

A significant surprise at Naukri

- InfoEdge's standalone EBITDA was a significant positive surprise. Due to operating leverage at Naukri and lower ad expenses, EBITDA margins expanded sharply (31.3% vs. our estimate of 26.4%). Consequently, its standalone EBITDA was 20% above our estimate.
- Revenue growth at Naukri accelerated significantly (collections were up 29% YoY in 4QFY15). A pickup in tech recruitment was a key driver. In addition, its new product launches are already contributing to revenue growth.
- 99acres witnessed a robust 33% (YoY) growth. Despite increasing competition and tight spending, its growth was healthy. However, growing popularity of new players like Housing and Commonfloor are key risks.
- Due to better revenue growth and margins at Naukri, we are revising up our SOTP based TP to Rs946 (Rs545 of Naukri; Rs84 of 99acres; Rs170 of Zomato and Rs100 of cash).

Result update

CMP	Rs817	Price performance (%)			
12-mth TP (Rs)	946 (16%)	1M	3M	1Y	
Market cap (US\$ m)	1,397	Absolute (Rs)	4.6	(1.1)	11.5
Enterprise value(US\$m)	1,383	Absolute (US\$)	3.0	(1.9)	3.5
Bloomberg	INFOE IN	Rel. to Sensex	2.4	4.2	(3.3)
Sector	Technology	Cagr (%)	3 yrs		5 yrs
Shareholding pattern (%)		EPS	(36.3)	(13.6)	
Promoter	43.8	Stock performance			
FII	29.3	52Wk High/Low (Rs)	1015/640		
DII	10.2	Shares o/s (m)	120		
Others	16.6	Daily volume (US\$ m)	3		
		Dividend yield FY16ii (%)	0.1		
		Free float (%)	56.2		

Financial summary (Rs m)

Y/e 31 Mar, Consolidated	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16ii	FY15	FY16ii	FY17ii
Recruitment revenues (Rs m)	901	903	911	1,005	1,041	1,072	1,084	1,252	1,300	4,449	5,555	6,777
% growth	1.8	0.2	0.9	10.3	3.6	3.0	1.1	15.5	3.8	19.6	24.9	22.0
Other revenues (Rs m)	307	333	323	377	408	404	373	481	500	1,666	2,129	2,735
% growth	7.7	8.5	(3.0)	16.7	8.2	(1.0)	(7.7)	29.0	3.9	24.3	27.8	28.5
Recruitment - EBITDA (Rs m)	453	458	449	519	537	544	540	658	682	2,279	2,982	3,771
% growth	4.1	1.1	(2.0)	15.6	3.5	1.3	(0.7)	21.9	3.7	21.3	30.9	26.5
Revenues (Rs m)	1,208	1,230	1,234	1,380	1,449	1,476	1,457	1,731	1,799	7,325	10,025	13,573
% change	4.1	1.9	0.3	11.9	5.0	1.8	(1.2)	18.8	4.0	29.4	36.9	35.4
Ebitda (Rs m)	369	436	423	463	493	422	363	542	486	209	(248)	29
Ebitda Margins (%)	30.5	35.5	34.3	33.5	34.0	28.6	24.9	31.3	27.0	2.9	(2.5)	0.2
Interest expense (Rs m)	(6)	(6)	(6)	(7)	(7)	(7)	(8)	(9)	(9)	(38)	(34)	(34)
Effective tax rate (%)	31.9	31.8	31.8	30.6	30.3	30.6	31.5	22.5	30.0	124.2	553.0	305.4
Reported PAT (Rs m)	294	333	322	336	398	332	386	822	434	241	464	644
Pre-exceptional PAT (Rs m)	320	333	322	340	398	332	386	530	434	296	464	644
% change	(10.2)	3.9	(3.2)	5.5	17.1	(16.5)	16.3	37.2	(18.1)	(68.1)	56.9	38.8

Source: Company, IIFL Research. Priced as on 29 May 2015

Figure 1: 4QFY15 financial summary

Income statement (Rs m)	4QFY14	3QFY15	4QFY15	QoQ	YoY
Net sales	1,380	1,457	1,731	18.8%	25.4%
Operating expenses	-917	-1,094	-1,189	8.7%	29.7%
Staff cost	-527	-642	-687	6.9%	30.3%
Advertisement cost	-177	-231	-219	-5.0%	23.6%
Others	-213	-221	-284	28.2%	33.0%
EBITDA	463	363	542	49.0%	17.0%
EBITDA margins	33.5%	24.9%	31.3%	635 bps	-224 bps
Depreciation & Amortization	-56	-48	-36		
Other income	87	256	272		
Exceptional items	-4	0	292		
PBT	484	564	1,061	88.1%	119.2%
PBT margins	35.1%	38.7%	61.3%	2259 bps	2623 bps
Taxes	-148	-178	-239		
Effective tax rate	30.6%	31.5%	22.5%	-895 bps	-802 bps
PAT	336	386	822	112.7%	144.6%
Pre-exceptional PAT	340	386	530	37.2%	56.0%
Pre-exceptional PAT margins	24.6%	26.5%	30.6%	412 bps	601 bps
EPS - basic (Rs)	3.1	3.2	6.8	112.7%	122.1%
Performance by segment (Rs m)					
Sales	1,382	1,457	1,733	18.9%	25.4%
Recruitment solutions	1,005	1,084	1,252	15.5%	24.6%
99acres.com	230	223	306	37.2%	33.0%
EBITDA margin	33.5%	24.9%	31.3%	631 bps	-223 bps
Recruitment solutions	51.6%	49.8%	52.6%	274 bps	91 bps
99acres.com	-3.7%	-64.6%	-27.1%	3745 bps	-2347 bps
Operating metrics					
Deferred sales revenue	1,395	1,428	1,751	22.7%	25.5%
Collections	1,588	1,414	2,055	45.3%	29.4%
Headcount	3,168	3,701	3,817	3.1%	20.5%

Revenue growth was above our estimates. Better growth in Naukri and 99acres were the key reasons for positive surprise

EBITDA margins were significantly better than our estimates (26.4%). Operating leverage at Naukri and lower advertisement expenses were a reason for the EBITDA margin surprise

Gain on partial stake transfer in eTechaces to wholly owned subsidiary (Rs347m) and write-off related to an advance to a contractor (Rs55m) led to net exceptional gain

Naukri's EBITDA margins were at its second best level in its history

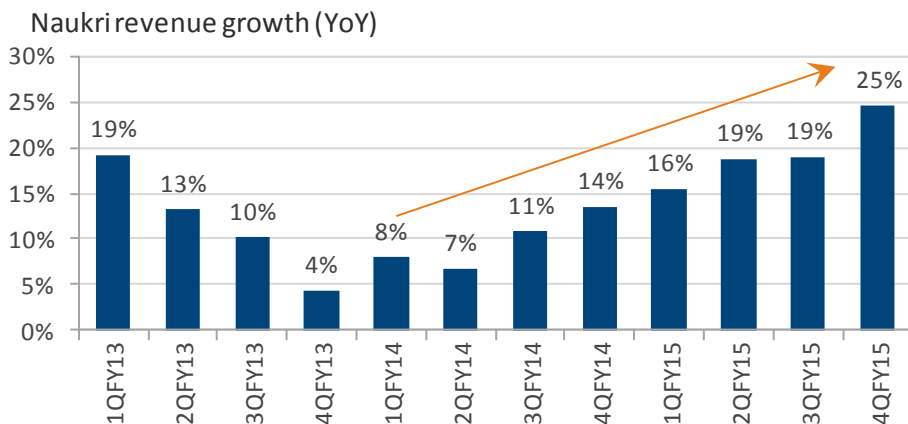
Collections growth was the best in the past two years

Source: Company, IIFL Research

Growth at Naukri accelerated significantly:

In 4QFY15, Naukri’s revenue growth of 24.6% (YoY) was much above our estimate of 20%. Its revenue growth was at a three year high and close to its five year highs.

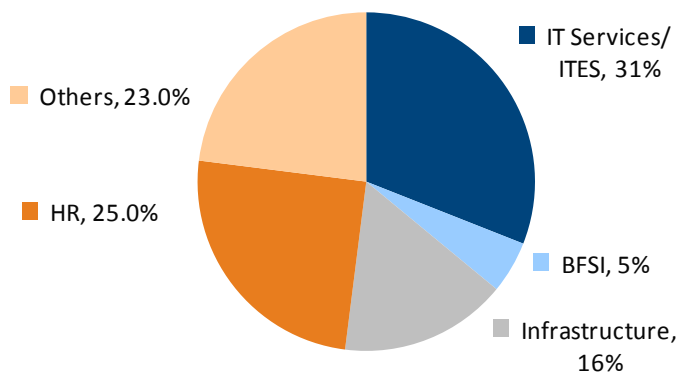
Figure 2: Naukri’s revenue growth was at a three year high



Source: Company, IIFL Research

Figure 3: A pickup in IT hiring was a key reason behind the growth at Naukri

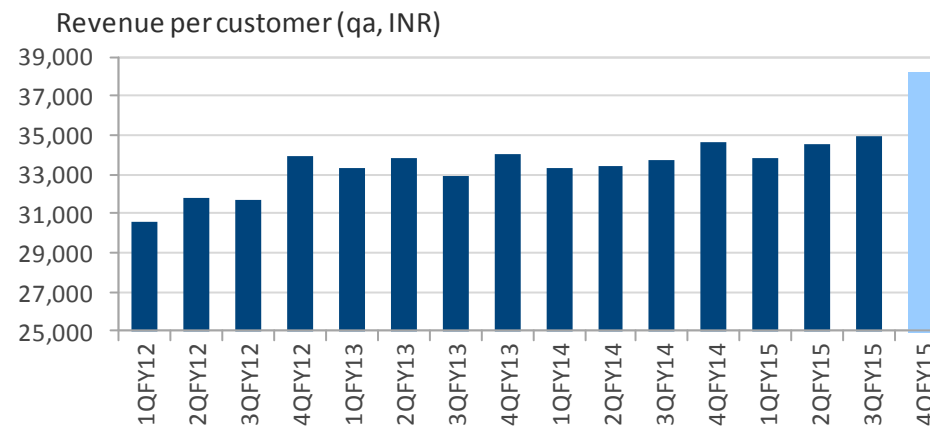
Naukri revenue by industries - 4QFY15



Source: Company, IIFL Research

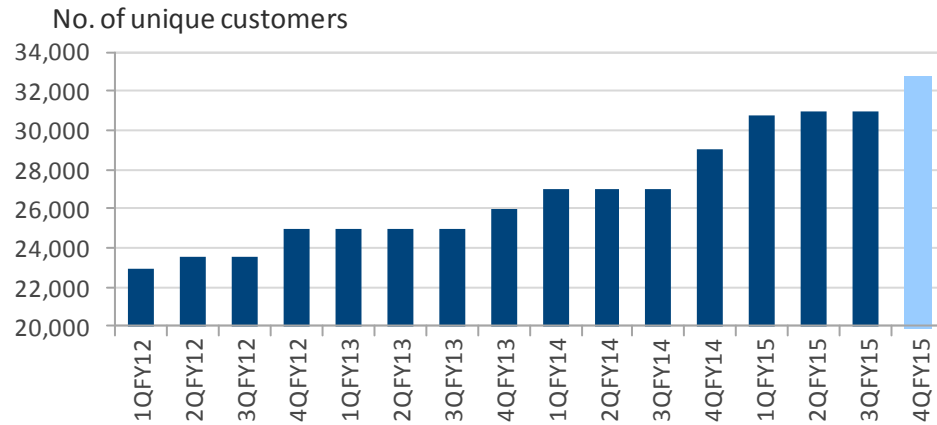
A pickup in the job market, especially in tech sector, was the key reason for the spurt in growth. As was the case with earlier upticks, customers had likely purchased more resume database licences and posted more jobs online in 4QFY15 (Jobspeak index is up 9% YoY in 4QFY15). This is reflected in the ~10% increase in revenue per customer at Naukri. Management commentary indicates that new offerings (Recruiter pages) have also contributed to revenue growth modestly.

Figure 4: Revenue per customer increased sharply as they likely purchased more licenses and posted more jobs advertisements



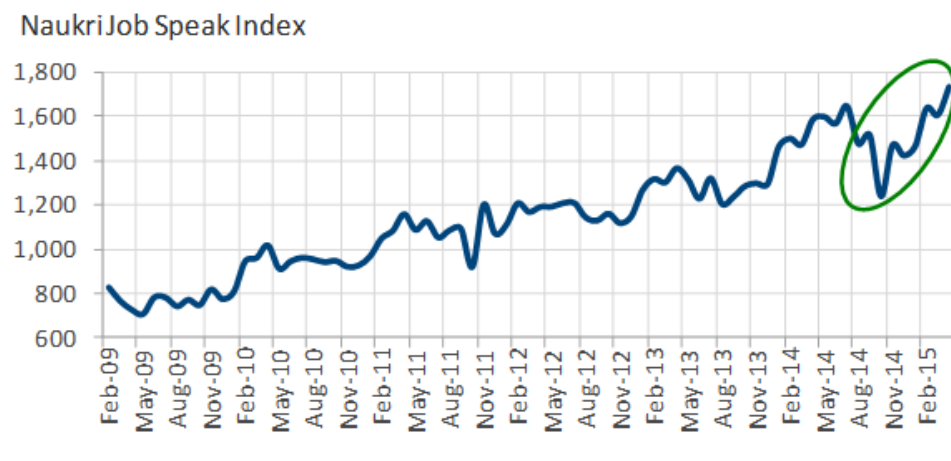
Source: Company, IIFL Research

Figure 5: No. of unique customers increased significantly over the past one year



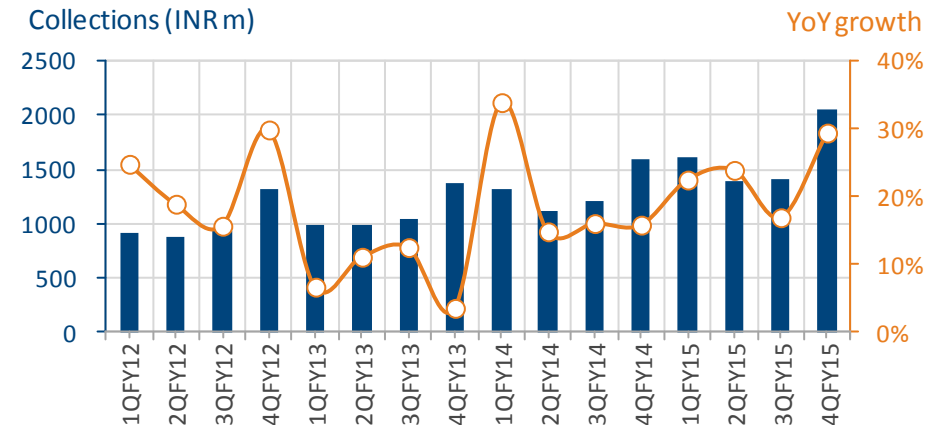
Source: Company, IIFL Research

Figure 6: Job Speak index indicates a sharp improvement over past six months



Source: Company, IIFL Research

Figure 7: Growth in collections has been the best in the past two years



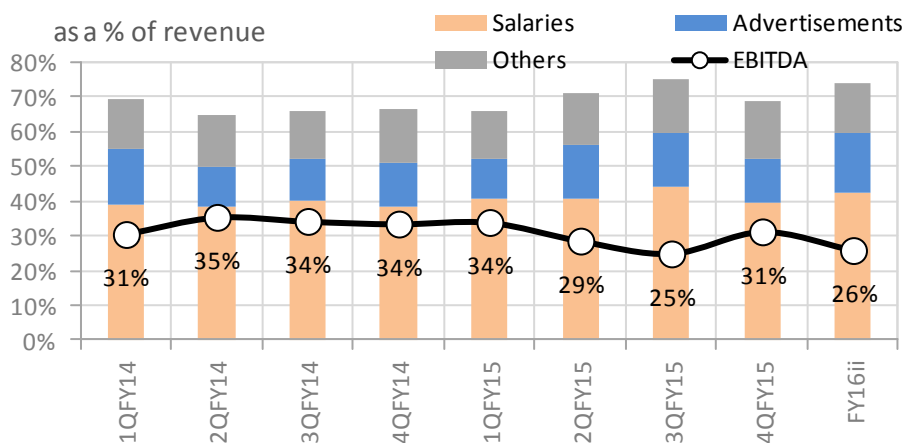
Source: Company, IIFL Research

Significant EBIDTA beat – 20% above our estimate:

InfoEdge’s standalone EBITDA margin, at 31.3% was much above our estimate of 26.4%. On 3% higher revenue growth and a significant margin beat, its 4QFY15 EBITDA was 20% above our estimate.

Lower advertisement expenses were a reason for the EBITDA margin surprise. Management commentary indicates that these will increase materially going forward. For FY16, we estimate that its advertisement expenses will increase by 60% to Rs13.5bn. Increasing competition in real estate portals and the need to increase marketing spends is the key reason for higher advertisement expenditure.

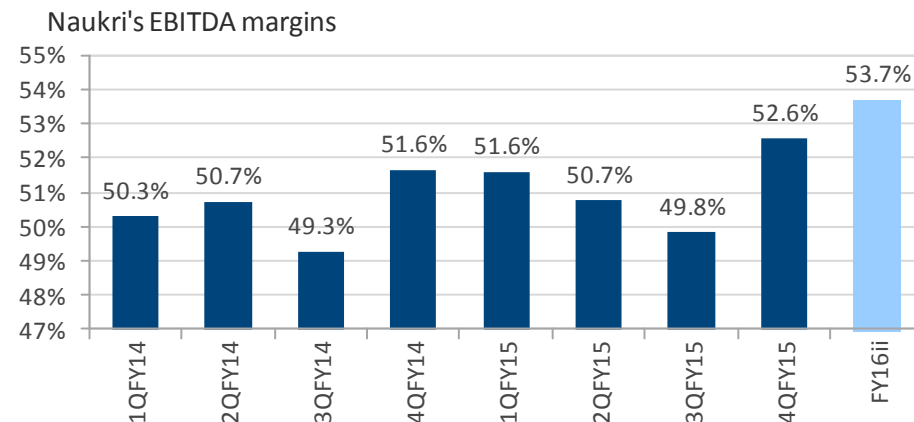
Figure 8: Lower ad expenses and operating leverage in Naukri led to a significant positive surprise in EBITDA margins



Source: Company, IIFL Research

High operating leverage in Naukri led to a significant expansion in its EBITDA margins. At 52.6%, they were at the second highest level in its history. Management commentary indicates that the operating leverage will continue if its revenue growth remains above 20%.

Figure 9: Naukri’s EBITDA margins were at second highest level in its history



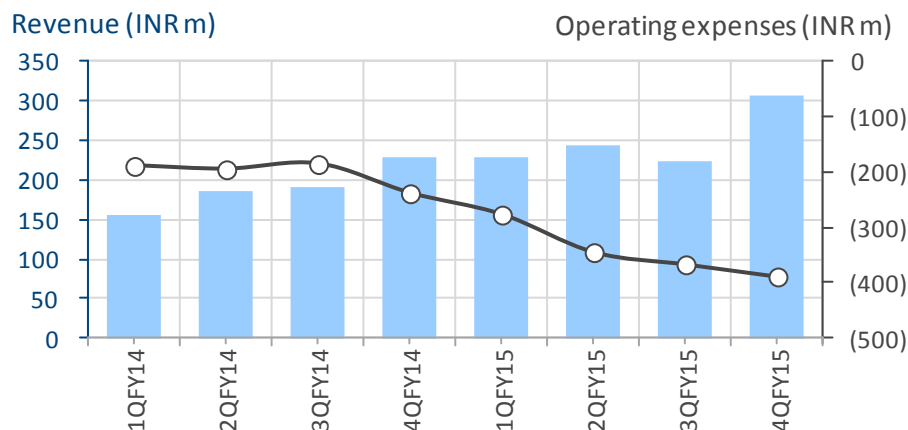
Source: Company, IIFL Research

QIP money for 99acres remains entirely unutilised:

Three quarters ago, InfoEdge raised USD125m through a QIP for investments in 99acres. Product improvements (UI, verification etc.) and acquisitions related to 99acres were the likely areas of investment. However, nearly all of the QIP money remains unutilised.

That’s not to say that the company hasn’t invested in improving the product. The web version underwent a significant UI refresh and new features like the map based search were added. The Android version had two major iterations since then.

Figure 10: Operating expenses at 99acres has increased over the past three quarters



Source: Company, IIFL Research

Competition in online real estate has increased significantly. From a clear duopoly (99acres and magicbricks) a few years ago, Housing and Commonfloor have emerged as significant players. Now, Housing’s Android app downloads and monthly visitors are likely the highest among Indian real-estate portals. Arguably, Housing’s high marketing spend would have skewed the near term comps. But, the fact that it is well funded and has shown leadership in product innovations implies high competitive intensity will last for a long time. Such high competitive intensity had impacted medium term profitability of the players in other countries.

Figure 11: 99acres.com is trailing some competitors in web visitors and App downloads

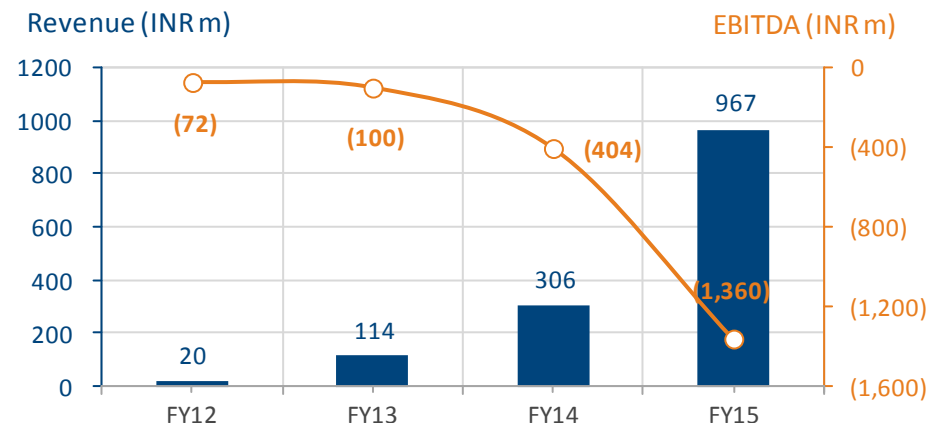
Last 6 months	99acres	Housing	Magicbricks	Commonfloor
Android app downloads	Less than 1m	Less than 5m	Less than 1m	Less than 1m
Estimated visits (m)	3.4	14.3	7.2	2.6
Time on site (minutes)	8:19	3:46	4:52	6:42
Page views	4.2	2.9	2.8	4.4
Bounce rate	38.6%	64.3%	56.6%	44.7%
Organic searches	91.6%	86.2%	88.0%	91.0%
Referrals	11.5%	54.6%	30.9%	19.5%

Source: Similarweb.com, IIFL Research

Zomato propels ahead; Meritnation slows:

Zomato continues to scale well. Revenue growth tripled in FY15 to Rs9.6bn (includes material acquisitions like Urban Spoon). Operating expense has also tripled during this time and EBITDA loss increased to Rs1.4bn.

Figure 12: Zomato’s revenues has tripled during FY15 and so has its losses



Source: Company, IIFL Research

We believe its robust growth will continue. Entry into significant adjacencies like online food delivery and expansion into large markets like US will be the key revenue drivers.

Meritnation witnessed only a 6% revenue growth in FY15. Management commentary indicates that there was a change in its strategy during FY15 and scaled back on some of the sales initiatives. However they also indicated that traction had improved in the recent past.

Due to the slowdown in growth, we are conservative not implying any value for it in the SOTP valuation of InfoEdge. In our earlier SOTP valuation, Meritnation contributed to 2.8% of overall value of InfoEdge.

SOTP value of Rs946:

We believe InfoEdge is the most diversified beneficiary of India's increasing internet penetration. Continued improvement in revenue growth at Naukri, operating leverage at Naukri and higher valuation rounds of Zomato are the key medium term triggers. On our revised SOTP, we value InfoEdge at Rs946 per share.

Figure 13: SOTP valuation

Particulars (INR m)	Sales - FY15	2 yr frwd. PAT	Valuation metric	Multiple (x)	Valuation (Rs m)	InfoEdge's stake	Value of InfoEdge's stake	Contr. to combined value
Naukri business	4,449	2,341	Price-to-Earnings	28.0	65,557	100.0%	65,557	57.6%
99acres.com	1,004		Price-to-Sales	10.0	10,040	100.0%	10,040	8.8%
Zomato	967		Price-to-Sales	42.1	40,700	50.1%	20,391	17.9%
Policybazaar.com	866		Latest funding		11,730	18.0%	2,111	1.9%
Meritnation.com	216				-	55.8%	-	0.0%
Canvera	725		Latest funding		2,500	36.0%	900	0.8%
Shiksha	324		Price-to-Sales	7.5	2,430	100.0%	2,430	2.1%
Jeevansathi	392				-	100.0%	-	0.0%
Mydala			Investment value		574	47.0%	270	0.2%
Happily unmarried			Investment value		280	34.0%	95	0.1%
Cash balance as on 4QFY15							11,981	10.5%
Total value of company							113,775	
No of shares (m)							120	
Value of company (per share)							946	

Source: Company, IIFL Research

Valuation summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues (Rs m)	5,663	7,325	10,025	13,573	17,993
Ebitda margins (%)	17.4	2.9	(2.5)	0.2	4.8
Pre-exceptional PAT (Rs m)	926	296	464	644	1,156
Reported PAT (Rs m)	897	241	464	644	1,156
Pre-exceptional EPS (Rs)	8.5	2.5	3.9	5.4	9.6
Growth (%)	(19.6)	(71.0)	56.9	38.8	79.4
IIFL vs consensus (%)			(73.4)	(72.9)	0.0
PER (x)	96.2	331.9	211.6	152.4	85.0
ROE (%)	14.5	2.9	3.3	4.4	7.5
Net debt/equity (x)	(1.1)	(1.0)	(1.0)	(1.1)	(1.3)
EV/Ebitda (x)	84.2	421.9	(357.5)	3,019.1	101.0
Price/book (x)	13.3	7.0	6.8	6.6	6.2

Source: Company data, IIFL Research

Background: Info Edge’s naukri.com, the leading online portal for recruitments in India, was launched in 1997. Naukri.com allows candidates to post their CVs free of charge on the website. The portal derives revenue from recruiters by charging for access to its database of CVs. Display of advertisements on naukri.com is the other source of revenue along with posting of job classifieds by recruiters. It also operates Quadrangle, a brick-and-mortar executive search service. The company also has other classified based portals, jeevansathi.com (matrimony) and 99acres.com (real estate). Info Edge’s other key online initiatives include shiksha.com, Zomato.com & allcheckdeals.com. Recently, Info Edge invested in companies in emerging areas of the Internet such as group buying, fashion retail and photography

Management

Name	Designation
Sanjeev Bikhchandani	Founder & Exec. Chairman
Hitesh Oberoi	MD & CEO
Chintan Thakkar	CFO

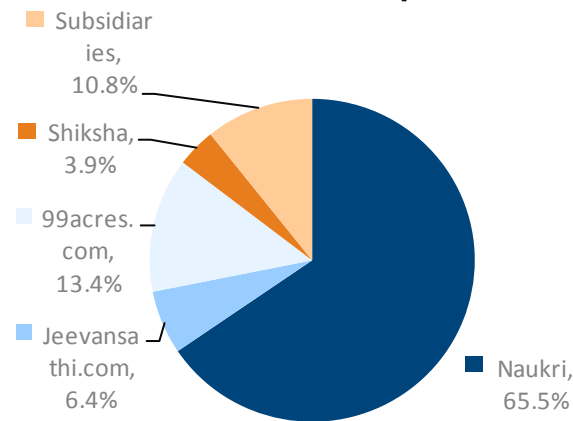
LinkedIn, Monster.com, Timesjob.com, Magicbricks.com, Bharatmatrimony.com

Assumptions

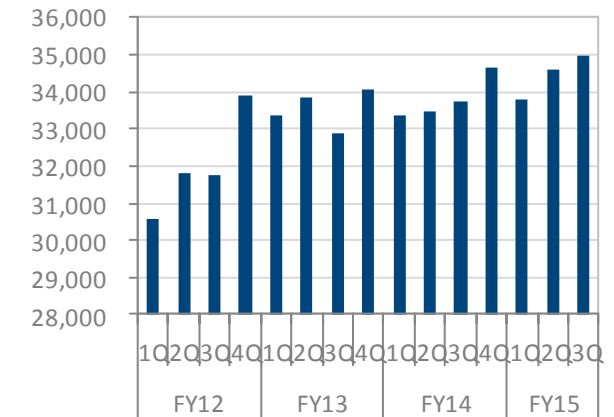
Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Standalone revenue growth (%)	16.1	21.1	25.6	23.8	23.9
Standalone EBITDA margins (%)	33.5	29.8	25.9	27.7	27.3
Revenue growth of subsidiaries (%)	74.4	97.9	93.6	73.4	52.8
Income from Associates (Rs m)	(5.0)	(0.3)	(49.9)	(74.8)	(112.2)
Income tax rate - Standalone (%)	31.5	27.5	30.0	30.0	30.0

Source: Company data, IIFL Research

Revenue break-up - FY14



Rev. per customer (qa, INR)



PE chart



EV/Ebitda



Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues	5,663	7,325	10,025	13,573	17,993
Ebitda	987	209	(248)	29	856
Depreciation and amortisation	(212)	(469)	(643)	(854)	(966)
Ebit	775	(260)	(891)	(825)	(110)
Non-operating income	485	949	1,063	1,171	1,282
Financial expense	(30)	(38)	(34)	(34)	(34)
PBT	1,231	651	137	312	1,138
Exceptionals	(30)	(55)	0	0	0
Reported PBT	1,201	596	137	312	1,138
Tax expense	(591)	(740)	(758)	(952)	(1,149)
PAT	610	(144)	(621)	(640)	(11)
Minorities, Associates etc.	287	385	1,085	1,284	1,167
Attributable PAT	897	241	464	644	1,156

Ratio analysis

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Per share data (Rs)					
Pre-exceptional EPS	8.5	2.5	3.9	5.4	9.6
DPS	2.5	3.0	0.8	1.1	1.9
BVPS	61.5	116.7	119.7	123.7	131.0
Growth ratios (%)					
Revenues	20.5	29.4	36.9	35.4	32.6
Ebitda	(16.8)	(78.8)	(218.7)	(111.7)	2838.4
EPS	(19.6)	(71.0)	56.9	38.8	79.4
Profitability ratios (%)					
Ebitda margin	17.4	2.9	(2.5)	0.2	4.8
Ebit margin	13.7	(3.6)	(8.9)	(6.1)	(0.6)
Tax rate	49.2	124.2	553.0	305.4	101.0
Net profit margin	10.8	(2.0)	(6.2)	(4.7)	(0.1)
Return ratios (%)					
ROE	14.5	2.9	3.3	4.4	7.5
ROCE	17.6	5.2	0.9	1.7	5.2
Solvency ratios (x)					
Net debt-equity	(1.1)	(1.0)	(1.0)	(1.1)	(1.3)
Net debt to Ebitda	(7.6)	(67.4)	59.5	(580.5)	(23.0)
Interest coverage	26.0	(6.9)	(26.0)	(24.1)	(3.2)

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Cash & cash equivalents	7,464	14,107	14,764	16,912	19,722
Inventories	0	0	0	0	0
Receivables	92	237	325	440	583
Other current assets	386	449	614	832	1,103
Creditors	589	1,125	1,651	2,101	2,629
Other current liabilities	1,889	2,558	2,520	3,140	3,969
Net current assets	5,464	11,110	11,532	12,942	14,809
Fixed assets	983	4,452	4,559	4,554	4,439
Intangibles	605	1,462	1,462	1,462	1,462
Investments	995	1,130	2,080	2,505	2,893
Other long-term assets	75	75	77	93	110
Total net assets	8,122	18,229	19,709	21,557	23,713
Borrowings	10	7	0	0	0
Other long-term liabilities	1,392	4,188	5,323	6,682	7,961
Shareholders equity	6,720	14,034	14,386	14,875	15,752
Total liabilities	8,122	18,229	19,709	21,557	23,713

Cash flow summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Ebit	775	(260)	(891)	(825)	(110)
Tax paid	(591)	(740)	(758)	(952)	(1,149)
Depreciation and amortization	212	469	643	854	966
Net working capital change	377	753	559	694	820
Other operating items	0	0	0	0	0
Operating cash flow before interest	773	222	(447)	(228)	527
Financial expense	0	0	0	0	0
Non-operating income	455	911	1,028	1,137	1,248
Operating cash flow after interest	1,228	1,133	581	908	1,775
Capital expenditure	(104)	(3,900)	(750)	(850)	(850)
Long-term investments	(231)	(2,000)	(1,000)	(500)	(500)
Others	1,564	4,224	2,268	2,702	2,540
Free cash flow	2,458	(543)	1,099	2,260	2,965
Equity raising	0	7,509	0	0	0
Borrowings	1	(3)	(7)	0	0
Dividend	(255)	(319)	(435)	(112)	(155)
Net chg in cash and equivalents	2,204	6,643	656	2,148	2,810

Source: Company data, IIFL Research

Disclosure : Published in 2015, © India Infoline Ltd 2015

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Name, Qualification and Certification of Research Analyst: Sandeep Muthangi(PGDM), Nandish Dalal(Chartered Accountant)

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Key to our recommendation structure

BUY - Absolute - Stock expected to give a positive return of over 20% over a 1-year horizon.

SELL - Absolute - Stock expected to fall by more than 10% over a 1-year horizon.

In addition, **Add** and **Reduce** recommendations are based on expected returns relative to a hurdle rate. Investment horizon for **Add** and **Reduce** recommendations is up to a year. We assume the current hurdle rate at 10%, this being the average return on a debt instrument available for investment.

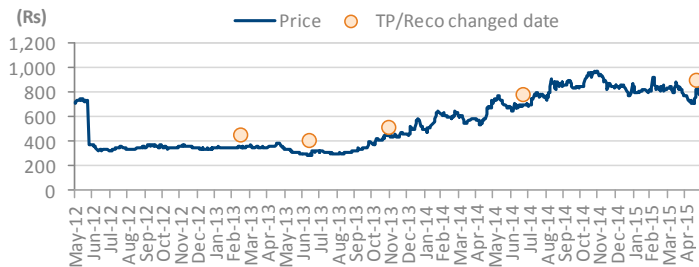
Add - Stock expected to give a return of 0-10% over the hurdle rate, i.e. a positive return of 10%+.

Reduce - Stock expected to return less than the hurdle rate, i.e. return of less than 10%.

Distribution of Ratings: Out of 182 stocks rated in the IIFL coverage universe, 103 have BUY ratings, 8 have SELL ratings, 46 have ADD ratings and 25 have REDUCE ratings.

Price Target: Unless otherwise stated in the text of this report, target prices in this report are based on either a discounted cash flow valuation or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst’s views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company’s products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, in fashion. Valuations may also be affected by changes in taxation, in exchange rates and, in certain industries, in regulations. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, and political and social conditions. This discussion of valuation methods and risk factors is not comprehensive – further information is available upon request.

Info Edge: 3 year price and rating history



Date	Close price (Rs)	Target price (Rs)	Rating
04 May 2012	758	918	BUY
14 Mar 2013	355	459	BUY
12 Jul 2013	290	414	BUY
28 Nov 2013	445	521	BUY
21 Jul 2014	687	789	BUY
20 May 2015	744	906	BUY