



## Info Edge (India)

Moving in right direction

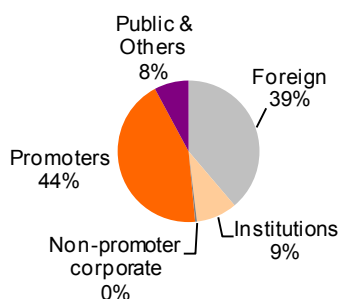
Reco: Buy

CMP: Rs805

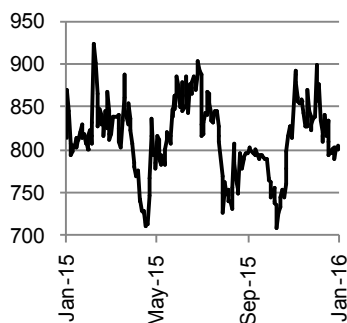
### Company details

Price target:	Rs1,000
Market cap:	Rs9,723 cr
52-week high/low:	Rs962/700
NSE volume: (No of shares)	0.9 lakh
BSE code:	532777
NSE code:	NAUKRI
Sharekhan code:	NAUKRI
Free float: (No of shares)	6.8 cr

### Shareholding pattern



### Price chart



### Price performance

(%)	1m	3m	6m	12m
Absolute	-4.1	4.9	-8.8	1.1
Relative to Sensex	1.1	16.7	2.3	20.4

### Key points

- Steady operating performance in a seasonally weak quarter:** For Q3FY2016, Info Edge reported a decent operating performance, with 19% Y-o-Y growth in revenues to Rs173.4 crore, led by 19.3% growth in the recruitment business (Naukri.com) and 12.6% in 99acres.com. The EBIT margin for the quarter improved by 280BPS QoQ and was down by 261BPS YoY to 19.1%. While the sequential improvement in margin was led by lower loss in the 99acres business from Rs27 crore loss to Rs21.3 crore in Q3FY2016, the EBIT margin for Naukri was down by 360BPS QoQ to 49.5%. The overall margins' performance was better than expectations. The reported net income was down by 43.8% YoY to Rs21.7 crore, on account of extra-ordinary items of Rs11.5 crore due to; 1) capital gain from sale of stake in Policy Bazaar; 2) additional provision for bonus; and 3) diminution in the carrying value of Canvera Digital Technologies (investee company). The tax provisioning was up by 21% YoY and 55% QoQ to Rs21.4 crore on account of Rs4.5 crore one-off capital gain tax pertaining to stake sale in Policy Bazaar. On an adjusted basis, the net income for the quarter was down by 2.5% YoY and up by 11% QoQ to Rs37.7 crore.
- Pick-up in non-IT market, key to cross high-teens growth in Naukri:** (1) Naukri's growth momentum to continue led by IT market; the management maintains high-teen growth in the segment, but to improve thereon it will be aided by pick-up in non-IT markets; (2) 99acres-real-estate market is witnessing slowdown in Delhi NCR region (largest market for the company); other markets like Mumbai, Bengaluru, and Pune remain relatively better. Overall transaction volumes have fallen across the markets (new launches down 50-70% YoY) with inventory piled up to two to four years; (3) Competitive intensity has decreased for 99acres owing to weak demand environment, not expecting any revival soon; (4) Acquired 35% stake in Rare Media Company Pvt Ltd for Rs7.5 crore, it is a B2B apps/platform business, which will help in creating solutions for 99 acres; (5) Zomato is not expected to breakeven in near term, need another 9-12 months to see some certainty of breakeven timeline.
- Maintain Buy with a price target of Rs1,000:** Given the dullness in the real estate market and lower competitive intensity, we expect margins to improve in the business in the near term. However, getting back to growth in top line will be a constraint in the segment. In Naukri, we expect gradual improvement over FY2017-18 with improvement in overall GDP and job market. We have broadly maintained our estimates for FY2016 and FY2017. We continue to see Info Edge as a strong play on India's internet and mobile penetration theme. With a strong online presence through various ventures in recruitment (Naukri), real estate (99acres), restaurant listing (Zomato) and coupon industry (mydala.com), it is a preferred play on both e-commerce/online shift coupled with macro recovery. We have maintained our Buy rating on the stock with an SOTP-based price target of Rs1,000.

### Results (stand-alone)

Particulars	Q3FY16	Q3FY15	Q2FY16	YoY (%)	QoQ (%)
Net sales	173.4	145.7	174.1	19.0	-0.4
Total income from operations	173.4	145.7	174.1	19.0	-0.4
Network, internet and other direct charges	5.9	5.5	5.5	7.5	7.3
Employee benefits expense	80.4	64.2	75.3	25.2	6.8
Gross profit	87.1	76.1	93.4	14.5	-6.7
Advertising and promotion cost	27.1	23.1	37.5	17.5	-27.7
Other expenses	21.5	16.7	22.6	29.2	-4.5
Operating profit	38.5	36.3	33.4	5.9	15.4
Depreciation and amortisation	5.4	4.8	5.1	14.1	7.6
EBIT	33.0	31.6	28.3	4.6	16.7
Other income	21.6	25.6	19.5	-15.6	10.9
Finance costs	0.0	0.8	0.0	-97.1	29.4
PBT	54.6	56.4	47.8	-3.2	14.4
Provision of tax	16.9	17.8	13.8	-4.8	22.2
Net income	37.7	38.6	33.9	-2.5	11.1
Minority interest	0.0	0.0	0.0		
Adjusted net income	37.7	38.6	33.9	-2.5	11.1
Exceptional item	16.0	0.0	0.0		
Reported net income	21.7	38.6	33.9	-43.8	-35.9
EPS (Rs)	3.1	3.2	2.8		
Gross profit margin	50.2	52.2	53.6	-197 BPS	-339 BPS
Operating profit margin	22.2	24.9	19.2	-275 BPS	303 BPS
EBIT margin	19.1	21.7	16.3	-261 BPS	280 BPS
Adjusted net income margin	21.7	26.5	19.5	-477 BPS	226 BPS
Tax rate	31.0	31.5	29.0	-51 BPS	199 BPS

## Valuations (stand-alone)

Particulars	FY14	FY15	FY16E	FY17E
Total revenue (Rs cr)	505.9	611.6	711.8	832.1
EBITDA margin (%)	33.0	29.8	21.0	26.2
Adjusted net profit	131.1	164.7	144.7	204.3
Adjusted EPS (Rs)	12.0	13.7	12.0	16.9
PER (x)	67.0	59.0	67.1	47.5
P/BV	11.5	5.8	5.4	4.9
EV/EBITDA	49.8	46.7	57.1	39.1
RoE (%)	17.2	9.9	8.1	10.4
RoCE (%)	25.3	14.5	11.9	14.9
Dividend yield (%)	0.3	0.4	0.1	0.2

## SOTP valuation:

Business segment	Stake	Valuation methodology/rational	Per share value (Rs)
Recruitment business	100%	EV/EBITDA	600.6
99 Acres	100%	EV/Sales	54.9
Jeevansathi.com	100%	EV/Sales	12.3
Stand-alone business (per share)			667.8
Zomato Media Pvt Ltd	47%	Based on latest funding, valued at \$1 bn in the last round of funding	249.4
Other investee company			20.6
Cash		Per share	62.2
<b>Total per share</b>			<b>1,000</b>

## Operating metrics:

Particulars	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16
<b>Naukri.com</b>							
Number of resumes (m)	38	39	40	41	42	44	45
Avg resumes added daily (000s)	12	13	9	10	13	13	11
Average no. of resumes modified daily (000s)	116	135	124	133	166	185	163
Number of unique customers (000s)	31	31	31	33	34	34	34
<b>Vertical breakup of Naukri.com (%)</b>							
IT/ITeS	28	29	28	31	29	29	30
BFSI	5	5	5	5	5	5	4
Infrastructure	17	17	17	16	16	15	15
<b>Jeevansathi.com</b>							
Number of profiles ever loaded (m)	6.3	6.5	6.6	6.8	7	7.2	7.4
Avg profiles acquired daily	1,486	1,849	1,872	2,050	2,131	2,455	2,241
Number of unique paid customers	23,922	23,599	27,556	30,692	29,734	30,951	37,435
Avg amount realised in INR	3,758	3,897	3,679	3,586	3,583	3,514	3,185

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## Operating metrics:

Particulars	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16
<b>99acres.com</b>							
Number of listings	772	834	852	964	900	1,042	1,095
Number of paid listings	603	609	588	663	623	728	748
Number of paid transactions	18.2	21	19.2	20.7	17.6	24.6	23.7
<b>Segmental revenues (In cr)</b>							
Net sales	145.4	147.5	145.7	172.9	171.8	174.1	173.4
Recruitment solutions	104.1	107.2	108.4	125.2	124.7	128.2	129.4
99acres for real estate	22.6	24.5	23.0	30.3	25.3	27.8	25.9
Other verticals	18.3	15.8	14.3	17.8	21.8	18.1	18.1
<b>PBIT (in cr)*</b>	<b>48.7</b>	<b>40.4</b>	<b>34.3</b>	<b>58.3</b>	<b>24.3</b>	<b>32.7</b>	<b>32.7</b>
Recruitment solutions	53.8	53.8	53.4	69.5	63.9	68.2	64.1
99acres for real estate	-4.8	-10.5	-15.0	-7.6	-36.1	-27.2	-21.3
Others (including Jeevansathi)	-0.3	-2.9	-4.1	-3.6	-3.5	-8.3	-4.8
<b>PBIT margins (%)*</b>	<b>33.5</b>	<b>27.4</b>	<b>23.5</b>	<b>33.7</b>	<b>14.1</b>	<b>18.8</b>	<b>18.9</b>
Recruitment solutions	51.7	50.2	49.3	55.5	51.2	53.2	49.5
99acres for real estate	-20.9	-42.9	-65.2	-25.4	-142.7	-97.8	-82.2
Others (including Jeevansathi)	-1.6	-18.4	-28.7	-20.2	-16.1	-45.9	-26.5
Headcount	3,406	3,681	3,701	3,817	4,049	4,124	4,082
Deferred revenues (in cr)	16	15	14	17	19	18	17

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