FIRST LIGHT

24 June 2020

RESEARCH

Info Edge | Target: Rs 1,920 | –35% | SELL

Bleak outlook for core businesses

SUMMARY

Info Edge

Info Edge (INFOE) posted muted YoY revenue growth of 10% in Q4FY20, the lowest in the last 12 quarters. Core businesses Naukri.com/99acres.com posted subdued growth of 11%/4% YoY and billing declines of 6%/24% YoY. Online traffic also took an ~80% hit during the lockdown. Management expects Q1FY21 to be even worse. Given the declining sales growth, reduced profitability and bleak outlook, we lower our FY21/FY22 EPS estimates by 17%/19%. Retain SELL with a reduced Mar'21 TP of Rs 1,920 (vs. Rs 2,080).

Click here for the full report.

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Bajaj Finance	Buy	3,000
Cipla	Buy	690
GAIL	Buy	140
Petronet LNG	Buy	330
Tech Mahindra	Buy	690

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,950
Chola Investment	Buy	200
Laurus Labs	Buy	630
Transport Corp	Buy	240
Mahanagar Gas	Sell	710

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.71	1bps	0bps	(137bps)
India 10Y yield (%)	6.01	1bps	(3bps)	(86bps)
USD/INR	76.03	0.2	(0.7)	(9.5)
Brent Crude (US$/bbl)	42.0	(0.5)	23.3	(34.4)
Dow	26,025	0.6	6.9	(3.2)
Shanghai	2,965	(0.1)	2.4	(1.1)
Sensex	34,911	0.5	15.0	(11.4)
India FII (US$ mn)	**19 Jun**	**MTD**	**CYTD**	**FYTD**
FII-D	62.4	(462.3)	(14,517.6)	(4,758.1)
FII-E	162.3	2,607.1	(2,307.5)	4,295.5

Source: Bank of Baroda Economics Research

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SELL
TP: Rs 1,920 | ⮟ 35%

INFO EDGE | IT Services | 24 June 2020

Bleak outlook for core businesses

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Poor quarterly performance: Net sales grew just 0.7% QoQ and YoY growth moderated to 10.3% weighed down by a poor performance in all verticals. EBIT margin contracted 310bps YoY and 330bps QoQ to 26.5%. Advertising and marketing spending in 99acres and Naukri has been curtailed to cut costs. Employee salary increments have also been frozen.

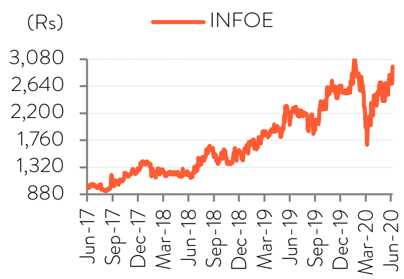
Bleak outlook: Online traffic dropped 80% for 99acres.com and 60-70% for Naukri.com in the first month of lockdown. Education portal Shiksha.com saw reduced advertising revenues due to delayed admissions. Being a digital product, Jeevansaathi's traffic was not affected by Covid-19. Traffic growth at Naukri and 99acres has bounced back in June but is running 15-20% lower than last year. Billing/revenue recovery will come with a lag, painting a grim picture for the near future. Real estate is expected to remain weak in the short-to-near term. On the whole, management expects Q1FY21 to be even worse with uncertainty thereafter.

QIP to strengthen core business: INFOE's board has approved a Rs 18.75bn QIP fund raising for the purpose of (1) strengthening its core recruitment and real estate portals, (2) investing in adjacent inorganic opportunities around the online job, real estate and marriage listings space, and (3) investing in attractive financial opportunities, in that order.

Ticker/Price	INFOE IN/Rs 2,955
Market cap	US$ 4.8bn
Shares o/s	123mn
3M ADV	US$ 16.2mn
52wk high/low	Rs 3,130/Rs 1,581
Promoter/FPI/DII	40%/36%/23%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20P	FY21E	FY22E
Total revenue (Rs mn)	9,155	10,982	12,727	11,905	12,913
EBITDA (Rs mn)	2,973	3,414	4,027	3,856	4,072
Adj. net profit (Rs mn)	2,737	3,152	3,290	3,185	3,346
Adj. EPS (Rs)	22.3	25.6	26.8	25.9	27.2
Adj. EPS growth (%)	31.4	15.2	4.4	(3.2)	5.1
Adj. ROAE (%)	13.4	14.2	13.7	12.3	11.8
Adj. P/E (x)	132.7	115.2	110.4	114.0	108.5
EV/EBITDA (x)	122.0	106.2	90.0	93.7	88.3

Source: Company, BOBCAPS Research

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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