Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Info Edge (India) Ltd

Mixed Q2, Maintain Buy

Stock Update

Result Update

Internet & New media	Sharekhan code: NAUKRI

Reco/View: Buy	↔	CMP: **Rs. 7,662**	Price Target: **Rs. 8,800**	↑

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

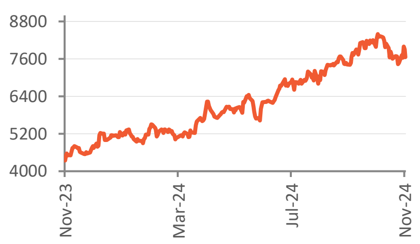
Company details

Market cap:	Rs. 99,283 cr
52-week high/low:	Rs. 8,463 / 4,435
NSE volume: (No of shares)	2.9 lakh
BSE code:	532777
NSE code:	NAUKRI
Free float: (No of shares)	8.1 cr

Shareholding (%)

Promoters	37.7
FII	32.3
DII	18.9
Others	11.1

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-7.3	10.8	27.7	70.1
Relative to Sensex	-4.7	10.0	19.5	47.7

Sharekhan Research, Bloomberg

Summary

- Standalone revenues stood at Rs. 656.1 crore, up 2.7% q-o-q/10.6% y-o-y slightly missing our estimates of Rs 659.7 crore
- EBITDA margin expanded by 280 bps q-o-q/108 bps y-o-y to 41.8%, beating our estimates of 41%. Recruitment solutions, 99acres.com, Jeevansathi.com and Shiksha.com revenues grew 8.5%/ 16.9%/33.4%and 9.7% y-o-y respectively.
- Management is seeing good growth in the recruitment business, especially in the IT sector while non-recruitment businesses are also growing well and are on the verge of becoming self-sustaining
- We maintain Buy with a revised-SOTP based PT of Rs. 8,800. At CMP, the stock trades at 81.7x FY26E EPS and 69.8x FY26E EV/EBITDA.

Standalone revenues stood at Rs. 656.1 crore, up 2.7% q-o-q/10.6% y-o-y slightly missing our estimates of Rs 659.7 crore. The recruitment business continued the uptick in Q2, while non-recruitment businesses continued to grow with lower operating losses. Revenue growth in the recruitment business was 8.5% y-o-y and for non-recruitment business verticals namely 99acres.com, Jeevansathi.com and Shiksha.com it was up 16.9%, 33.4%, and 9.7% respectively. Billings for the company grew by 14.3% y-o-y and stood at Rs 650.3 crore. EBITDA margin rose by 280 bps q-o-q/108 bps y-o-y to 41.8% beating our estimates of 41% owing to lower Advertising & Promotion cost and other expenses. Reported PAT stood at Rs 85.9 crore, down 63% q-o-q/59% y-o-y owing to exceptional item of Rs.108 crore and deferred tax charge of Rs. 259.7 crore (relating to unrealised gain on exceptional Item in earlier year). The core recruitment business is seeing acceleration with billing growth broad-based across IT, Non-IT and recruitment consultant and double-digit growth returning after five quarters. Cash losses from non-recruitment businesses in H1FY25 declined, driven by higher billings and effective cost-control measures. We have introduced FY27E and roll forward to Sep26E. We maintain Buy with a revised SOTP-based PT of Rs. 8,800. At CMP, the stock trades at 81.7x FY26E EPS and 69.8x FY26E EV/EBITDA.

Key positives

- Total billings rose to Rs 650.3 crore, up 14.3% y-o-y.
- 99acres.com's revenues grew 16.9% y-o-y to Rs. 102 crore
- Recruitment Business revenues stood at Rs. 494.9 crore, up 8.5% y-o-y

Key negatives

- Recruitment solutions' margins fell to 57.7% in Q1FY25 from 59.2% in Q1FY24.
- Shiksha Billings declined 2.8% y-o-y to Rs. 25 crore

Management Commentary

- Billings growth of 14% was on a slightly better macro-environment and continued healthy performance of their niche and adjacent businesses.
- Management is seeing good growth in recruitment business, especially in the IT sector while non-recruitment businesses are also growing well and are on the verge of becoming self-sustaining
- Niche and adjacent businesses like IIM Jobs, Naukri Gulf, Hirist, Naukri Fast Forward, Zwayam, DoSelect, AmbitionBox, and JobHai are showing good results and continue to expand growth opportunities.
- Broker billings grow at a faster pace than developer billings. Per-listing realisation among primary and secondary brokers rose y-o-y in Q2 led by premiumization of their offerings and product upgrades and selective price increases which were implemented earlier.
- Study Abroad segment is facing some challenges, with tighter restrictions for international students in Australia and Canada, coupled with reduced job opportunities after graduation, leading to a decline in interest.
- Jeevansathi's shift to freemium model has proven effective, driving both top-line growth and bringing the business closer to breakeven.
- Company is focused on expanding their user base, improving the platform, and providing content for informed real estate decisions, with the market remaining supportive in the case of 99acres.com
- Company is leveraging machine learning to improve search, matching, personalization, and recommendations across its businesses, making strong progress in AI deployment.

Revision in estimates – We have revised our earnings estimates to factor Q2FY25 performance and introduced FY27E.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 8,800: Info Edge reported a mixed quarter as good performance on billings and revenues got offset by exceptional items and deferred tax charge. Core recruitment business is seeing acceleration with billing growth broad based across IT, Non-IT and recruitment consultant and double-digit growth returning after five quarters. Cash losses from non-recruitment businesses in H1FY25 continued to decline, driven by higher billings and effective cost-control measures. We expect sales/PAT to grow at 17.7%/18.9% CAGR respectively over FY24-27E. We maintain Buy on Info Edge with revised SOTP-based PT of Rs. 8,800. At CMP, the stock trades at 81.7x FY26E EPS and 69.8x FY26E EV/EBITDA.

Key Risks

Intense competition from international and domestic players in the recruitment business could affect growth trajectory and margins of the recruitment business. Further, high competitive intensity in the real estate segment could enhance losses.

Valuation (Standalone) Rs cr

Particulars	FY24	FY25E	FY26E	FY27E
Revenue	2,381.0	2,688.1	3,196.9	3,884.9
OPM (%)	40.1	41.6	42.7	43.0
Adjusted PAT	850.2	991.8	1,211.1	1,427.7
% YoY growth	20.4	16.7	22.1	17.9
Adjusted EPS (Rs.)	65.7	76.8	93.7	110.5
PER (x)	116.7	99.8	81.7	69.3
P/BV (x)	3.9	3.8	3.7	3.5
EV/EBITDA (x)	101.8	85.9	69.8	56.5
ROE (%)	16.2	17.2	18.7	19.1
ROCE (%)	12.3	9.6	14.4	15.4

Source: Company; Sharekhan estimates

Key Highlights

- **Billings:** Total billings stood at Rs. 650.3 crore, up 14.3% y-o-y led by Recruitment Solutions, 99acres and Jeevansaathi, which grew 14%/16.5% and 31.4% y-o-y respectively.
- **Recruitment solutions:** Revenues stood at Rs. 494.9 crore, up 8.5% y-o-y. IT segment billing grew 12% while Non-IT and the Recruitment consultant segment grew by 20% and 10% respectively. IIMJobs. Naukri Gulf and Naukri Fast Forward also witnessed healthy billings growth of 40%, 18% and 27% y-o-y, respectively. Recruitment business operating margin declined 150 bps y-o-y to 57.7%.
- **Activities on recruitment platforms:** Naukri database is now comprises 103 million resumes. Average daily app installs stood at 16 million while Avg. number of resumes added daily were 24,500.
- **99acres.com:** Billings growth stood at Rs. 107.4crore, up 16.5% y-o-y. Billing growth in Q2 was driven by improvements in both the number of billed customers and average billing per customer . 99acres.com's revenues grew 16.9% y-o-y to Rs. 102 crore. Operating loss shrunk to Rs. 14 crore for Q2FY25 as compared to a loss of Rs. 17 crore in Q2FY24.
- **Jeevansathi.com:** Jeevansathi.com's billings improved by 31.5% y-o-y to Rs. 26 crore, while revenues grew by 33.4% y-o-y to Rs. 26 crore. Operating losses narrowed to Rs 0.7 crore in Q2FY25 as against a loss of Rs 17 crore in Q2FY24. Marketing expense rationalisation continued, with costs falling 36% y-o-y while maintaining growth momentum
- **Shiksha.com:** Billings fell 2.8% y-o-y to Rs. 25 crore, while the revenue grew 9.7% y-o-y to Rs. 33 crore. Operating loss stood at Rs 3 crore in Q2FY25, flat on a y-o-y basis.

Results (Standalone) Rs cr

Particulars	Q2FY25	Q2FY24	Q1FY25	Y-o-Y (%)	Q-o-Q (%)
Net Sales	**656.1**	**593.0**	**638.9**	**10.6**	**2.7**
Network, internet and other direct charges	12.6	12.2	12.2	3.3	2.9
Employee benefits Expense	262.4	243.5	258.7	7.8	1.4
Advertising and promotion cost	75.5	68.6	85.6	10.1	-11.7
Other Expenses	31.1	27.7	33.0	12.5	-5.6
Operating profit	**274.4**	**241.1**	**249.5**	**13.8**	**10.0**
Depreciation and amortisation	18.6	17.6	17.5	5.7	6.2
EBIT	255.8	223.5	231.9	14.5	10.3
Other Income	80.3	63.6	77.0	26.4	4.4
Finance Costs	4.7	4.7	4.6	0.9	1.6
PBT	**331.5**	**282.4**	**304.3**	**17.4**	**8.9**
Provision of Tax	353.7	68.7	72.0		
Adjusted Net Income	**-22.2**	**213.7**	**232.3**		
Reported Net Income	85.9	208.7	232.3	-58.9	-63.0
Adjusted EPS (Rs)	-1.7	17.6	19.1		
Margin (%)				**(Bps)**	**(Bps)**
GPM	58.1	56.9	57.6	120	49
OPM	41.8	40.7	39.0	117	278
EBIT Margin	39.0	37.7	36.3	130	269
NPM	-3.4	36.0	36.4		
Tax Rate	106.7	24.3	23.7		

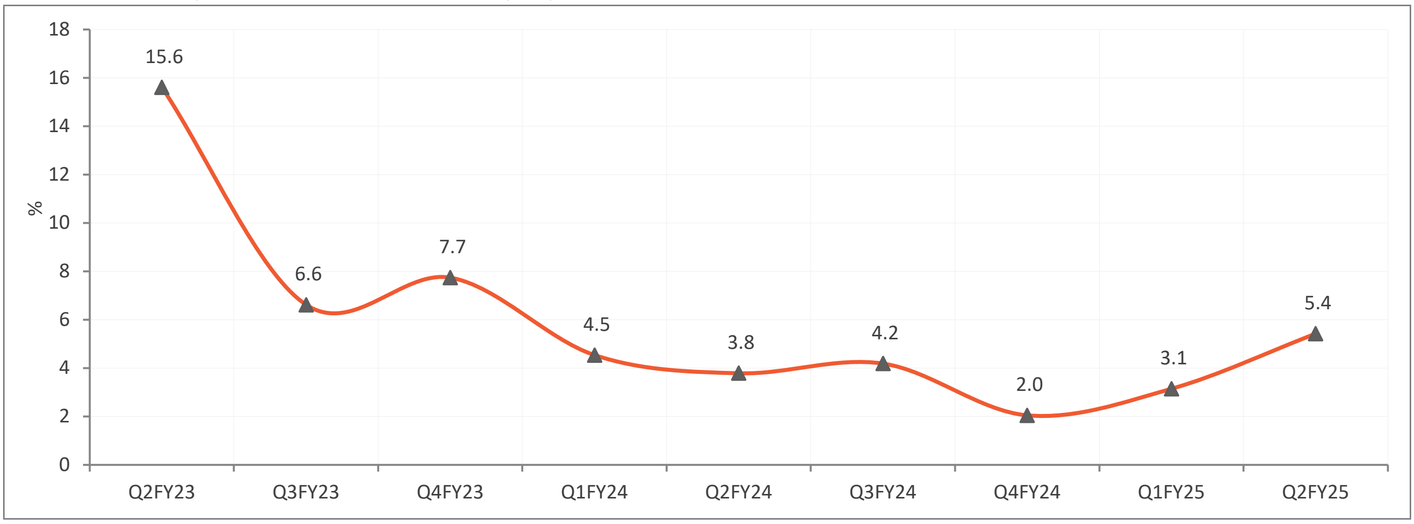
Source: Company; Sharekhan Research

SOTP Valuation

Business segment	Stake	Valuation methodology/ rational	Per Share value
Recruitment business	100%	EV/EBITDA	4810
99 Acres	100%	EV/Sales	335
Jeevansathi.com	100%	EV/Sales	86
Shiksha	100%	EV/Sales	98
Standalone business (per share)			5329
Zomato Media Pvt. Ltd.	13.58%		2310
PolicyBazzar	12.61%		746
Others investee company			84
Cash		Per share	330
Total per share			**8,799**

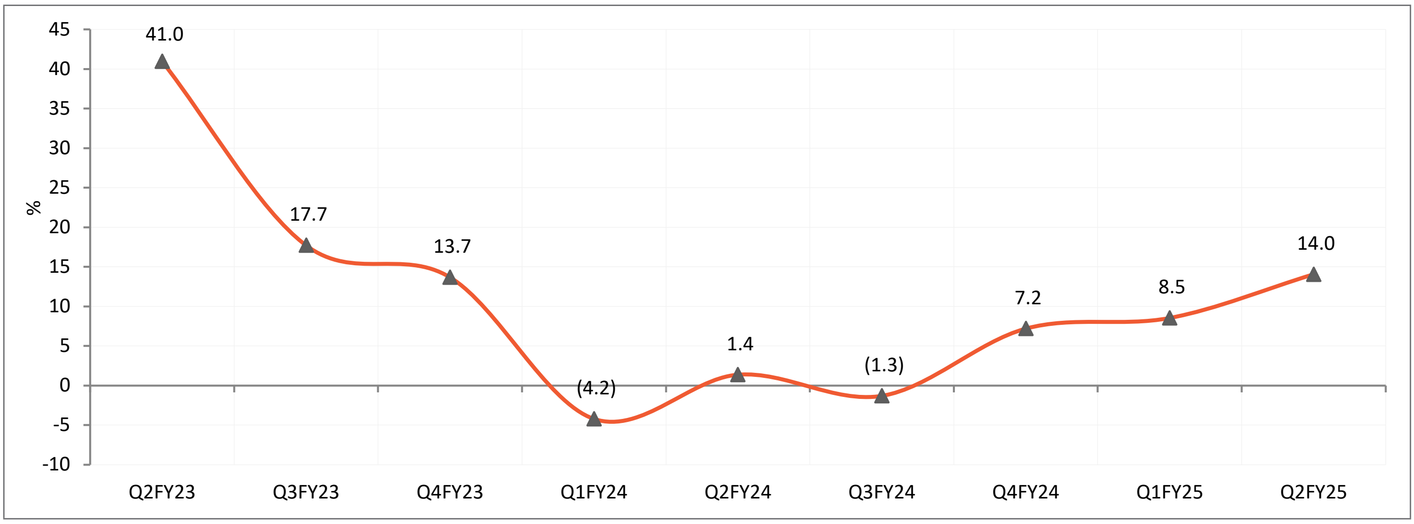
Source: Company; Sharekhan Research

Naukri: unique paying member growth trends (y-o-y)



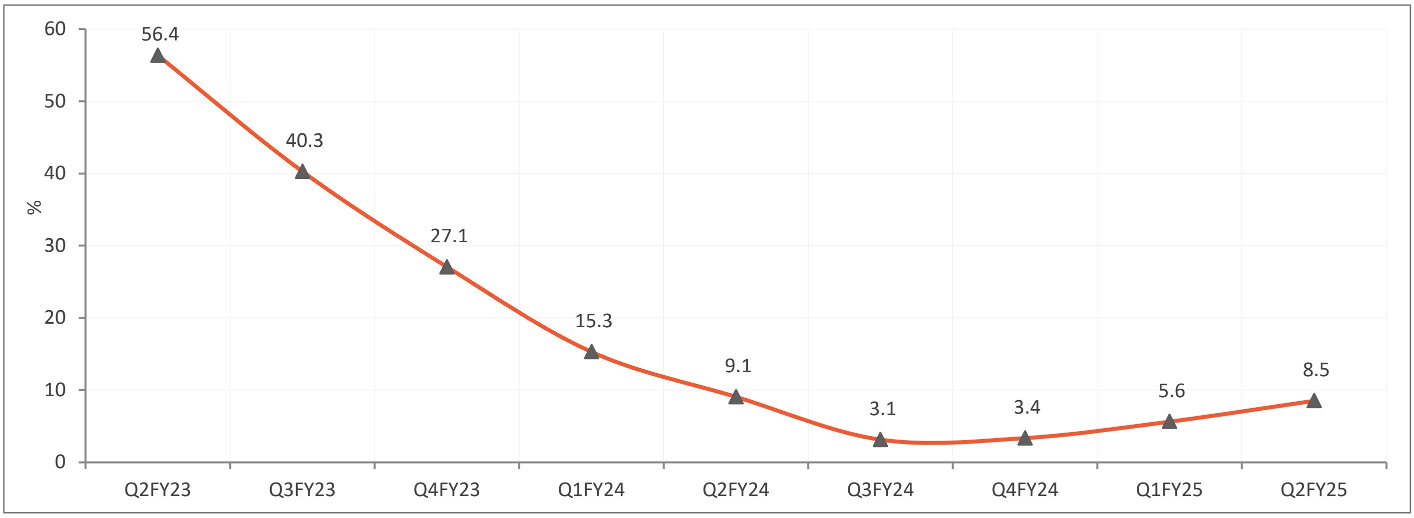
Source: Sharekhan Research

Naukri billing growth trends (y-o-y)



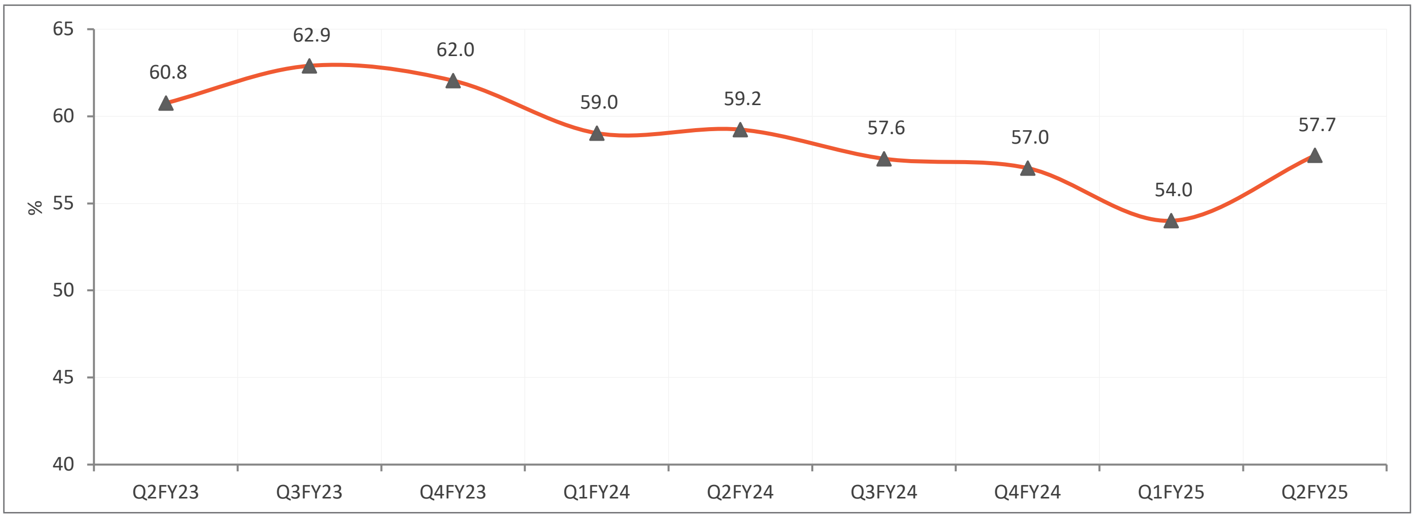
Source: Sharekhan Research

Naukri revenue growth trends (y-o-y)



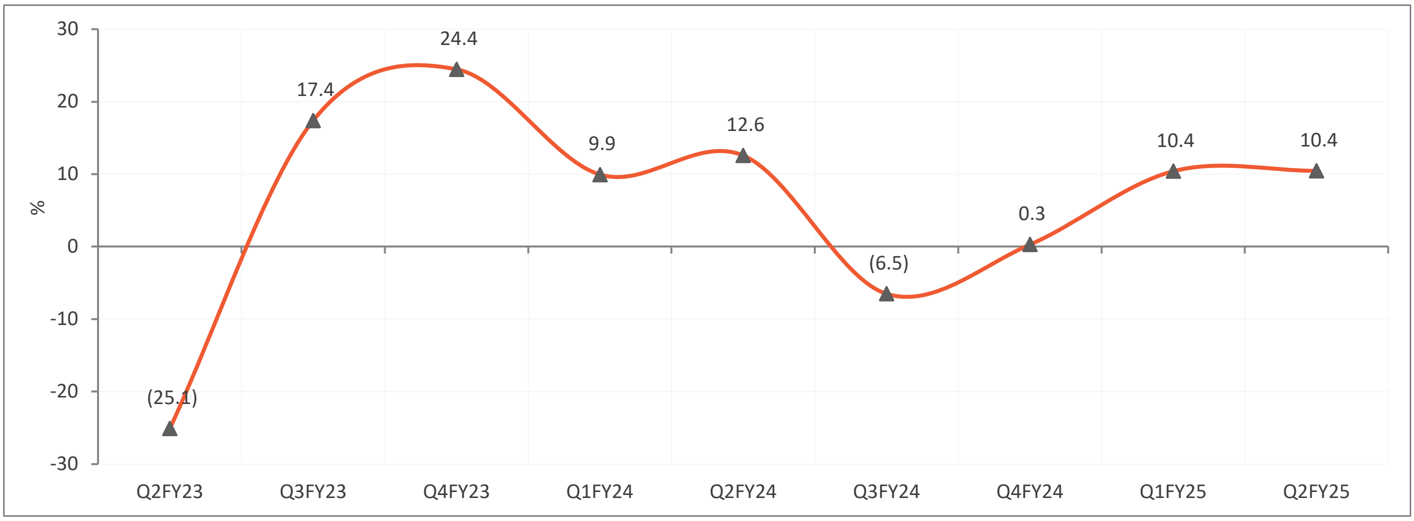
Source: Sharekhan Research

Naukri EBITDA margin trends (%)



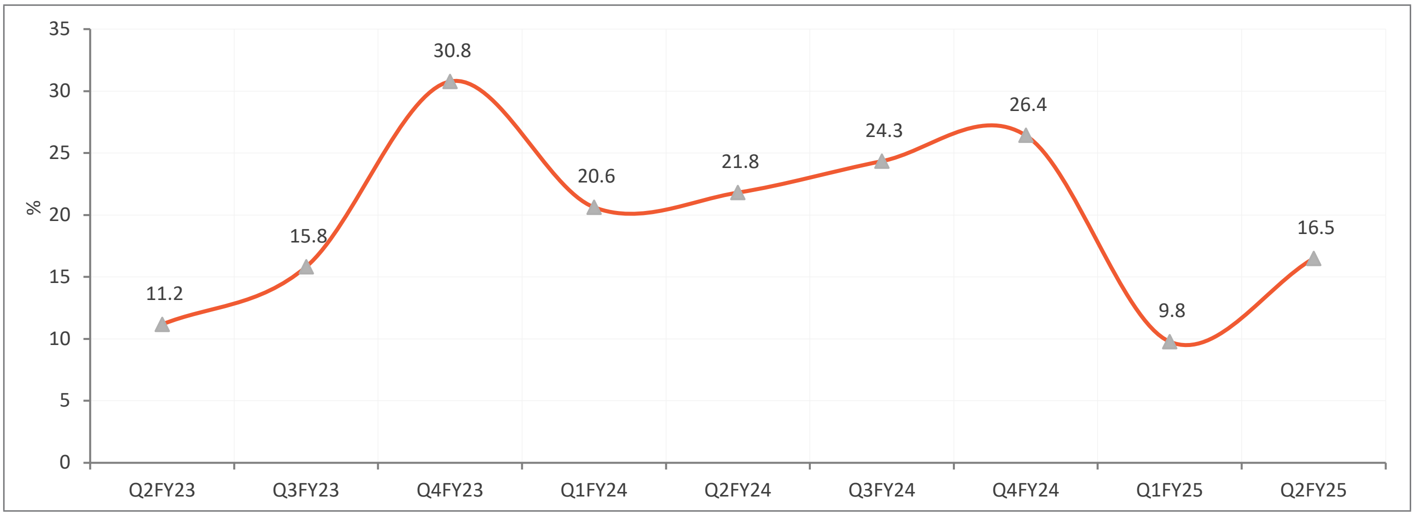
Source: Sharekhan Research

99acres paid listing trends (y-o-y)



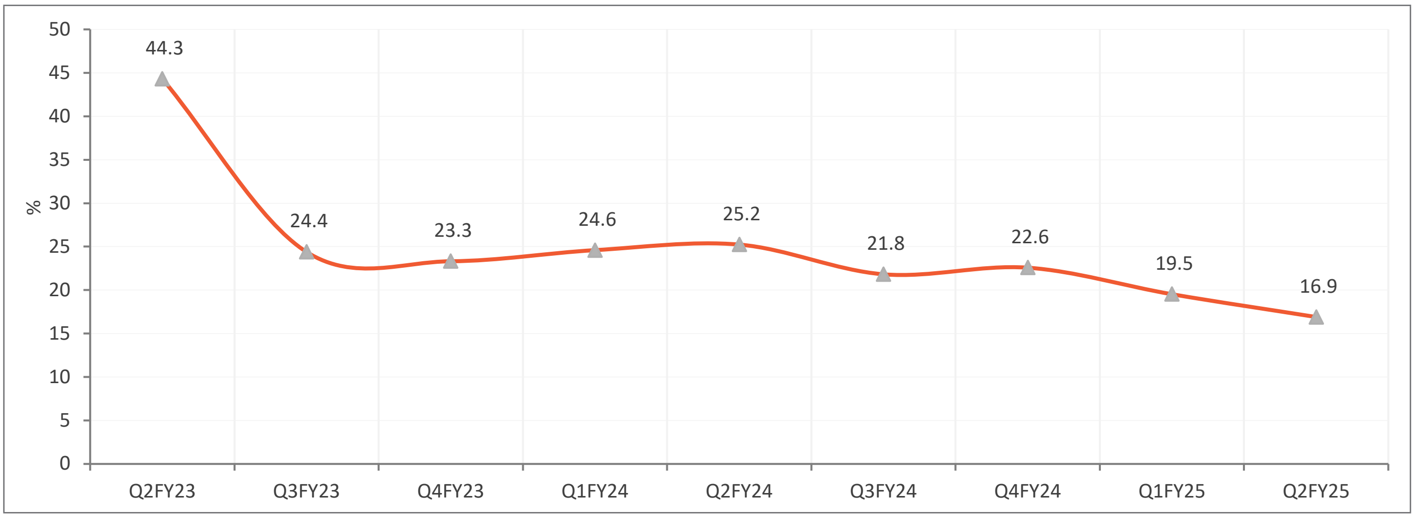
Source: Sharekhan Research

99acres billing growth trends (y-o-y)



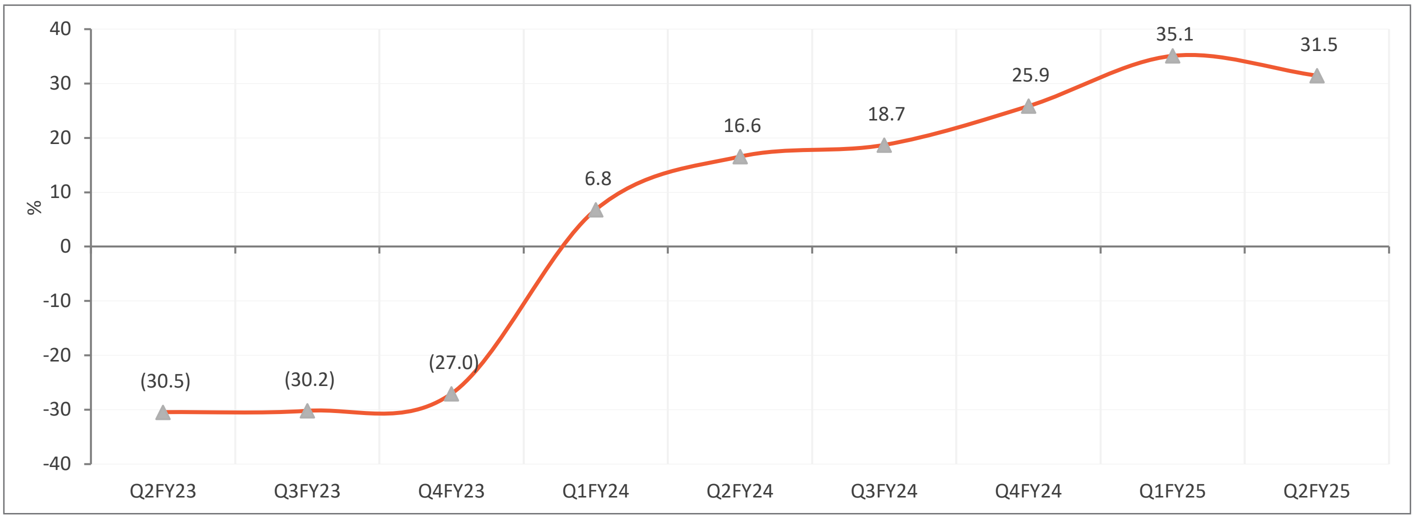
Source: Sharekhan Research

99acres revenue growth trends (y-o-y)



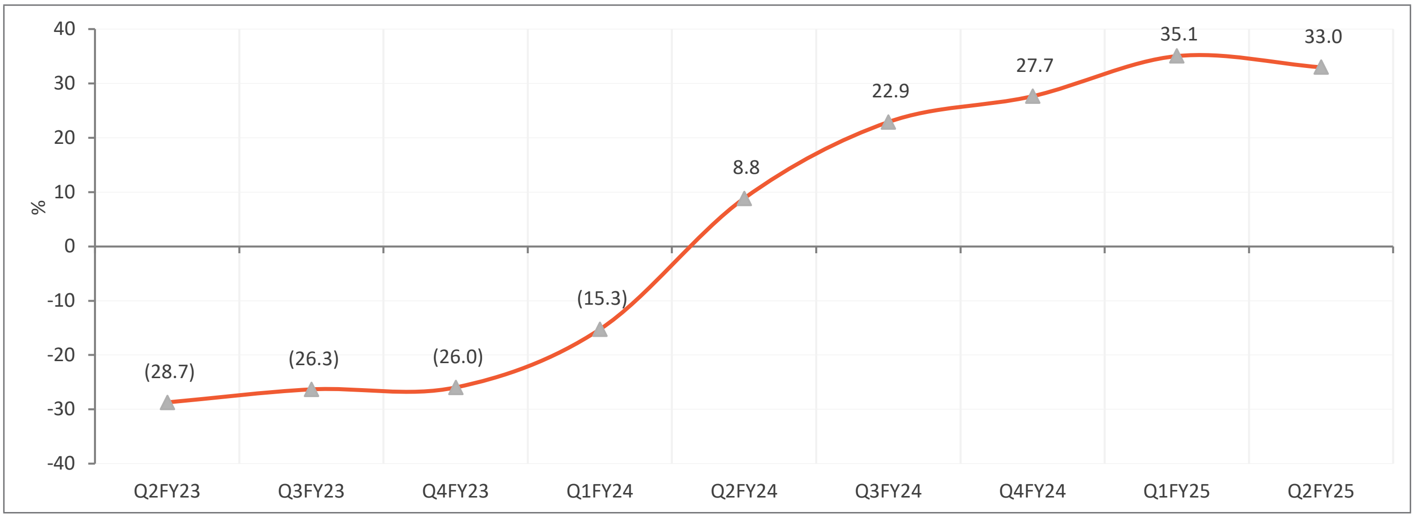
Source: Sharekhan Research

Jeevansathi billing growth trends (y-o-y)



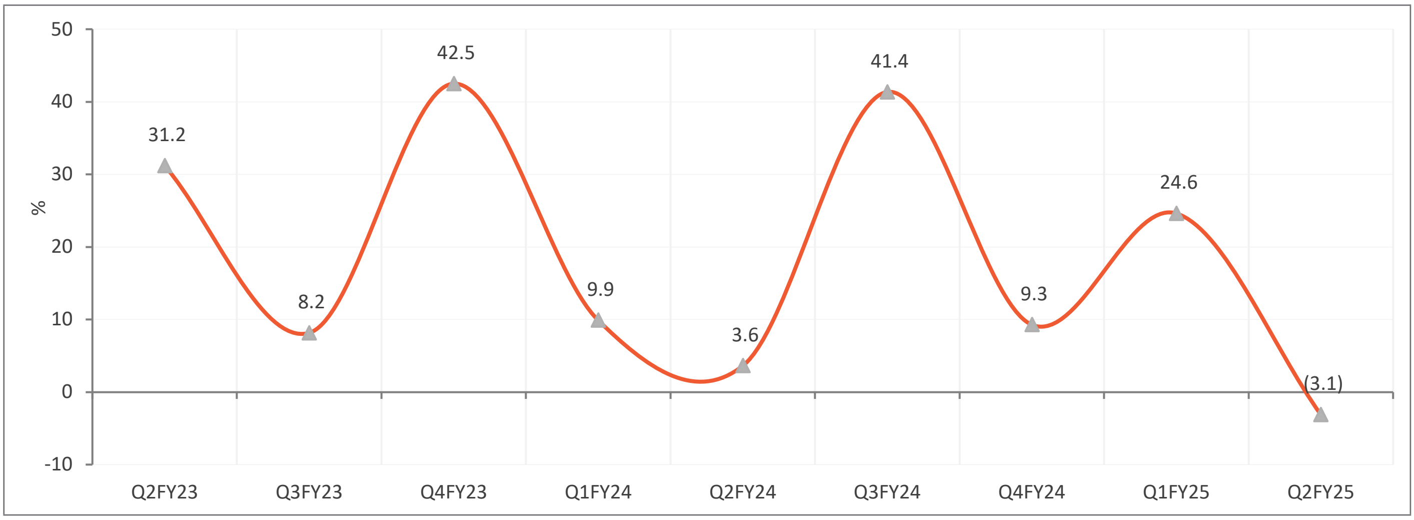
Source: Sharekhan Research

Jeevansathi revenue growth trends (y-o-y)



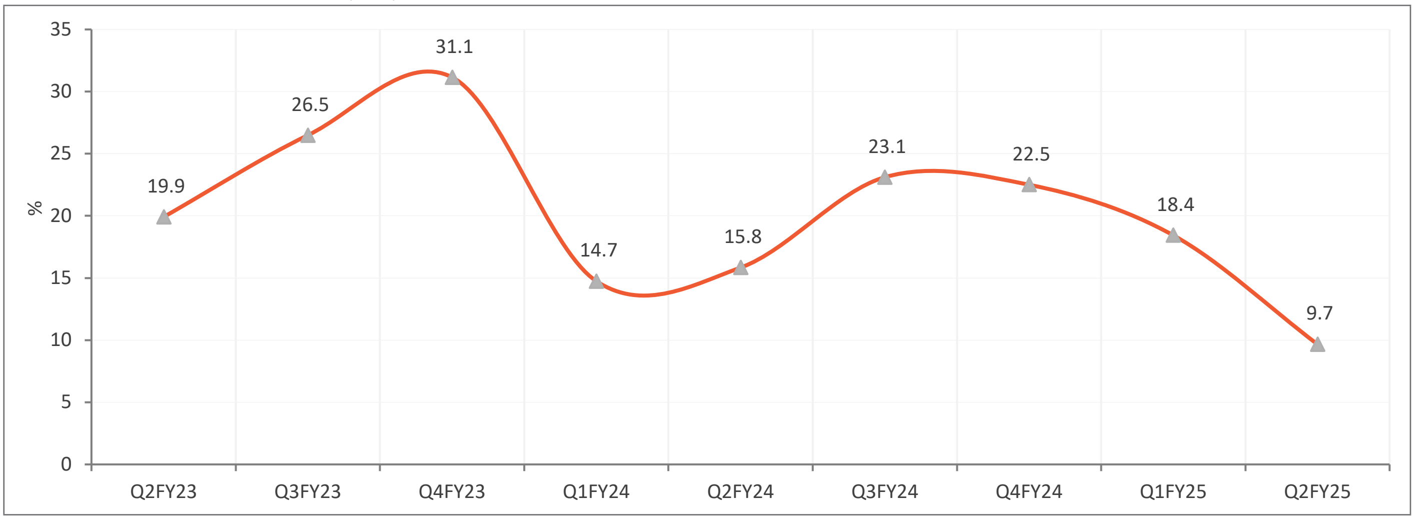
Source: Sharekhan Research

Shiksha billing growth trends (y-o-y)



Source: Sharekhan Research

Shiksha revenue growth trends (y-o-y)



Source: Sharekhan Research

Outlook and Valuation

Sector View – Expect acceleration in internet businesses going forward

Info Edge's recruitment business directly and disproportionately benefits from pick-up in GDP growth. With a strong shift from print ads to digital and lower interest rates, we expect high-growth trajectory for 99acres.com in the long term. Further, India's real estate online classifieds market is expected to be worth Rs. 6,000 crore by 2030, with a 21% CAGR over 2018-2030E.

Company Outlook – Poised to lead the pack

Info Edge is a leading online classifieds company with a strong position in recruitment, real estate, matrimony, and education. Info Edge sustains its strong traffic share across its core businesses over the past few quarters. Among its early investments in start-ups, Zomato and PolicyBazaar.com have emerged as big bets and have a huge potential to grow in the coming years. In the long term, we believe market-leading position across core businesses along with improving traction in certain investee companies and potential higher valuation for its financial investments would bode well for the company.

Valuation – Maintain Buy with revised PT of Rs. 8,800

Info Edge reported a mixed quarter as good performance on billings and revenues got offset by exceptional items and deferred tax charge. Core recruitment business is seeing acceleration with billing growth broad based across IT, Non-IT and recruitment consultant and double-digit growth returning after five quarters. Cash losses from non-recruitment businesses in H1FY25 continued to decline, driven by higher billings and effective cost-control measures. We expect sales/PAT to grow at 17.7%/18.9% CAGR respectively over FY24-27E. We maintain Buy on Info Edge with revised SOTP-based PT of Rs. 8,800. At CMP, the stock trades at 81.7x FY26E EPS and 69.8x FY26E EV/EBITDA.

One-year forward P/E (x) band

Source: Sharekhan Research

About company

Info Edge is India's largest listed internet technology player, operating in businesses such as online recruitment, real estate, matrimony, and others. The company operates in the online recruitment business under its flagship brand Naukri.com, which has a share of more than 80% of the recruitment market. The company's other businesses such as online real estate and matrimony divisions operate under 99acres.com and Jeevansathi.com, respectively. The company also has stakes in a number of companies, including Zomato and Policybazaar.com.

Investment theme

Info Edge enjoys a leadership position in its core businesses such as online recruitment, real estate, and matrimony and stands to benefit from the rising popularity of these platforms with greater internet penetration. Naukri is the leader in the industry and its revenue growth is directly linked to GDP growth. Cash generated by Naukri.com supports other businesses (99acres and Jeevansathi.com) and investments in start-ups. 99acres is well placed to capitalise from increasing spends on the digital front by real estate developers and brokers. In addition, the company has invested in more than 20 start-ups, of which some investments (Zomato and Policybazaar) have created higher value for the company. We believe Zomato and Policybazaar are now uniquely placed with a good brand names.

Key Risks

1) Entry of large internet players with aggressive expansion plans and any slower-than-expected economic recovery could affect growth trajectory and margins of the recruitment business, 2) any new technology that can provide tough competition to core businesses, 3) high competitive intensity in the real estate segment would widen losses, 4) higher competition for attracting talent in food delivery platforms would increase cash burn rates, and 5) increasing losses from companies that Info Edge has invested in.

Additional Data

Key management personnel

Sanjeev Bikhchandani	Founder and Executive Vice Chairman
Hitesh Oberoi	Managing Director and CEO
Chintan Arvind Thakkar	Director and CFO
Dr. Pawan Goyal	Chief Business Officer - Naukri.com
Maneesh Upadhyaya	Chief Business Officer- 99Acres.Com

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	4.57
2	Nalanda India Equity Fund Ltd	2.83
3	Vanguard Group Inc/The	2.38
4	Blackrock Inc	2.33
5	Norges Bank	2.25
6	UTI Asset Management Co Ltd	1.86
7	Axis Asset Management Co Ltd/India	1.85
8	First Sentier Investors ICVC	1.59
9	ICICI Prudential Asset Management	1.46
10	FIRST SENTIER INVESTORS ICVC	1.30

Source: Bloomberg

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

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