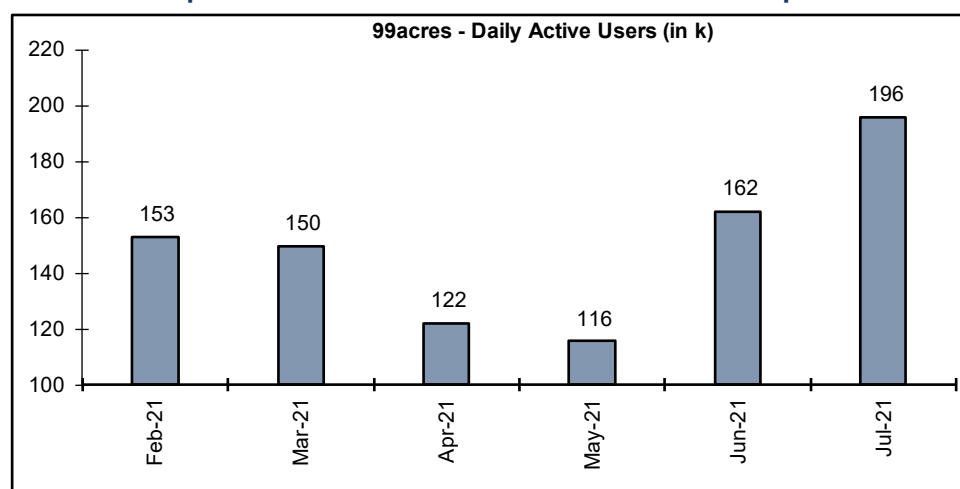
**Chart 3: Globally, economies are witnessing supply-demand mismatch**



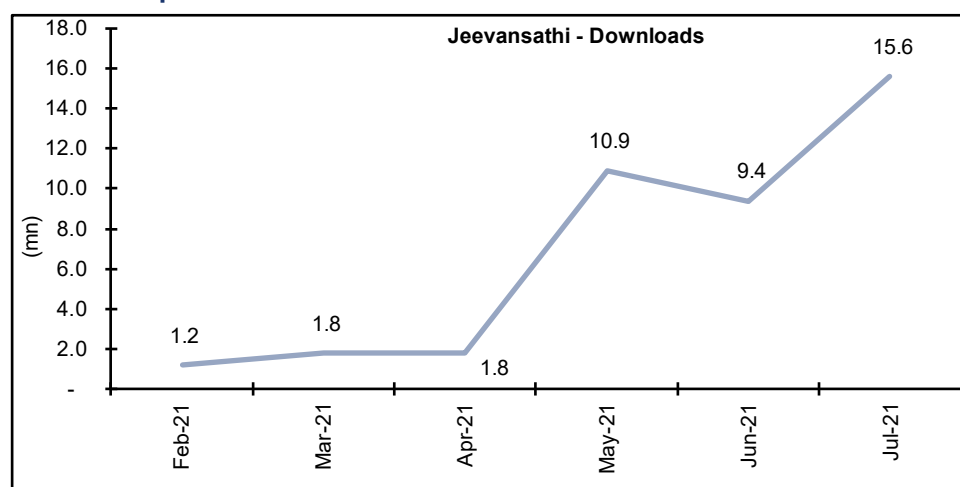
Source: I-Sec research, Bureau of Labor Statistics. Note: Above data relates to US labour market

**Chart 4: Significant headroom for catch up on white collar hiring**

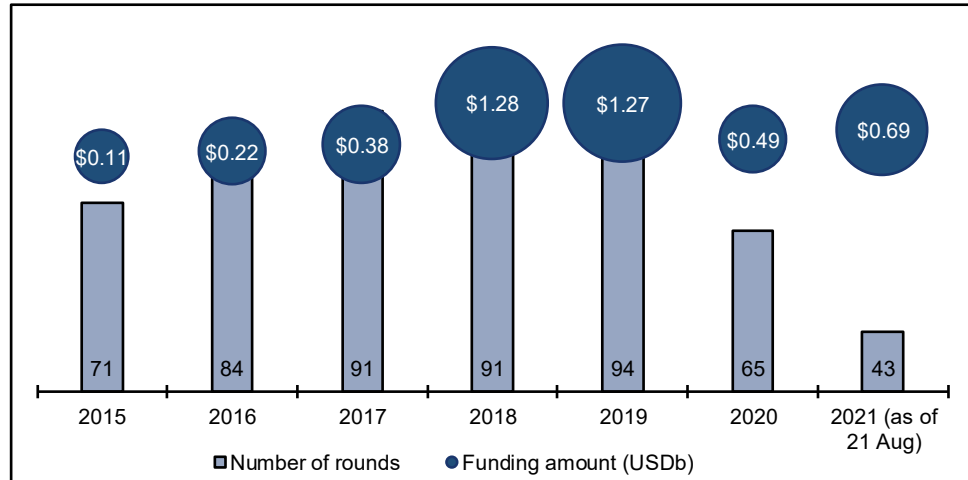
Source: I-Sec Research, Capitaline

**Chart 5: Sharp increase in DAUs of 99 Acres in the recent past**

Source: I-Sec research, Similar Web, Company

**Chart 6: Exponential increase in Jeevansathi's downloads in the recent past**

Source: I-Sec research, Similar Web, Company

**Chart 7: VC / PE funding intensity in online real estate declined**

Source: I-Sec research, KEN Research, Company

## Financial summary (standalone)

Table 1: Profit and Loss statement

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
Operating Revenues (Sales)	10,986	16,039	22,610	28,326
Operating Expenses	8,211	10,759	14,306	17,987
EBITDA	2,775	5,280	8,304	10,339
% margins	25.3	32.9	36.7	36.5
Depreciation & Amortisation	436	474	650	771
EBIT	2,339	4,805	7,654	9,568
% margins	21.3	30.0	33.9	33.8
Finance cost	57	56	57	57
Other Income	1,188	1,792	2,068	2,275
Recurring PBT	3,469	6,541	9,665	11,786
Less: Taxes	728	1,593	2,416	2,946
Less: Minority Interest	0	0	0	0
Net Income (Recurring)	2,742	4,948	7,249	8,839
Add: Extraordinaries	-33	3,740	0	0
Reported Net Income	2,709	8,688	7,249	8,839

Source: Company data, I-Sec research

Table 2: Balance sheet

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
<b>Assets</b>				
Current Assets	29,930	36,033	40,684	46,619
Current Liabilities & Provisions	6,968	9,124	12,779	15,958
Net Current Assets	22,963	26,909	27,905	30,661
Non-current investments	15,000	15,290	15,590	15,890
Net Fixed Assets	1,072	897	897	897
Capital Work-in-Progress	-	-	-	-
Other Assets	7,057	9,856	13,617	16,964
<b>Total Assets</b>	<b>46,091</b>	<b>52,952</b>	<b>58,009</b>	<b>64,413</b>
<b>Liabilities</b>				
Borrowings	1	1	1	1
Other non-current liabilities	448	448	448	448
Equity Share Capital	1,285	1,285	1,285	1,285
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	44,357	51,218	56,275	62,679
<b>Net Worth</b>	<b>45,642</b>	<b>52,503</b>	<b>57,560</b>	<b>63,965</b>
<b>Total Liabilities</b>	<b>46,091</b>	<b>52,952</b>	<b>58,009</b>	<b>64,413</b>

Source: Company data, I-Sec research

Table 3: Quarterly trend

(Rs mn, year ending March 31)

	Sep-20	Dec-20	Mar-21	Jun-21
Net sales	2,561	2,723	2,900	10,986
% growth (YoY)	(19.1)	(15.0)	(10.2)	(13.7)
EBITDA	516	682	532	2,775
Margin (%)	20.1	25.0	18.3	25.3
Other Income	263	316	406	1,188
Extraordinaries Inc / (Loss)	0	0	33	33
Recurring Net Income	512	699	699	2,742

Source: Company data, I-Sec research

Table 4: Cashflow statement

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
Op. CF before WCap changes	2,090	3,686	5,888	7,392
Working changes	756	(710)	(160)	(216)
Capex	(83)	(300)	(650)	(771)
Free Cashflow	2,762	2,677	5,077	6,405
Cashflow from other Invst Act (Ex Capex)	(18,746)	1,502	1,768	1,975
Proceeds from Share Capital/	18,292	3,740	-	0
Inc/(Dec) in Borrowings	(4)	-	-	-
Dividend paid	-	(1,826)	(2,192)	(2,435)
Others	(230)	(56)	(57)	(57)
Inc./(Dec.) in Cash & cash eq.	2,075	6,036	4,597	5,888

Source: Company data, I-Sec research

Table 5: Key ratios

(Year ending March 31)

	FY21	FY22E	FY23E	FY24E
<b>Per Share Data (Rs)</b>				
EPS(Basic Recurring)	17.0	38.2	56.0	68.3
EPS(Reported)	16.8	67.1	56.0	68.3
Recurring Cash EPS	26.1	44.5	64.9	78.9
Dividend per share (DPS)	8.0	15.0	18.0	20.0
Book Value per share (BV)	355.1	408.5	447.9	497.7
<b>Growth Ratios (%)</b>				
Operating Income (Sales)	(13.7)	46.0	41.0	25.3
EBITDA	(31.1)	90.3	57.3	24.5
Recurring Net Income	(16.7)	80.5	46.5	21.9
Basic Recurring EPS	(36.7)	125.5	46.5	21.9
Basic Recurring CEPS	(14.2)	70.6	45.7	21.7
<b>Valuation Ratios (x)</b>				
P/E	366.1	162.3	110.8	90.9
P/CEPS	237.8	139.4	95.7	78.6
P/BV	17.5	15.2	13.9	12.5
EV / EBITDA	276.4	145.3	92.4	74.2
EV / Sales	72.0	49.0	34.5	27.4
EV / FCF	277.7	286.6	151.1	119.8
<b>Operating Ratios</b>				
Personnel Cost/Total Revenues (%)	50.0	44.1	42.5	42.5
Other op. exp. / total revenue (%)	24.7	21.0	18.8	19.0
Other Income / PBT (%)	34.2	27.4	21.4	19.3
Effective Tax Rate (%)	21.0	24.4	25.0	25.0
NWC / Total Assets (%)	43.3	43.3	39.4	38.1
Fixed Asset Turnover (x) on average	9.2	16.3	25.2	31.6
Receivables (days) on average	2	3	3	3
Current ratio	4.3	3.9	3.2	2.9
<b>Return/Profitability Ratios (%)</b>				
Recurring Net Income Margins	25.0	30.8	32.1	31.2
RoCE (Based on Avg)	5.2	7.3	10.3	11.7
RoNW (Based on Avg)	7.8	10.1	13.2	14.5
Dividend Payout	47.2	39.2	32.1	29.3
Dividend Yield	0.1	0.2	0.3	0.3
EBITDA Margins	25.3	32.9	36.7	36.5

Source: Company data, I-Sec research

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