

November 07, 2023

RESULT REPORT Q2 FY24 | Internet/Platform

Info Edge(India) Ltd

Inline operating performance; slowdown in IT Hiring continues to impact near term billings

Result Synopsis

Info Edge(India) (INFOE) reported broadly inline financial performance for the quarter. While, the sequential revenue growth was as per estimates; EBITDA margin was slightly above expectation. Revenue grew by 1.5% QoQ, led by 2.2% QoQ growth in the revenue of Recruitment business. Consolidated Billing was muted on account of weak hiring sentiments in the IT sector, as it was down 30.1% YoY. EBITDA margin increased by 197 bps QoQ to 40.7%, led by control on operating expense. Added 3 mn resumes (QoQ) in the quarter to end at 94mn resumes.

As the hiring activity in IT sector has slowed over last few quarters, the recruitment activity in non- IT sectors continues to drive the Recruitment business. The activity level in real estate market remains robust and would support the performance of 99acres.com. Also, with change in business strategy for Jeevansathi.com, the engagement levels have picked up and should drive revenue growth. Shiksha, the education segment, has seen strong traction recently and is expected to sustain the momentum. Positive operating leverage should support margin in medium term. It is expected to continue to make tech related investments to drive business growth and maintain its leadership position across segments. The shift in market share towards organized players would also support growth trajectory of the company. However, the slowdown in IT hiring would continue to adversely impact near term billings/revenue growth. We estimate revenue CAGR of 14.1% over FY23-25E with average EBITDA margin of 39.2% over the period. We maintain our ADD Rating on the stock with revised target price of Rs 5,065/share based on SOTP method. The stock trades at P/E of 67.4x/59.9x on FY24E/FY25E on standalone basis.

Result Highlights

- Reported revenue of Rs. 5,930 million. (Up 11.5% YoY, 1.5% QoQ). The sequential revenue growth was led by 2.2% QoQ growth in the revenue of Recruitment business to Rs 4,560 Mn (~77% of revenue); while 99acres grew 5.6% QoQ to Rs 873 Mn (~14.7% of revenue).
- Added 3mn resumes (QoQ) in the Quarter to end at 94mn resumes, with 24k resumes added daily in the quarter.
- Number of listings on the 99acres platform decreased by 2.5% QoQ to 1,134k.
- Reported billings of Rs 5,690 Mn (down 30.1% YoY, up 8.8% QoQ) due to weaker Recruitment billings, while there was increase of 21.8% YoY in 99 acres billings.
- EBITDA margin increased by 197 bps QoQ to 40.7%, led by lower employee cost (down 1.2% QoQ).

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Sales	5,930	6,005	5,940	-1.2%	-0.2%
EBITDA	2,411	2,348	2,230	2.7%	8.1%
EBITDA Margin (%)	40.66%	39.10%	37.54%	156 bps	312 bps
Adjusted PAT	2,137	2,003	1,940	6.7%	10.2%

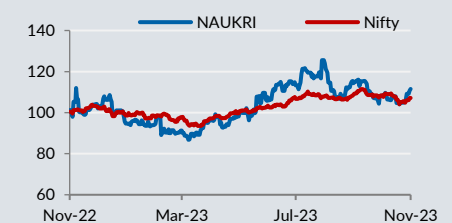
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 4,340
Target Price	: Rs 5,065
Potential Return	: + 16.7%

Stock data (as on November 07, 2023)

Nifty	19,407
52 Week h/l (Rs)	4985 / 3308
Market cap (Rs/USD mn)	557396 / 6695
Outstanding Shares (mn)	129
6m Avg t/o (Rs mn):	1,290
Div yield (%):	0.5
Bloomberg code:	INFOE IN
NSE code:	NAUKRI

Stock performance



	1M	3M	1Y
Absolute return	3.0%	-10.1%	10.1%

Shareholding pattern (As of Sep'23 end)

Promoter	38.0%
FII+DII	50.0%
Others	12.0%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	5,065	5,025

Δ in earnings estimates

	FY24E	FY25E
EPS (New)	64.4	72.5
EPS (Old)	60.0	68.4
% change	7.4%	5.9%

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Net Revenue	21,586	24,391	28,114
YoY Growth	39.9%	13.0%	15.3%
EBIDTA	7,842	9,573	11,043
YoY Growth	72.4%	22.1%	15.4%
PAT	7,059	8,291	9,323
YoY Growth	59.8%	17.4%	12.5%
ROE	5.7%	7.4%	7.9%
EPS	55	64	72
P/E	79.1	67.4	59.9
BV	849	896	948
P/BV	5.1	4.8	4.6

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Exhibit 2: Quarterly snapshot Console: Sequential improvement in operating margin during the quarter

Particulars(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY%	QoQ%	H1FY24	H1FY23	YoY%
Sales	5,318	5,552	5,640	5,843	5,930	11.5	1.5	11,773	10,395	13.3
EBITDA	1,840	2,168	2,203	2,266	2,411	31.0	6.4	4,677	3,471	34.7
EBITDA %	34.6	39.1	39.1	38.8	40.7	606 bps	187 bps	39.7	33.4	633 bps
Depreciation	105	115	129	153	176	68.0	14.6	329	204	61.7
EBIT	1,735	2,053	2,074	2,113	2,235	28.8	5.8	4,348	3,268	33.1
EBIT Margin %	32.6	37.0	36.8	36.2	37.7	506 bps	153 bps	36.9	31.4	550 bps
Other income	489	387	427	554	589	20.4	6.3	1,143	898	27.2
PBT	2,225	(320)	2,313	2,667	2,774	24.7	4.0	5,441	4,166	30.6
Tax	544	523	524	668	687	26.4	2.9	1,355	1,001	35.4
Reported PAT	1,681	(843)	1,789	1,999	2,087	24.2	4.4	4,086	3,165	29.1
Adjusted PAT	1,681	1,917	1,977	1,999	2,137	27.1	6.9	4,136	3,165	30.7
NPM (%)	31.6	34.5	35.1	34.2	36.0	443 bps	182 bps	35.1	30.4	468 bps

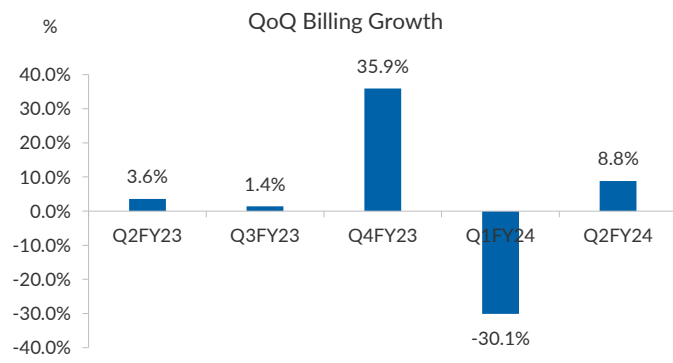
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Naukri Business is witnessing challenges due to slowdown in IT hiring. Naukri job Index continues to be on a declining trend led by weak hiring sentiments.
- Non-IT billings-maintained growth momentum and grew double digit YoY. Travel, Hospitality and Oil & Gas verticals showed improved hiring traction.
- Margins were positively impacted on account of increased operational efficiencies and control over marketing expenditure in 99 Acres and Jeevansathi.
- Operating Margins for H1FY24 stood at 36% (up 500 bps yoy) v/s 31% as of H1FY23.
- 99 Acres saw strong growth in billings and revenue with better traction. Both new homes and secondary real estate sales contributed to the growth.
- Expects to open more offices across Tier 2 cities across India to drive non- IT related Naukri business.
- Looking to reduce cash burn in Jeevansathi. Seeing increase in traffic on the portal led by its freemium strategy.
- It has slowed down its headcount addition to optimise its operating cost.
- The Board has declared Interim Dividend of Rs. 10/- per share; record date - 17th November.

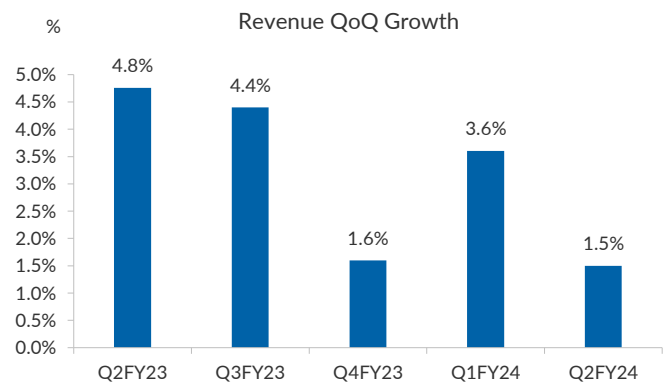
STORY IN CHARTS

Exhibit 3: Billings improved during the quarter due to Non IT hiring demand



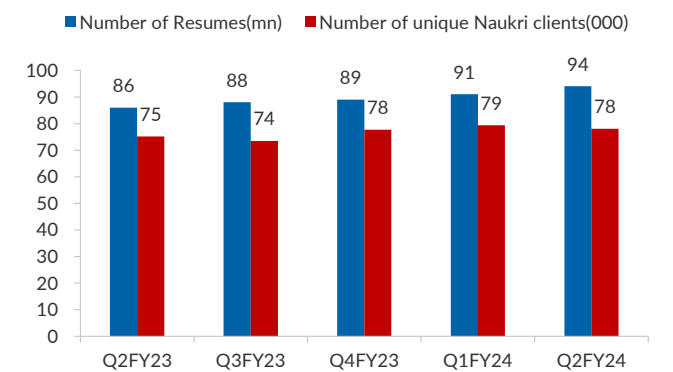
Source: Company, YES Sec

Exhibit 4: Sequential revenue growth was muted



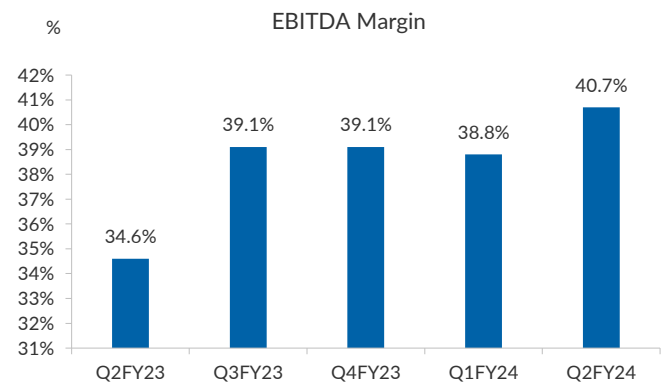
Source: Company, YES Sec

Exhibit 5: Number of resumes continue to show steady growth



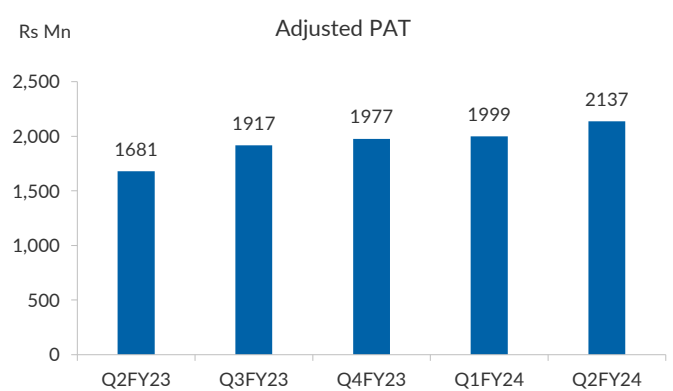
Source: Company, YES Sec

Exhibit 6: Sequential increase in EBITDA margin due to decreased employee cost



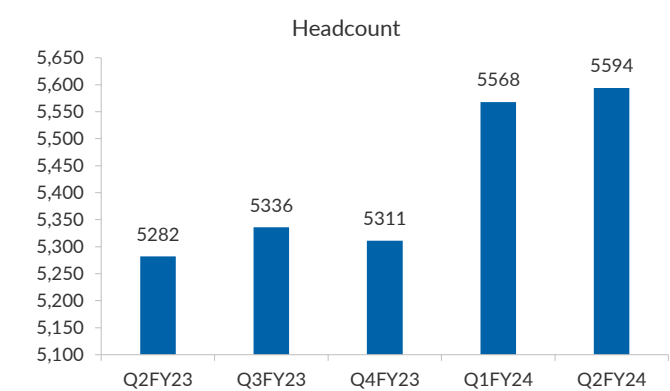
Source: Company, YES Sec

Exhibit 7: PAT remains robust for the company



Source: Company, YES Sec

Exhibit 8: Modest headcount addition for the company



Source: Company, YES Sec

FINANCIALS

Exhibit 9: Balance Sheet

Y/e March 31 (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Share capital	1,223	1,285	1,287	1,290	1,290	1,290
Reserves & surplus	23,094	44,357	138,434	107,975	113,944	120,657
Shareholders' funds	24,317	45,642	139,721	109,265	115,234	121,947
Non-current liabilities	569	449	11,116	7,086	7,151	7,222
Long-term borrowings	2	1	3	13	13	13
Other non-current liabilities	566	448	11,112	7,074	7,138	7,209
Current liabilities	6,225	6,968	10,854	12,791	14,306	16,005
Other current liabilities	6,225	6,968	10,854	12,791	14,306	16,005
Total (Equity and Liabilities)	31,110	53,059	161,691	129,142	136,691	145,174
Non-current assets	18,064	23,128	130,659	97,855	95,417	93,050
Fixed assets (Net block)	1,325	1,072	908	1,710	1,520	1,269
Non-current Investments	14,672	15,000	121,877	91,260	88,522	85,867
Other non-current assets	2,067	7,057	7,874	4,884	5,375	5,914
Current assets	13,046	29,930	31,032	31,287	41,274	52,124
Cash & current investment	6,829	6,351	5,733	9,789	18,378	27,387
Other current assets	6,217	23,579	25,299	21,498	22,896	24,736
Total (Assets)	31,110	53,059	161,691	129,142	136,691	145,174

Source: Company, YES Sec

Exhibit 10: Income Statement

Y/e March 31 (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Net sales	12,727	11,091	15,430	21,586	24,391	28,114
Operating expenses	(8,700)	(8,260)	(10,881)	(13,744)	(14,818)	(17,070)
EBITDA	4,027	2,831	4,549	7,842	9,573	11,043
Depreciation	(414)	(438)	(398)	(447)	(689)	(752)
EBIT	3,614	2,393	4,151	7,395	8,884	10,291
Other income	876	1,188	1,699	1,751	2,325	2,358
Finance cost	(67)	(57)	(46)	(39)	(164)	(186)
Exceptional & extraordinary	(1,233)	(32)	95,116	(2,947)	(50)	0
Profit before tax	3,190	3,492	100,920	6,159	10,995	12,464
Tax (current + deferred)	(1,133)	(753)	(11,783)	(2,047)	(2,755)	(3,141)
Reported Profit / (Loss)	2,057	2,739	89,137	4,112	8,241	9,323
Adjusted net profit	3,290	2,771	4,417	7,059	8,291	9,323

Source: Company, YES Sec

Exhibit 11: Cash Flow Statement

Y/e March 31 (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Profit before tax	3,190	3,492	100,920	6,159	10,995	12,464
Depreciation	414	438	398	447	689	752
Change in working capital	4,999	(16,619)	2,166	5,738	118	(141)
Total tax paid	(1,052)	(781)	(11,420)	(2,047)	(2,755)	(3,141)
Others	(809)	(1,131)	(1,653)	(1,712)	(2,159)	(2,172)
Cash flow from oper. (a)	6,741	(14,600)	90,410	8,585	6,888	7,762
Capital expenditure	(1,170)	(185)	(234)	(1,250)	(499)	(501)
Change in investments	(3,494)	2,226	(111,286)	27,479	2,134	2,004
Others	1,668	(3,774)	519	4,741	1,835	1,819
Cash flow from inv. (b)	(2,996)	(1,733)	(111,001)	30,970	3,471	3,322
Free cash flow (a+b)	3,746	(16,333)	(20,591)	39,555	10,359	11,083
Equity raised/(repaid)	3	63	2	3	0	0
Debt raised/(repaid)	(1)	(2)	3	9	0	0
Dividend (incl. tax)	(1,176)	0	(2,058)	(1,932)	(2,321)	(2,610)
Others	651	18,349	17,616	(36,717)	(48)	(115)
Cash flow from fin. (c)	(523)	18,410	15,562	(38,637)	(2,370)	(2,726)
Net chg in cash (a+b+c)	3,222	2,077	(5,028)	919	7,989	8,358

Source: Company, YES Sec

Exhibit 12: Ratio Analysis

Y/e March 31	FY20	FY21	FY22	FY23	FY24E	FY25E
Growth(%)						
Revenue Growth	15.9	(12.9)	39.1	39.9	13.0	15.3
EBITDA Growth	18.0	(29.7)	60.7	72.4	22.1	15.4
EBIT Growth	12.6	(33.8)	73.4	78.1	20.1	15.8
Net Profit Growth	4.4	(15.8)	59.4	59.8	17.4	12.5
Profitability Ratios(%)						
EBITDA Margin	31.6	25.5	29.5	36.3	39.2	39.3
EBIT margin	28.4	21.6	26.9	34.3	36.4	36.6
Net Profit margin	25.8	25.0	28.6	32.7	34.0	33.2
RoA	11.9	5.7	3.9	5.1	6.7	7.3
RoE	13.8	7.9	4.8	5.7	7.4	7.9
RoCE	15.0	6.7	4.2	5.5	7.4	8.2
Liquidity and Leverage Ratios						
Net debt/Equity (x)	(0.3)	(0.1)	(0.0)	(0.1)	(0.2)	(0.2)
Current ratio (x)	2.1	4.3	2.9	2.4	2.9	3.3
Quick ratio (x)	2.1	4.3	2.9	2.4	2.9	3.3
Valuation Ratios						
PER(x)	NA	NA	NA	79.1	67.4	59.9
PCE(x)	NA	NA	NA	74.4	62.2	55.4
Price/Book(x)	NA	NA	NA	5.1	4.8	4.6
Yield (%)	NA	NA	NA	0.3	0.4	0.5
EV/EBITDA(x)	NA	NA	NA	70.0	56.4	48.1

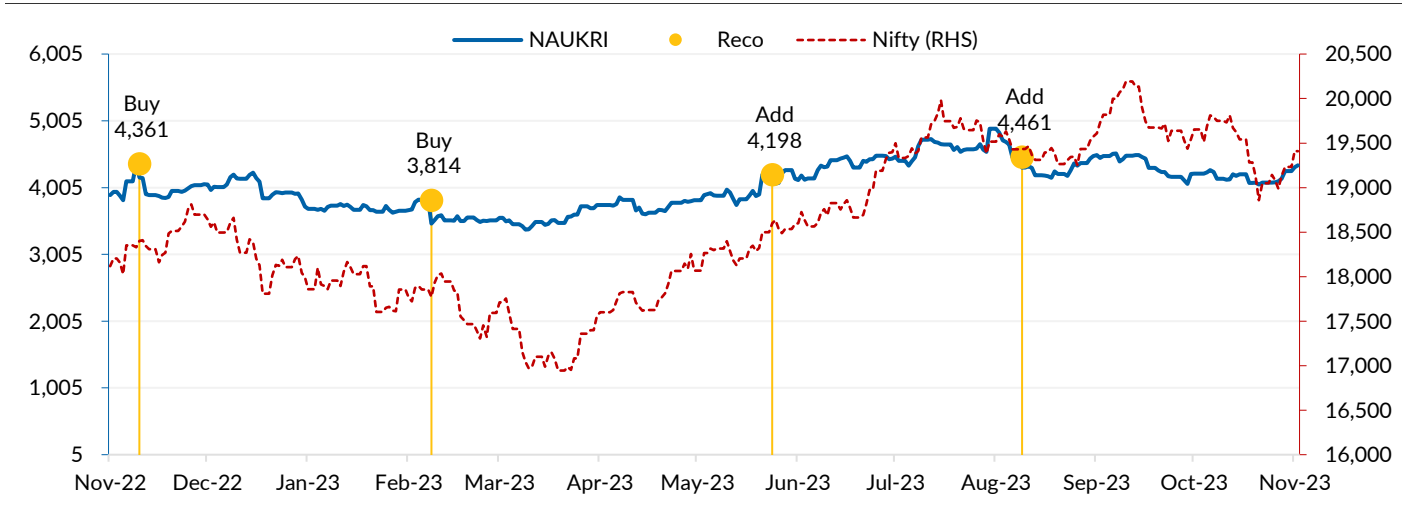
Source: Company, YES Sec

Exhibit 13: Dupont Analysis

Dupont Analysis	FY20	FY21	FY22	FY23	FY24E	FY25E
Net margin(%)	25.8	25.0	28.6	32.7	34.0	33.2
Asset turnover (x)	0.4	0.3	0.1	0.1	0.2	0.2
Leverage factor (x)	1.3	1.2	1.2	1.2	1.2	1.2
Return on Equity(%)	13.8	7.9	4.8	5.7	7.4	7.9

Source: Company, YES Sec

Recommendation Tracker



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