

Info Edge (INFEDG)

COMPANY UPDATE ✓

WHAT'S CHANGED...

PRICE TARGET.....	Unchanged
EPS (FY08E).....	Unchanged
EPS (FY09E).....	Unchanged
RATING.....	Unchanged

Current price Rs 913	Target price Rs 712
Potential downside 22%	Time Frame 12 months

UNDERPERFORMER

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Excellent numbers, but priced in ...

Naukri posted strong Q1FY08 numbers with a top line growth of 66.7%, mostly coming from the recruitment services business that grew 59% y-o-y. Naukri continues to be the No.1 job portal in India and extended its lead by adding more than 10,700 resumes per day from 10,000 during the last quarter, taking the total tally to 10 million in Q1FY08 from 9 million in Q4FY07. With the company extending its footprints to smaller cities, the number of corporate clients increased to over 14,000 from 12,000. However, the company continues to face pricing pressure from smaller clients and with competition intensifying, its growth could be impacted. The appreciation of the rupee could be another concern as forex exposure for the company is around 7% of the top line.

Jeevansathi and **99acres** continue to show exponential growth as they grew more than 177% and contributed more than 11% to the total revenues. Jeevansathi added 2,500 profiles daily taking the total tally to 1.7 million, with an average billing of Rs 1400 per customer. However, 99acres showed a decline in net listings to 55,000 from 65,000 due to the slump in the real estate market coupled with removal of old listings by the company. These businesses are yet to breakeven and continue to hurt margins.

The company recently launched a career counselling website and further plans to launch an online education portal targeted at working professional and generate revenues in the form of brand advertising on website and classifieds. This would help the company increase eyeballs on naukri as well.

Even though we like the business model of Info Edge and believe key demographic and macro trends are in favour of the company, the stock has run up ahead of its valuations and is one of the most expensive stocks in the online space. We maintain our underweight rating with a price target of Rs 712.

Key Financials

(Rs crore)

Y/E March	Q1FY08	Q1FY07	change (y-o-y)	Q4FY07	change (q-o-q)	FY07	FY08E	FY09E
Sales	46.54	27.92	66.70%	43.61	6.7%	139.57	192.5	276.21
Other Income	5.46	1.4	290.00%	3.68	48.4%	7.59	13.5	15
Total Expenditure	34.7	20.58	68.61%	31.96	8.6%		142.07	194.03
PBIDT	17.3	8.74	97.90%	15.33	12.9%	44.13	63.93	97.18
Interest	0.01	0	-	0.01		0.02	0.02	0.02
Depreciation	1.22	0.97	25.80%	1.44	-15.3%	4.62	4.95	7.55
PBT	16.07	7.77	106.80%	13.88	15.8%	39.49	58.96	89.61
Tax	4.68	2.99	56.50%	4.04	15.8%	13.19	20.31	30.76
Deferred Tax	-0.25	-0.44	43.20%	-0.29		-0.77	0	0
PAT	11.64	5.22	123.00%	10.13	14.9%	27.07	38.65	58.85
EPS (Rs)	4.27	2.39	78.66%	3.71	15.1%	11.31	14.27	21.39

Source: ICICIdirect Research

RATING RATIONALE

ICICIdirect endeavours to provide objective opinions and recommendations. ICICIdirect assigns ratings to its stocks according to their notional target price vs current market price and then categorises them as Outperformer, Performer, Hold, and Underperformer. The performance horizon is 2 years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Outperformer: 20% or more;

Performer: Between 10% and 20%;

Hold: \pm 10% return;

Underperformer: -10% or more.

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