

11 August 2024

India | Equity Research | Q1FY25 results review

Info Edge

Internet

Management commentary turning incrementally positive; recession uncertainty remains

In Q1FY25, Infoedge grew revenues at 9.3% YoY, missing our estimates. However, management, on the call, sounded incrementally positive on the recovery of the recruitment business, given a sharp improvement in Jobspeak data in Jul'24 and improving sentiment of their sales team. Infoedge is also investing in increasing its footprint in tier-2/3 cities, which is helping in boosting growth in the non-IT recruitment business. According to management, the real estate business was impacted in Q1FY25 due to election uncertainty. The matrimonial and education businesses are both expected to breakeven by end-FY25. Management highlighted a potential recession in US as a key risk in the near-term, which is contributing to uncertainty in the recovery of the IT recruitment business. Maintain **HOLD**.

Q1FY25 performance

Revenue in Q1FY25 was INR 6.4bn, up 5% QoQ/9.3% YoY, 4.2% lower than our estimate. EBITDA, at INR 2.5bn (up 1% QoQ/10.1% YoY), against I-Sec's INR 2.8bn estimate. EBITDA margin was at 39% (down 155bps QoQ/up 25bps YoY). Net income was at INR 2.3bn.

Recruitment business

Recruitment business reported revenue of INR 4.7bn (4.3% QoQ/5.6% YoY). Profit before taxes was INR 2.5bn (PBT margin: 54%), down 1.3% QoQ/3.4% YoY. Deferred sales revenue was INR 8.9bn (down 4.3% QoQ/up 10.9% YoY). Billing for Q1FY25 was INR 4.3bn, down 31% QoQ/up 8.5% YoY. Number of unique paid customers grew 3.2% QoQ to 81,806.

99acres.com

99acres.com reported revenue of INR 988mn (6.7% QoQ/19.5% YoY). The loss before taxes was ~INR 137mn, down from a loss of INR 225mn in Q1FY24. Deferred sales revenue was INR 1.4bn (down 10.6% QoQ/up 24% YoY). Billing for Q1FY25 was INR 809mn, down 38.3% QoQ/up 10.2% YoY. Number of paid listings were up 10.4% YoY to 733k.

Other businesses

Matchmaking business (Jeevansathi) reported revenue of INR 262mn (8.3% QoQ/35.1% YoY). The loss before taxes was INR 21mn, down from a loss of INR 181mn in Q1FY24.

Financial Summary

Y/E March (Rs mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	23,943	27,728	32,451	37,722
EBITDA	8,799	11,546	13,861	16,635
EBITDA Margin (%)	36.8	41.6	42.7	44.1
Net Profit	7,578	10,252	11,904	13,985
EPS (INR)	64.4	77.1	92.0	108.1
EPS % Chg YoY	20.5	17.4	19.3	17.5
P/E (x)	109.8	93.5	78.4	66.7
EV/EBITDA (x)	60.5	46.1	38.4	32.0
RoCE (%)	3.0	2.9	3.3	3.8
RoE (%)	4.3	4.0	4.5	5.1

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Market Data

Market Cap (INR)	933bn
Market Cap (USD)	11,117mn
Bloomberg Code	INFOE IN
Reuters Code	INED.BO
52-week Range (INR)	7,328 /3,972
Free Float (%)	60.0
ADTV-3M (mn) (USD)	27.2

Price Performance (%)	3m	6m	12m
Absolute	21.2	31.3	53.8
Relative to Sensex	11.1	20.0	33.0

Previous Reports

10-07-2024: [Company Update](#)

17-05-2024: [Q4FY24 results review](#)

Deferred sales revenue was INR 179mn (down 4.3% QoQ/4.3% YoY). Billing for Q1FY25 was INR 254mn, down 1.6% QoQ/up 35.1% YoY. Education business (Shiksha) reported revenue of INR 424mn (8.2% QoQ/18.4% YoY). Profit before taxes was INR 44mn (loss INR 10mn in Q1FY24). Deferred sales revenue was INR 316mn (down 3.1% QoQ/up 20.6% YoY). Billing for Q1FY25 was INR 415mn, down 7.2% QoQ/up 24.6% YoY.

Management commentary

Management stated that IT-dependent recruitment business has been volatile, though there have been positive trends over the last two quarters. Billings growth in IT is now at mid-single-digits, with more clarity expected in the next few months. Management highlighted the continued strong momentum in billings growth for the non-IT segment and GCCs. The company is focusing on expanding recruitment services into tier-2/3 cities and making inroads into the SME sector. They plan to increase their presence from 75 to 100 cities by opening more offices. Management also expects to increase advertising spending for the recruitment business compared to last year. On the topic of risks, management alluded to a potential recession in US. However, in the medium-term, recession leads to cost cuts, which could result in increased hiring of IT professionals in India.

Billings growth in 99 acres has moderated due to muted new project sales, which management attributes to uncertainty during the election period. According to management, most of the billing's growth for 99acres is coming from channel partners. Management stated that its Jeevansathi business is nearing breakeven, driven by continued strong billings growth and reduced marketing costs. Management aims to sustain growth. Management also highlighted that Shiksha's domestic business grew, while the study abroad segment was impacted by a weak external environment. They expect the Shiksha business to break even or turn a profit by end-FY25.

Management is committed to investing in all their platforms and enhancing product offerings. Finally, management reiterated that they have no plans to sell their stake in Zomato or PB fintech given the sustained growth prospects.

Valuation

We maintain **HOLD** and our TP of INR 7,275, valuing Info Edge using the SoTP framework.

Upside risks: Faster-than-expected recovery in IT hiring than anticipated; and unwinding of holding company discount for listed portfolio of investments in case the stocks continue to outperform Street's expectations.

Downside risks: Sustained slowdown in IT hiring; increased competitive intensity in recruitment business or real estate business; and mark down in valuation of investments.

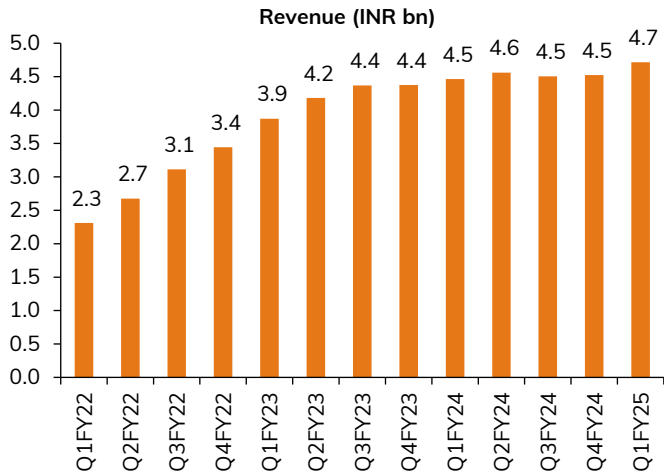
Exhibit 1: Q1FY25 performance review

(INR mn)	Q1FY25	Q4FY24	QoQ(%)	Q1FY24	YoY(%)	I-Sec	Var(%)
Revenues	6389	6083	5.0	5843	9.35	6667	-4.2
Personnel cost	2587	2500	3.5	2464	4.97	2733	-5.4
Other expenses	1308	1114	17.4	1112	17.58	1053	24.2
EBITDA	2495	2469	1.0	2266	10.06	2880	-13.4
Margin (%)	39	41	-155 bps	39	25 bps	41	-216 bps
Depreciation	175	174	0.5	153	14.10	187	-6.2
EBIT	2319	2295	1.1	2113	9.77	2560	-9.4
Margin (%)	36	38	-142 bps	36	14 bps	38.40	-210 bps
Finance cost	46	47	-1.0	24	92.46	47	-1.00
Other Income	770	728	5.7	578	33.18	734	4.9
Tax	720	745	-3.4	668	7.81	811.82	-11.3
Tax rate	25.0	25.0	-5 bps	25	-5 bps	25	0 bps
Recurring PAT	2323	2231	4.1	1999	16.20	2435	-4.6
Margin (%)	36.4	36.7	-32 bps	34	214 bps	36.53	-18 bps

Source: Company data, I-Sec research

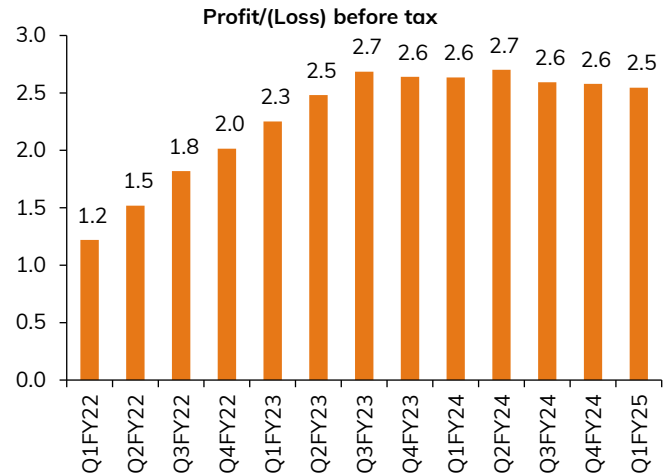
Recruitment business

Exhibit 2: Revenue (INR bn)



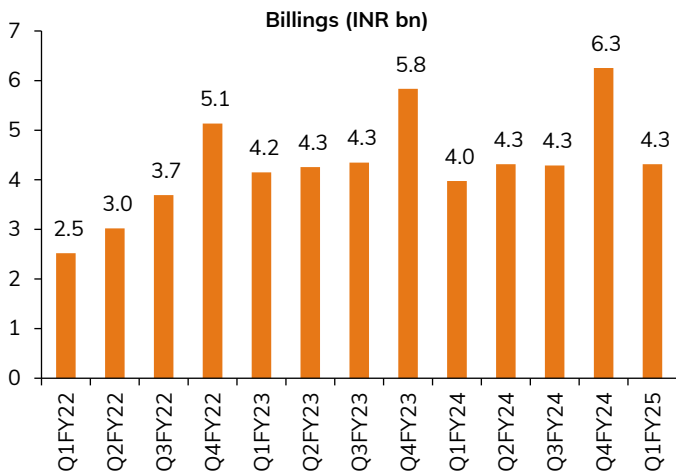
Source: Company data, I-Sec research

Exhibit 3: Profit/(loss) before tax (INR bn)



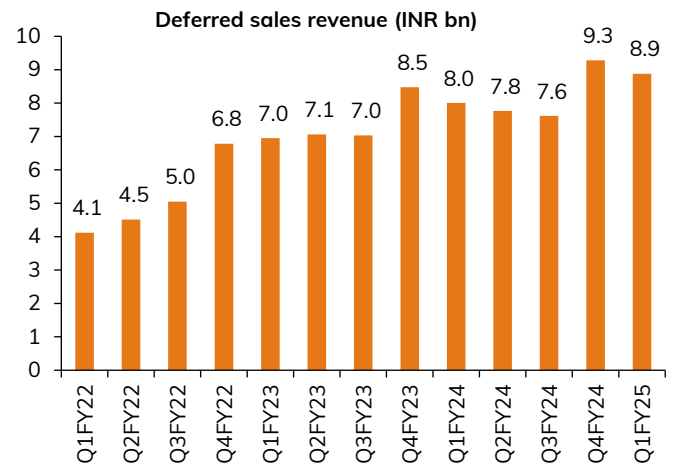
Source: Company data, I-Sec research

Exhibit 4: Billings (INR bn)



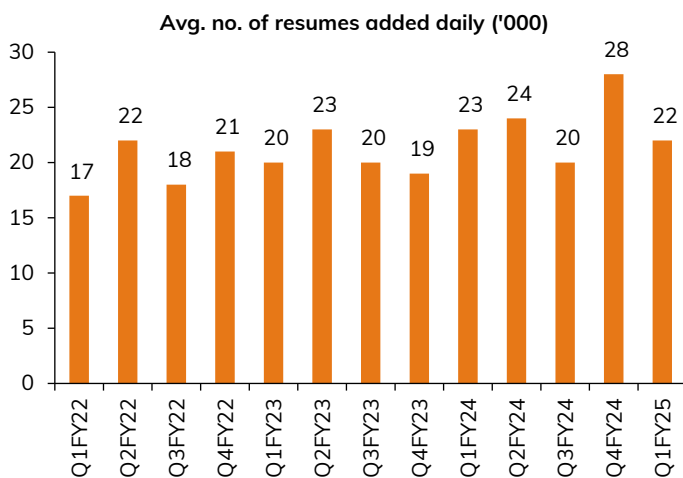
Source: Company data, I-Sec research

Exhibit 5: Deferred sales revenue (INR bn)



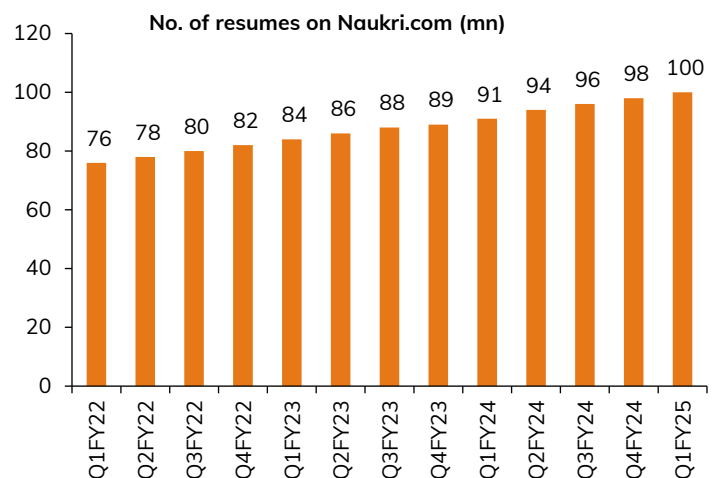
Source: Company data, I-Sec research

Exhibit 6: Avg. no. of resumes added daily ('000)



Source: Company data, I-Sec research

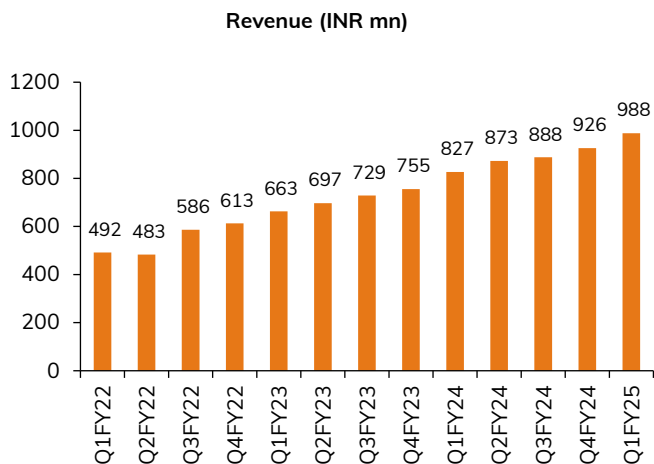
Exhibit 7: No. of resumes on Naukri.com (mn)



Source: Company data, I-Sec research

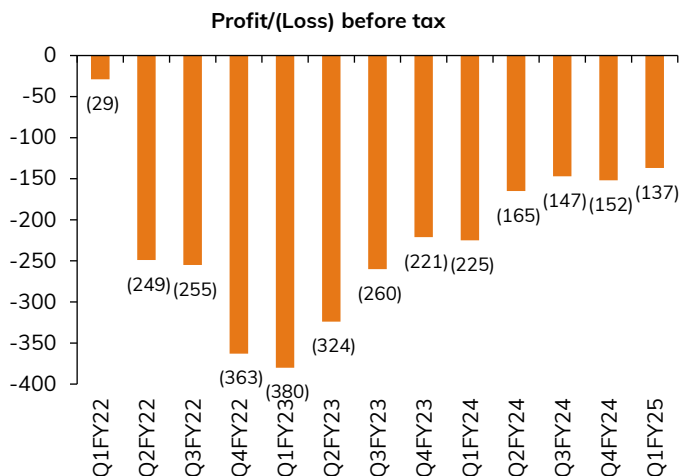
99acres.com

Exhibit 8: Revenue (INR mn)



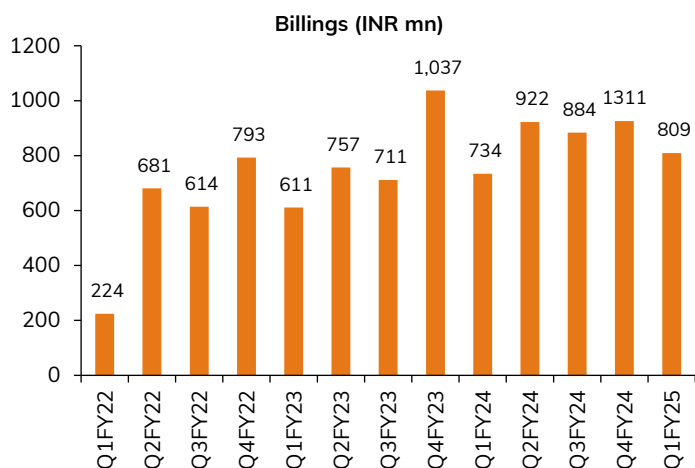
Source: Company data, I-Sec research

Exhibit 9: Profit/(loss) before tax (INR mn)



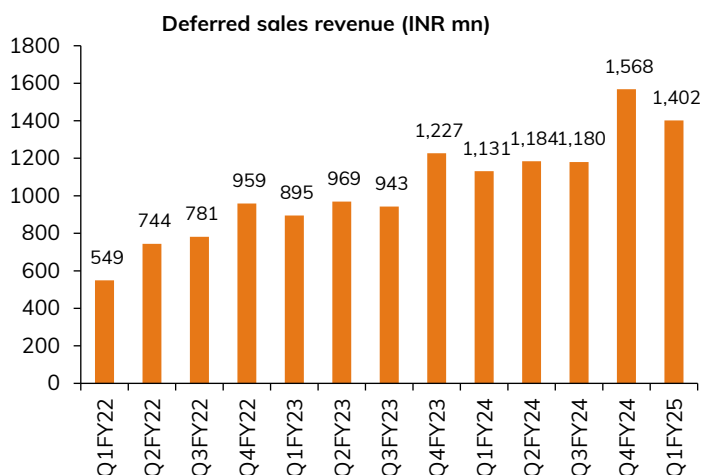
Source: Company data, I-Sec research

Exhibit 10: Billings (INR mn)



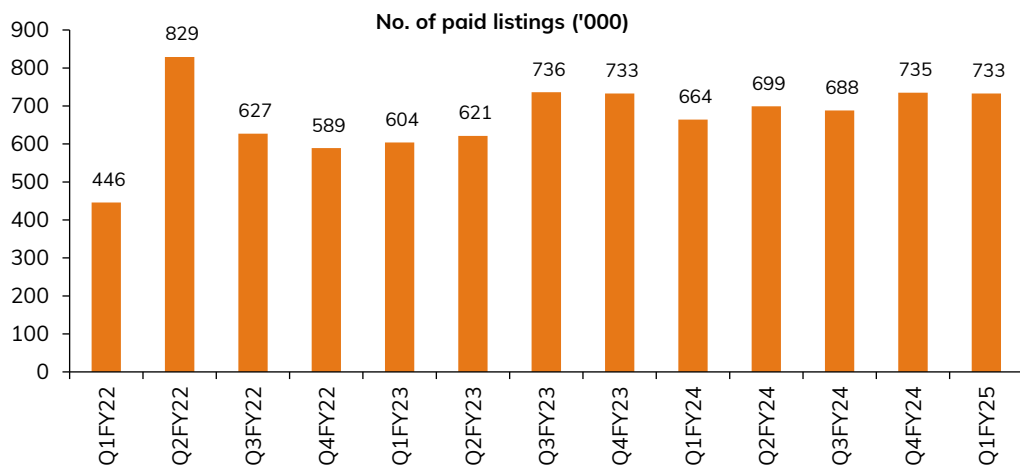
Source: Company data, I-Sec research

Exhibit 11: Deferred sales revenue (INR mn)



Source: Company data, I-Sec research

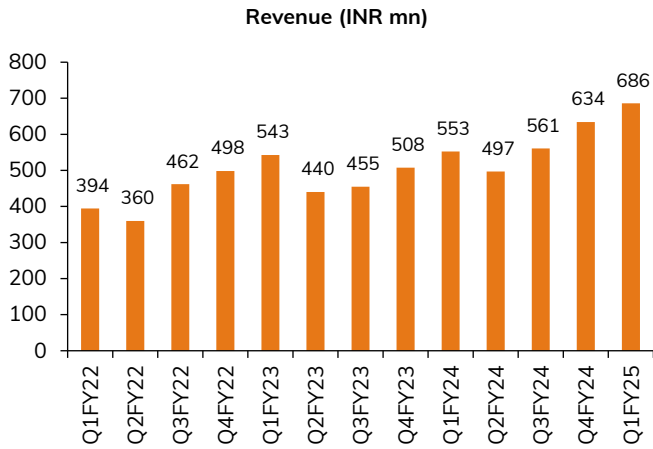
Exhibit 12: Number of paid listings ('000)



Source: Company data, I-Sec research

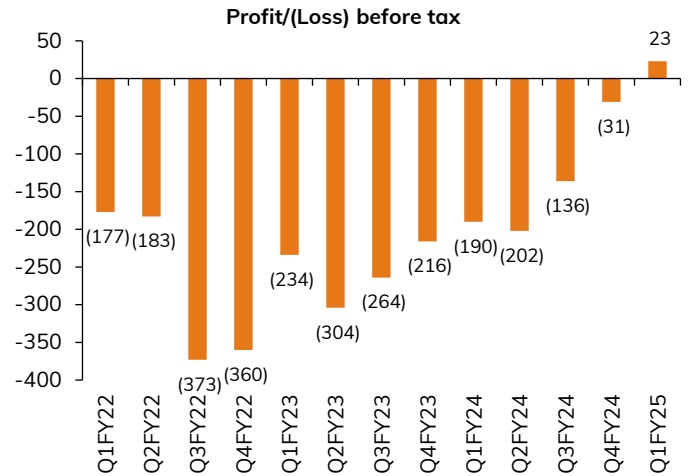
Jeevansathi and Shiksha

Exhibit 13: Revenue (INR mn)



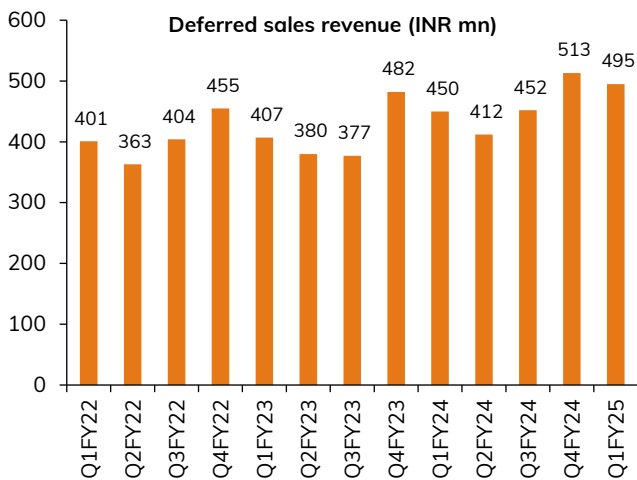
Source: Company data, I-Sec research

Exhibit 14: Profit/(loss) before tax (INR mn)



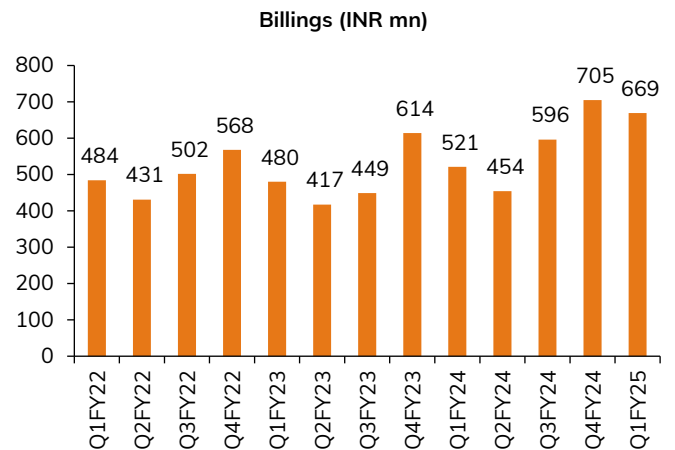
Source: Company data, I-Sec research

Exhibit 15: Deferred sales revenue (INR mn)



Source: Company data, I-Sec research

Exhibit 16: Billings (INR mn)



Source: Company data, I-Sec research

Exhibit 17: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	37.9	37.9	37.9
Institutional investors	50.5	51.0	50.3
MFs and others	12.0	11.7	11.0
FIs/Banks	0.3	0.0	0.3
Insurance	7.1	7.1	6.9
FIIIs	31.1	32.2	32.1
Others	11.6	11.1	11.8

Source: Bloomberg

Exhibit 18: Price chart



Source: Bloomberg

Financial Summary

Exhibit 19: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	23,943	27,728	32,451	37,722
Operating Expenses	15,144	16,182	18,591	21,087
EBITDA	8,799	11,546	13,861	16,635
EBITDA Margin (%)	36.8	41.6	42.7	44.1
Depreciation & Amortization	677	807	974	1,132
EBIT	8,122	10,739	12,887	15,504
Interest expenditure	163	185	185	185
Other Non-operating Income	2,592	2,971	3,170	3,329
Recurring PBT	10,551	13,525	15,872	18,647
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	2,802	3,273	3,968	4,662
PAT	7,749	10,252	11,904	13,985
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	171	-	-	-
Net Income (Reported)	7,578	10,252	11,904	13,985
Net Income (Adjusted)	7,578	10,252	11,904	13,985

Source Company data, I-Sec research

Exhibit 20: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	31,670	40,203	50,601	63,292
of which cash & cash eqv.	9,981	18,509	28,894	41,571
Total Current Liabilities & Provisions	14,251	16,414	19,170	22,246
Net Current Assets	17,419	23,789	31,430	41,046
Investments	2,56,184	2,56,484	2,56,784	2,57,084
Net Fixed Assets	572	572	572	572
ROU Assets	2,335	2,335	2,335	2,335
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	96	96	96	96
Other assets	4,491	5,395	6,314	7,339
Deferred Tax Assets	-	-	-	-
Total Assets	2,81,098	2,88,671	2,97,531	3,08,472
Liabilities				
Borrowings	13	13	13	13
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	24,346	24,346	24,346	24,346
Equity Share Capital	1,291	1,291	1,291	1,291
Reserves & Surplus	2,53,472	2,61,045	2,69,905	2,80,846
Total Net Worth	2,54,763	2,62,336	2,71,196	2,82,137
Minority Interest	-	-	-	-
Total Liabilities	2,81,098	2,88,671	2,97,531	3,08,472

Source Company data, I-Sec research

Exhibit 21: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-23	Jun-24
Net Sales	5,930	5,954	6,083	6389
% growth (YoY)	11.5	7.2	7.8	9.3
EBITDA	2411	2406	2469	2495
Margin %	40.7	40.4	40.6	39
Other Income	636	650	728	770
Net profit	2,137	2,135	2,331	2,323

Source Company data, I-Sec research

Exhibit 22: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	25,554	9,528	11,717	14,009
Working Capital Changes	19,556	1,255	1,825	2,036
Capital Commitments	(609)	(807)	(974)	(1,132)
Free Cashflow	26,163	10,335	12,691	15,141
Other investing cashflow	(1,56,075)	2,671	2,870	3,029
Cashflow from Investing Activities	(1,56,684)	1,864	1,896	1,897
Issue of Share Capital	1,40,062	0	0	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(193)	-	-	-
Dividend paid	(2,314)	(2,679)	(3,044)	(3,044)
Others	-	-	-	-
Cash flow from Financing Activities	1,38,939	(2,864)	(3,229)	(3,229)
Chg. in Cash & Bank balance	7,809	8,528	10,385	12,677
Closing cash & balance	10,051	18,509	28,894	41,571

Source Company data, I-Sec research

Exhibit 23: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	65.7	77.1	92.0	108.1
Adjusted EPS (Diluted)	64.4	77.1	92.0	108.1
Cash EPS	-	-	-	-
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	-	-	-	-
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	10.9	15.8	17.0	16.2
EBITDA	25.1	31.2	20.0	20.0
EPS (INR)	20.5	17.4	19.3	17.5
Valuation Ratios (x)				
P/E	109.8	93.5	78.4	66.7
P/CEPS	-	-	-	-
P/BV	-	-	-	-
EV / EBITDA	60.5	46.1	38.4	32.0
P / Sales	-	-	-	-
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	1.0	1.0	1.0	1.0
EBITDA Margins (%)	36.8	41.6	42.7	44.1
Effective Tax Rate (%)	0.3	0.2	0.3	0.3
Net Profit Margins (%)	0.3	0.4	0.4	0.4
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	20,140.4	20,739.0	21,439.4	22,304.4
Net Debt / EBITDA (x)	376.1	325.1	278.6	249.3
Profitability Ratios				
RoCE (%)	3.0	2.9	3.3	3.8
RoE (%)	4.3	4.0	4.5	5.1
RoIC (%)	4.3	4.0	4.5	5.1
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	1	1	1	1
Receivables Days	160	261	350	432
Payables Days	199	202	202	201

Source Company data, I-Sec research

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