

## Technology

## Target price Rs800

## Earnings revision

(%)	FY10E	FY11E
Sales	0.0	0.0
EBITDA	0.0	0.0
EPS	↑ 2.3	↑ 1.7

## Target price revision

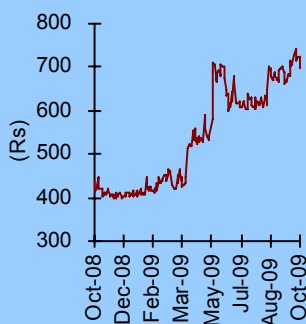
Rs800 from Rs600

## Shareholding pattern

	Mar '09	Jun '09	Sep '09
Promoters	54.2	54.2	54.2
Institutional investors	27.3	27.3	27.1
MFs and UTI	1.8	1.8	3.0
Insurance Cos.	-	-	-
FIs	25.5	25.5	24.1
Others	18.5	18.5	18.7

Source: www.nseindia.com

## Price chart



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## INDIA

## Info Edge (India)

BUY

Upgrade from Hold

Rs695

## Better prospects ahead

Reason for report: Recommendation change and Q2FY10 results review

We upgrade Info Edge to BUY with DCF target price of Rs800 (from Rs600) factoring in higher growth in recruitment revenues and lower losses in non-recruitment business. We believe recruitment demand would rebound Q3FY10 onwards and Info Edge, being the market leader in online recruitment in India, will increase its market share and benefit the most. *naukri.com* Job Index, which broadly reflects the sentiment of recruitment market in India, rose 4.1% MoM in September '09. The management indicated pick-up in recruitment across verticals, especially in replacement hiring. Also, management commentary by leading Indian IT companies indicate initial signs of demand revival and pick-up in lateral hiring, which augurs well for IT-ITES recruitment (it still forms 25%+ of recruitment revenues for Info Edge). Non-recruitment losses have come down to Rs33mn in Q2FY10 from Rs86mn in Q2FY09. We believe Info Edge has a unique business model with high operating leverage, negative working capital, minimal capex and strong cashflow generation. With cash kitty in excess of Rs3.3bn, Info Edge is uniquely placed versus competition to take advantage of the recovery.

- **Q2FY10 revenues up 4.3% QoQ** to Rs552mn (I Sec: Rs549mn) led by 3.8% QoQ growth in recruitment revenues. The number of unique paid customers rose to 18,100 from 17,700 in Q1FY10, with marginal improvement in realisations post three consecutive quarters of decline. Traffic share for Info Edge as per comscore.com has inched up to 60% from 47% in the past 15-18 months and has remained consistently above 60% for the past four months. We expect recruitment revenues to drop 8.8% in FY10E, before growing 17% in FY11E.
- **Better show by non-recruitment business.** While *jeevansathi.com* grew 16% YoY and *shiksha.com* saw increased traction, *99acres.com* was down 23% YoY on continued slowdown in real estate. Realisation in *jeevansathi.com* rose 11% QoQ & 26% YoY. We expect non-recruitment revenue CAGR to be 23% in FY09-11E.
- **EBITDA margin rose 140bps YoY** to 25.7% (I-Sec: 24.3%) due to lower losses in non-recruitment businesses, which were reduced to Rs33mn from Rs44mn QoQ. *jeevansathi.com* broke even and reported EBITDA profits of Rs2mn, while EBITDA losses in *99acres.com* was reduced to less than Rs10mn versus Rs15mn QoQ. EBITDA margin in recruitment declined to 38% versus 39% in Q1FY10 due to higher ad spend. EBITDA was up 10% QoQ; PAT rose 10.8% to Rs147mn (I-Sec: Rs131mn) aided by one-time write back of provisions at Rs9.7mn.
- **Upgrade to BUY with DCF-based target price of Rs800.** We now factor in higher 22% FCFE CAGR over FY10E-18E versus 17% earlier with better margins.

Market Cap	Rs19bn/US\$406mn
Reuters/Bloomberg	INED.BO/INFOE IN
Shares Outstanding (mn)	27.3
52-week Range (Rs)	813/376
Free Float (%)	45.8
FII (%)	24.1
Daily Volume (US\$'000)	320
Absolute Return 3m (%)	7.6
Absolute Return 12m (%)	55.4
Sensex Return 3m (%)	10.2
Sensex Return 12m (%)	71.8

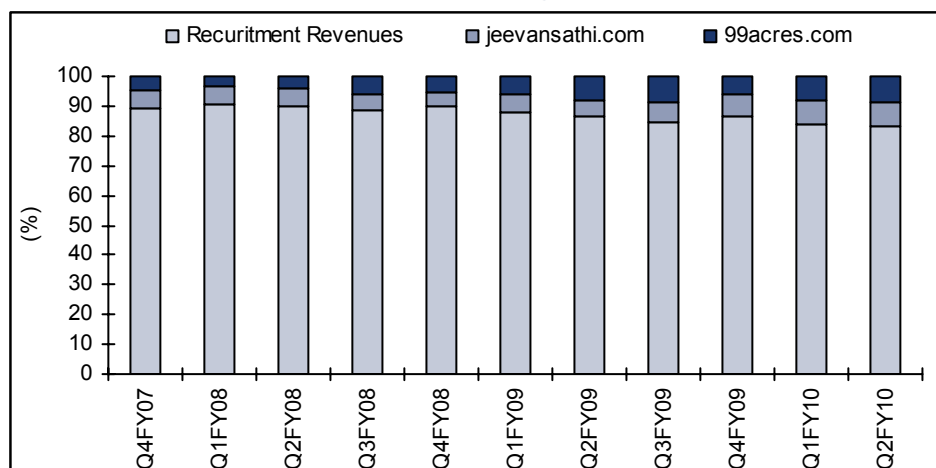
Year to March	2008	2009	2010E	2011E
Revenue (Rs mn)	2,189	2,454	2,318	2,759
Net Income (Rs mn)	555	596	591	720
EPS (Rs)	20.7	21.9	21.6	26.4
% Chg YoY	109.1	5.4	(0.9)	21.9
P/E (x)	33.5	31.8	32.1	26.3
CEPS (Rs)	22.6	24.2	24.2	29.4
EV/E (x)	24.5	24.1	24.6	18.3
Dividend Yield (%)	0.1	0.1	0.1	0.1
RoCE (%)	23.5	20.0	16.6	17.2
RoE (%)	23.5	20.0	16.6	17.2

**Table 1: Q2FY10 results review**

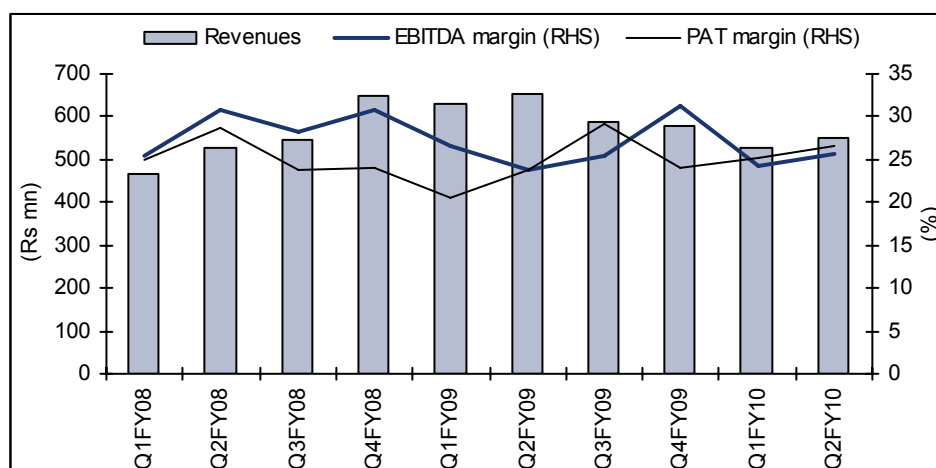
(Rs mn, year ending March 31)

	Q2FY10	Q1FY10	Q2FY09	% chg (QoQ)	% chg (YoY)	I-Sec estimates	% variance
Total Revenues	552	529	654	4.3	(15.6)	549	0.6
Total Network and Other Charges	22	23	20	(3.4)	9.3	23	(5.3)
Personnel Cost	209	206	254	1.6	(17.6)	213	(1.8)
Other Admin and Other	80	81	88	(0.8)	(9.1)	82	(1.8)
Advertising Expenses	98	91	137	8.5	(28.0)	98	0.9
<b>Total Expenses</b>	<b>410</b>	<b>400</b>	<b>499</b>	<b>2.4</b>	<b>(17.9)</b>	<b>416</b>	<b>(1.3)</b>
<b>EBITDA</b>	<b>142</b>	<b>129</b>	<b>155</b>	<b>10.2</b>	<b>(8.4)</b>	<b>133</b>	<b>6.6</b>
Interest	0	0	1	63.4	(86.4)	0	126.9
Depreciation	16	17	18	(6.7)	(11.2)	18	(14.4)
Other Income	93	90	69	3.2	35.2	80	16.1
<b>PBT</b>	<b>219</b>	<b>202</b>	<b>205</b>	<b>8.5</b>	<b>6.9</b>	<b>195</b>	<b>12.4</b>
Tax expense	72	69	50	4.0	45.2	65	11.4
<b>PAT</b>	<b>147</b>	<b>133</b>	<b>156</b>	<b>10.8</b>	<b>(5.3)</b>	<b>131</b>	<b>12.9</b>
EBITDA Margin (%)	25.7	24.3	23.7			24.3	
PBT Margin (%)	39.8	38.2	31.4			35.6	
PAT Margin (%)	26.7	25.1	23.8			23.8	

Source: Company data, I-Sec Research

**Chart 1: Recruitment business stabilising**

Source: Company data, I-Sec Research

**Chart 2: Revenues and margins**

Source: Company data, I-Sec Research

Number of unique paid customers in naukri.com rose 2.3% QoQ and revenues per client have increased 0.7% QoQ. The company expects stable pricing in FY10

**Table 2: Operating metrics – naukri.com**

<i>(Rs mn)</i>					
<b>naukri.com</b>	<b>Q2FY09</b>	<b>Q3FY09</b>	<b>Q4FY09</b>	<b>Q1FY10</b>	<b>Q2FY10</b>
No. of resumes on naukri.com (mn)	15	16	17	18	19
Average daily additions in '000s	17	14	10	12	12
Average daily modifications in '000s	38	40	45	49	58
No. of unique paid customers	18,600	17,200	17,900	17,700	18,100
QoQ change %	0.5	(7.5)	4.1	(1.1)	2.3
YoY change %	21.6	5.5	(3.2)	(4.3)	(2.7)
Revenues (Rs mn)	529	481	475	420	433
Revenue per customer per quarter in Rs	28,421	27,955	26,542	23,754	23,925
QoQ change %	0.9	(1.6)	(5.1)	(10.5)	0.7
YoY change %	(1.7)	0.9	(9.9)	(15.6)	(15.8)

Source: Company data, I-Sec Research

**Table 3: Operating metrics – jeevansathi.com**

<i>(Rs mn)</i>					
<b>Jeevansathi.com</b>	<b>Q2FY09</b>	<b>Q3FY09</b>	<b>Q4FY09</b>	<b>Q1FY10</b>	<b>Q2FY10</b>
No. of profiles in mn	2.6	2.7	2.9	3.1	3.3
Average daily additions	1,780	1,713	2,300	1,846	2,097
No. of unique paid customers	23,800	24,300	25,300	23,370	22,955
QoQ change %	5.3	2.1	4.1	(7.6)	(1.8)
YoY change %	9.7	13.0	2.0	3.4	(3.6)
Average amount realised in Rs	1,636	1,640	1,710	1,864	2,069
QoQ change %	(0.8)	0.2	4.3	9.0	11.0
YoY change %	14.6	17.5	14.8	13.0	26.5
Revenues (Rs mn)	38.9	39.9	43.3	43.6	47.5
QoQ change %	4.5	2.4	8.6	0.7	9.0
YoY change %	25.7	32.8	17.1	16.9	22.0

Source: Company data, I-Sec Research

Number of unique paid clients in jeevansathi.com has declined 1.8% QoQ, while revenues per unique client have increased 11% QoQ

**Table 4: Operating metrics – 99acres.com**

<i>(Rs mn)</i>					
<b>99acres.com</b>	<b>Q2FY09</b>	<b>Q3FY09</b>	<b>Q4FY09</b>	<b>Q1FY10</b>	<b>Q2FY10</b>
No. of listings in '000s	153.0	242.0	287.0	271.0	199.0
QoQ change %	(38.8)	58.2	18.6	(5.6)	(26.6)
No. of paid transactions ('000s)	5	4.4	4.9	4.9	4.6
QoQ change %	117.4	(12.0)	11.4	-	(6.1)

Source: Company data, I-Sec Research

Number of listings in 99acres.com has declined 26.6% QoQ, while paid transactions have declined to 4,600 from 4,900 QoQ

**Table 5: Segmental revenue break-up**

<i>(Rs mn)</i>				
	<b>FY08</b>	<b>FY09</b>	<b>FY10E</b>	<b>FY11E</b>
<b>Revenues</b>				
Naukri.com	1,834	2,004	1,827	2,140
Quadrangle	127	112	94	109
Jeevansathi.com	121	163	197	250
99acres.com and others	107	174	200	260
<b>Operational revenues</b>	<b>2,189</b>	<b>2,454</b>	<b>2,318</b>	<b>2,759</b>
<b>Total Income including Other Income</b>	<b>2,397</b>	<b>2,740</b>	<b>2,658</b>	<b>3,134</b>
<b>% Contribution to sales</b>				
Naukri.com	83.7	81.7	78.8	77.6
Quadrangle	5.8	4.6	4.0	3.9
Jeevansathi.com	5.5	6.7	8.5	9.1
99acres.com and others	4.9	7.1	8.6	9.4
<b>Operational revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>YoY Growth (%)</b>				
Naukri.com	53.6	9.3	(8.8)	17.1
Quadrangle	53.6	(12.0)	(16.5)	16.0
Jeevansathi.com	30.9	34.7	20.4	27.4
99acres.com and others	310.0	63.0	15.0	30.0
<b>Operational revenues</b>	<b>56.9</b>	<b>12.1</b>	<b>(5.6)</b>	<b>19.0</b>

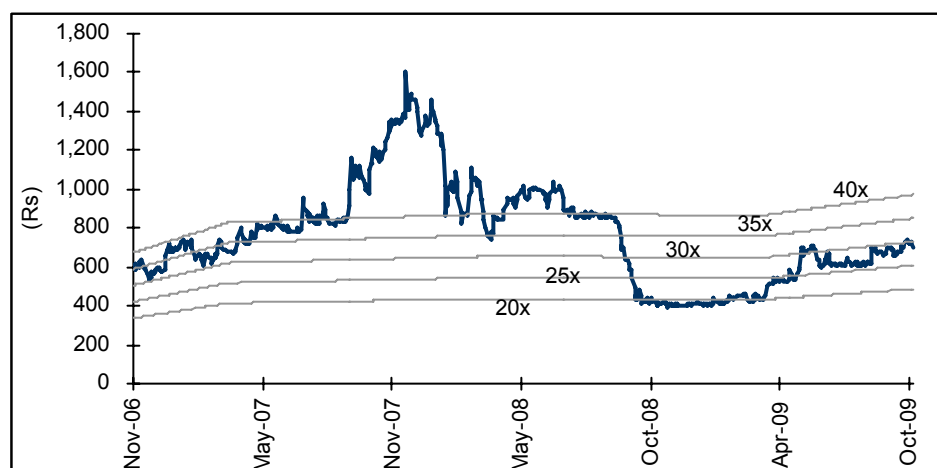
Source: I-Sec Research

**Table 6: DCF-based valuations**

(Rs mn)

WACC (%)	13.0
FCFF CAGR over FY10-18E (%)	22
Present Value of Cash Flow till FY18E	7,266
Terminal Growth (%)	5.0
Terminal Year Cash Flow +1	794
Present Value of terminal cash flow	9,925
Total present value of the firm	17,192
Less: Current Debt	-
Total present value of the Equity (excluding current cash)	17,192
Number of Equity Shares outstanding	27.3
<b>Per Share Value (excluding cash)</b>	<b>630</b>
<b>Add: Cash Per Share in FY11E</b>	<b>170</b>
<b>DCF-Target price (Rs)</b>	<b>800</b>

Source: I-Sec Research

**Chart 3: Rolling P/E bands**

Source: I-Sec Research

**Table 7: Valuation of global companies**

Company	Currency	End-fiscal	M. Cap (mn)	P/E (x)		EV/EBITDA		P/S (x)		RoE (%)
				FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	
51job Inc-ADR	USD	12/2008	424	31.9	19.2	15.6	9.8	3.9	3.2	6.7
Monster Worldwide Inc	USD	12/2008	2,266	295.1	103.4	19.9	16.6	2.5	2.5	11.5
Dice Holdings Inc	USD	12/2008	434	37.3	33.0	9.6	10.5	4.1	4.2	12.6
Google Inc	USD	12/2008	174,172	24.1	20.8	14.9	12.9	10.0	8.6	16.6
Amazon.com Inc	USD	12/2008	39,791	37.8	30.9	21.4	17.7	1.8	1.5	33.3
Yahoo! Inc	USD	12/2008	24,447	29.6	29.4	12.7	11.9	5.3	5.0	4.1
Expedia Inc	USD	12/2008	7,373	19.4	17.6	10.3	9.3	2.6	2.3	NA
eBay Inc	USD	12/2008	30,441	15.4	14.3	9.3	8.7	3.5	3.3	15.6
Blue Nile Inc	USD	12/2008	927	61.0	50.6	32.7	27.5	3.2	2.8	28.1
Seek	AUD	06/2009	2,233	30.6	21.6	21.0	16.2	8.5	7.1	25.7
Rightmove Plc	GBP	12/2008	654	24.0	20.5	16.7	14.6	9.5	8.5	NA
Seloger.com	EUR	12/2008	424	21.9	19.7	12.2	11.6	5.8	5.6	11.1
<b>Average</b>				30.3	25.2	17.3	14.5	5.3	4.8	16.8
Info Edge (India)	INR	03/2009	18,980	32.1	26.3	24.6	18.3	8.2	6.9	20.0

Source: I-Sec Research

## Financial Summary

**Table 8: Profit and Loss statement**
*(Rs mn, year ending March 31)*

	FY08	FY09	FY10E	FY11E
<b>Operating Revenues (Sales)</b>	<b>2,189</b>	<b>2,454</b>	<b>2,318</b>	<b>2,759</b>
of which Recruitment	1,961	2,117	1,921	2,248
of which Others	228	337	397	511
<b>Operating Expenses</b>	<b>1,543</b>	<b>1,802</b>	<b>1,708</b>	<b>1,979</b>
<b>EBITDA</b>	<b>646</b>	<b>652</b>	<b>609</b>	<b>780</b>
% margins	29.5	26.6	26.3	28.3
Depreciation & Amortisation	56	71	70	83
Gross Interest	11	0	0	0
Other Income	207	286	340	375
<b>Recurring PBT</b>	<b>787</b>	<b>867</b>	<b>879</b>	<b>1,072</b>
Less: Taxes	231	270	288	352
<b>Net Income (Reported)</b>	<b>555</b>	<b>596</b>	<b>591</b>	<b>720</b>
<b>Recurring Net Income</b>	<b>555</b>	<b>596</b>	<b>591</b>	<b>720</b>

Source: Company data, I-Sec Research

**Table 9: Balance sheet**
*(Rs mn, year ending March 31)*

	FY08	FY09	FY10E	FY11E
<b>Assets</b>				
Total Current Assets	646	3,407	4,181	4,852
of which cash and deposits	486	3,204	3,888	4,628
Total Current Liabilities & Provisions	1,021	766	1,080	1,155
<b>Net Current Assets</b>	<b>(374)</b>	<b>2,641</b>	<b>3,101</b>	<b>3,698</b>
<b>Investments</b>	<b>2,654</b>	<b>195</b>	<b>275</b>	<b>275</b>
of which Strategic/Group	20	120	200	200
of which Other Marketable	2,634	76	76	76
<b>Net Fixed Assets</b>	<b>318</b>	<b>301</b>	<b>302</b>	<b>369</b>
<b>Capital Work-in-Progress</b>	<b>63</b>	<b>83</b>	<b>103</b>	<b>123</b>
<b>Other Assets</b>	<b>13</b>	<b>33</b>	<b>33</b>	<b>33</b>
<b>Total Assets</b>	<b>2,675</b>	<b>3,254</b>	<b>3,814</b>	<b>4,499</b>
of which cash and equivalents	3,119	3,279	3,964	4,704
<b>Liabilities</b>				
<b>Borrowings</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Deferred Tax Liability</b>	<b>(11)</b>	<b>(19)</b>	<b>(30)</b>	<b>(45)</b>
Minority Interest	0	0	0	0
Equity Share Capital	273	273	273	273
Face Value per share (Rs)	10	10	10	10
Preference Share Capital	0	0	0	0
Reserves & Surplus*	2,409	2,996	3,567	4,267
<b>Net Worth</b>	<b>2,682</b>	<b>3,269</b>	<b>3,840</b>	<b>4,540</b>
<b>Total Liabilities</b>	<b>2,675</b>	<b>3,254</b>	<b>3,814</b>	<b>4,499</b>

Source: Company data, I-Sec Research

\*excluding revaluation reserves

**Table 12: Quarterly trend**
*(Rs mn, year ending March 31)*

	Dec-08	Mar-09	Jun-09	Sep-09
Net sales	589	577	529	552
% growth (YoY)	7.5	(11.2)	(16.2)	(15.6)
EBITDA	149	181	129	142
Margin (%)	25.3	31.3	24.3	25.7
Other income	113	65	90	93
Extraordinaries Inc / (Loss)	0	0	0	0
<b>Recurring Net Income</b>	<b>171</b>	<b>138</b>	<b>133</b>	<b>147</b>

Source: Company data, I-Sec Research

**Table 10: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY08	FY09	FY10E	FY11E
<b>Operating Cashflow before W</b>				
<b>Cap changes</b>	<b>458</b>	<b>381</b>	<b>310</b>	<b>413</b>
Working Capital Inflow / (Outflow)	258	(297)	229	142
Capex	(324)	(74)	(90)	(170)
<b>Free Cashflow</b>	<b>392</b>	<b>9</b>	<b>449</b>	<b>385</b>
<b>Cashflow from other Invst Act (Ex Capex)</b>	<b>(459)</b>	<b>2,439</b>	<b>(80)</b>	<b>0</b>
Proceeds from Issue of Share Capital	0	0	0	0
Inc/(Dec) in Borrowings	0	(0)	(0)	(0)
Dividend paid	(24)	(24)	(24)	(20)
<b>Others</b>	<b>172</b>	<b>286</b>	<b>340</b>	<b>375</b>
<b>Increase/(Decrease) in Cash</b>	<b>82</b>	<b>2,710</b>	<b>684</b>	<b>740</b>

Source: Company data, I-Sec Research

**Table 11: Key ratios**
*(Year ending March 31)*

	FY08	FY09	FY10E	FY11E
<b>Per Share Data (Rs)</b>				
EPS(Basic Recurring)	20.7	21.9	21.6	26.4
EPS(Reported)	20.7	21.9	21.6	26.4
Recurring Cash EPS	22.6	24.2	24.2	29.4
Dividend per share (DPS)	0.9	0.9	0.7	0.8
Book Value per share (BV)	98.2	119.8	140.7	166.3
<b>Growth Ratios (%)</b>				
Operating Income (Sales)	56.9	12.1	(5.6)	19.0
EBITDA	73.6	0.9	(6.6)	28.0
Recurring Net Income	109.1	5.4	(0.9)	21.9
Basic Recurring EPS	109.1	5.4	(0.9)	21.9
Basic Recurring CEPS	99.6	6.9	0.1	21.6
<b>Valuation Ratios (x)</b>				
P/E	33.5	31.8	32.1	26.3
P/CEPS	30.7	28.8	28.7	23.6
P/BV	7.1	5.8	4.9	4.2
EV / EBITDA	24.5	24.1	24.6	18.3
EV / Sales	7.2	6.4	6.5	5.2
EV / FCF	40.4	NA	33.5	37.0
<b>Operating Ratio</b>				
Personnel Cost/Total Revenues (%)	28.4	34.6	36.0	34.3
Total Admin & Other Exps/ total revenue (%)	11.7	13.4	14.2	13.7
Other Income / PBT (%)	26.3	33.0	38.7	35.0
Effective Tax Rate (%)	29.4	31.2	32.8	32.8
NWC / Total Assets (%)	(10.1)	65.7	63.4	65.4
Fixed Asset Turnover (x) on average	10.4	7.9	7.7	8.2
Receivables (days) on average	4.8	5.4	7.4	7.4
Current ratio	0.6	4.4	3.9	4.2
D/E Ratio (x) on average	0.0	0.0	0.0	0.0
<b>Return/Profitability Ratio (%)</b>				
Recurring Net Income Margins	25.9	24.3	25.5	26.1
RoCE (Based on Avg)	23.5	20.0	16.6	17.2
RoNW (Based on Avg)	23.5	20.0	16.6	17.2
Dividend Payout Ratio	3.6	3.4	2.9	2.5
Dividend Yield	0.1	0.1	0.1	0.1
EBITDA Margins	29.5	26.6	26.3	28.3

Source: Company data, I-Sec Research

*I-Sec investment ratings (all ratings relative to Sensex over next 12 months)*

**BUY:** +10% outperformance; **HOLD:** -10% to +10% relative performance; **SELL:** +10% underperformance

## ANALYST CERTIFICATION

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