

Company Flash

3 May 2007 | 5 pages

Info Edge (INED.BO)

Buy: FY07 Results - Significant Top & Bottom Beat

- Info Edge reported 4QFY07 results that significantly beat expectations** — Specifically, revs of Rs436m (+73% YoY) easily topped our Rs367m estimate. Net profits of Rs101m bested our Rs65m, while EPS of Rs3.71 (+400% YoY) was well ahead of our Rs2.36. Fundamentals were impressive across the board.
- FY08 outlook: Expecting strong demand; costs to be front-loaded** — The hiring environment in India remains robust, especially the key IT Services vertical (32% of revs). Key client penetration continues to improve, with the largest client's spend increasing from Rs4m in FY06 to Rs10m in FY07. Finally, to ensure continued strong growth, Info Edge is front loading staff & advertising costs in 1QFY08.
- Naukri.com (online jobs) still the #1 player with improving fundamentals** — Naukri remains the #1 online jobs site in India, despite fierce competition from two well-funded private competitors, and we believe Naukri actually grew faster than the overall market in FY07. Resumes increased to >9m (from 5m in FY06) and corporate clients topped 27.5k vs. 20k in FY06.
- Matrimony & Property sites: significant QoQ improvement** — Both sites gained significant market share in the quarter but remain fully in the investment phase. Management's strategy is to operate these sites for market share and to build their brands. Nonetheless, Info Edge expects Jeevansathi to break even by year's end, and 99 acres a year later in FY09, helping to boost profits in FY09.

Buy/High Risk	1H
Price (03 May 07)	Rs765.60
Target price	Rs750.00
Expected share price return	-2.0%
Expected dividend yield	0.1%
Expected total return	-1.9%
Market Cap	Rs20,897M US\$509M

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Mar	(RsM)	(Rs)	(%)	(x)	(x)	(%)	(%)
2005A	80	3.65	231.6	nm	132.9	77.9	0.1
2006A	139	6.38	74.7	120.1	68.2	75.0	0.1
2007E	240	10.04	57.4	76.3	9.1	21.2	0.1
2008E	402	14.68	46.3	52.1	8.9	18.4	0.2
2009E	589	21.52	46.6	35.6	7.3	22.6	0.3

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification and important disclosures.

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Info Edge

Company description

Info Edge operates India's leading online recruitment and classifieds portal — Naukri.com, which was launched in 1997. The company was incorporated in 1995. In addition to online recruitment, the company generates revenue through an executive search agency named Quadrangle, as well as a matrimony portal (Jeevansathi.com) and a property portal (99acres.com). Info Edge has been listed on the Bombay Stock Exchange since November 2006.

Investment thesis

We rate Info Edge as Buy/High Risk (1H) with a target price of Rs750. Info Edge's naukri.com is India's leading online recruitment classifieds portal, a service that is well suited to the early stages of the India Internet market, in our view. Naukri contributes ~95% of the company's revenues, and upside exists through the company's operation of matrimony sites and a real estate site that stand to benefit from rising adoption of the Internet in the country. This could enable Info Edge to become one of the dominant Internet players in India. Over FY06-09E, we forecast a revenue CAGR of 48% and a net profit CAGR of 63%.

Valuation

Our target price of Rs750 is based on 35x our FY09E EPS (year-end March), adjusted for ESOP costs. Our target multiple is set at 40-60% premiums to our China and global Internet peer groups, given the scarcity premium applied to the stock (being the only pure-play Internet company currently listed in India) and a market positioning that we see as delivering a 63% CAGR in net profit over FY06-09E. Yet our 35x target multiple is at a significant discount to Rediff, an Indian portal company listed on the Nasdaq, which is trading at 46x consensus FY09E EPS.

Risks

Under our quantitative risk-rating system, a default Speculative Risk rating should be applied to Info Edge, given that the stock has been publicly listed for less than two months. However, we believe that a High Risk rating is more appropriate for the company given its track record of profitability and its market leadership. Downside risks facing the company include: 1) a slowdown in the Indian economy that would directly impact employment and recruiting demand; 2) increasing competition; 3) increased churn of posted resumes; 4) lack of policies against online fraud; and 5) greater and more prolonged losses from new verticals.

Appendix A-1

Analyst Certification

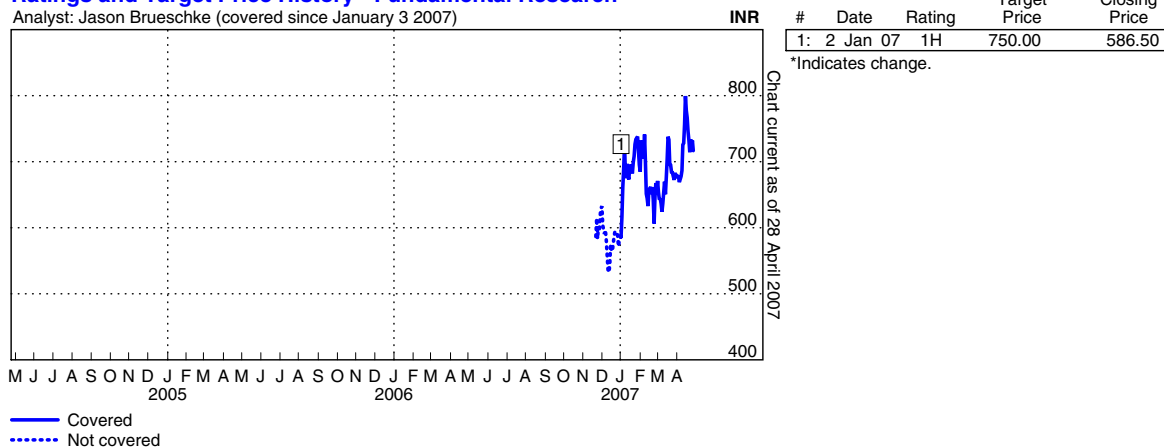
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Info Edge (INED.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Jason Brueschke (covered since January 3 2007)



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