

IPO NOTE
**INFO EDGE (INDIA) LTD.
PRICE BAND: 290-320**
**October 29, 2006
SUBSCRIBE**
Issue Details

| | |
|-----------------------------|-------------------------------------|
| Issue size to public | 47.91 lac shares |
| Face Value | 10 |
| Bid opens | 30-Oct-06 |
| Bid closes | 02-Nov-06 |
| Issue band | 290-320 |
| Issue Type | IPO |
| Lead Managers | ICICI Brokerage Services Ltd |
| Registrar | Intime Spectrum Registry |

Source: RHP

Shareholding Pattern Post-IPO (%)

| | |
|----------------------------|--------------|
| Promoters | 58.10 |
| Public & Others | 41.90 |

Source: RHP

Background and Business

Info Edge is in the business of providing online classifieds and certain related services. It owns and operates Naukri.com, which is India's number one jobs portal and Jeevansathi.com, which is India's number three matrimonial portal. Company also started new real estate classified service through 99acres.com. It also provides executive search services to various of its Corporate Clients in the IT and ITES industries through Quadrangle which is provided offline.

| Business | Launch Date |
|-----------------|--------------------|
| Naukri.com | 1997 |
| Quadrangle | November 2000 |
| Jeevansathi.com | September 2004 |
| 99acres.com | September 2005 |

- **Naukri.com**

Naukri.com provides recruitment classifieds and related services to job seekers, employers and recruitment consultants through **www.naukri.com**, and also from its office networks. As of March 31, 2006, Naukri.com had a database of over 5 million registered job seekers and CVs, and over 80,000 live job listings. In FY 2006, Naukri.com had approximately 20,000 Corporate Customers and average of over 8,000 new CVs were added per day to the database.

- **Quadrangle**

Quadrangle provides executive search services to various Corporate customers in the IT and ITES industries and managerial positions in all industries. These services are provided offline.

- **Matrimonial Classifieds and Services**

Matrimonial Classifieds provides an information exchange service to prospective brides, grooms, and their relatives in India and certain other countries through internet portal **www.jeevansathi.com**. In the period period FY 2006, approximately 1700 new profiles of prospective brides and grooms were added per day to the database. As of March 31, 2006, Jeevansathi.com had a database of more than 6,30,000 such profiles.

**Riding on the booming
Indian Economy**

- **Real Estate Classifieds**

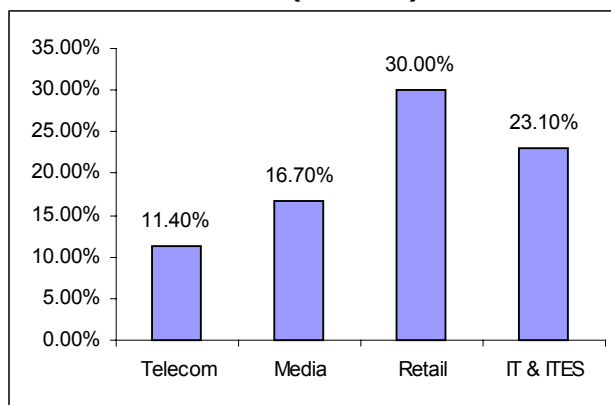
Real estate classifieds service through its internet portal www.99acres.com provides an information exchange service to lessors, lessees, buyers, sellers and brokers of residential and commercial real estate in India.

Objects of the Issue

- Diversification of Business and Expansion into New Markets
- Buying/Lease of Office Space
- Product Enhancement and Developing Alternate Delivery Models
- Acquisitions/Strategic Alliance
- Development of 99acres.com and Quadrangle

Investment Positives**Favourable Macroeconomic and Demographic Trends**

Growth of the online recruitment industry is closely linked to that of the overall recruitment market, which is in turn dependent on the overall economic growth. India's GDP rose by 8.1%, which was higher than the expected value. The growth was mainly driven by the growth in the services sector and the manufacturing sector which is expected to continue in the coming years. India has a large percentage of young population between the ages of 20 and 40 as compared to other developing nations. There is an increase in urbanization and literacy rates in the country, and this trend is likely to continue. The enhanced mobility in the labour force witnessed currently is huge opportunity for the recruitment Industry.

Expected Growth Rate CAGR (2005-8E) – Service Sector Industries

Source: NASSCOM

Diversified Services portfolio catering to growing urban needs**Diverse Portfolio of focused products and Services**

Info-edge offers a diverse portfolio of products and services through its websites Naukri.com, Jeevansathi.com and 99acres.com. It has developed a broad range of customized products and service offerings in order to address the varied and expanding requirements.

Well Recognized and Strong Brand Image

Naukri.com and Jeevansathi.com are well-established brands in India and enjoy higher user call. Naukri.com is India's number one job portal and Jeevansathi.com is India's number three matrimonial portal. Well recognized and strong brand names will facilitate the company to enter new geographic markets in and outside of India.

Expanding in India and abroad to be the next growth driver**Increasing Geographical Presence**

The company is focusing on increasing the number of CVs and employment opportunities on Naukri.com and the number of matrimonial profile on jeevansathi.com. The company presently has 41 offices in 29 cities in India, and intends to open more offices. With respect to international markets, the company has already opened a branch in Dubai and also is focusing on the Middle East and in South Asian countries.

Investment Concerns**Highly dependent on Recruitment Services share of Revenue**

On the average, over 96% of the revenues over the last five years were contributed by Recruitment Services arm of the company. Any downturn in the Indian employment market can affect the company's financial performance. Further, there is over-dependence on IT and Financial Services domains; both from people seeking employment and corporate clients.

Competition from existing and new players**Fiercely competitive domain**

The competition in the markets the company caters to is stiff, and is only likely to increase. The key rivals to Naukri.com are Monsterindia.com, Timesjobs.com and Jobsahead.com, while those pitted against Jeevansathi.com are Shaadi.com and Bharatmatrimony.com. 99acres.com faces competition from the print media and other internet-based service providers. The competition from MNCs in the recruitment services domain is also a concern, as they enjoy the advantages of good brand equity, better resources and greater experience.

Strong past performance with revenue growth of 110% CAGR and growth in Net Profit at a CAGR of 197% over the past 4 years

As per upper price band, the issue is priced at 40x its Q1FY07 annualised earnings of Rs 8

Some Subsidiaries are Loss-making

In the near past, two of the company's subsidiaries, viz. 99acres.com and Jeevansathi Internet Services Pvt. Ltd., have reported losses. If they don't break even as per the time frame targeted, it might affect the company's financial performance.

Financial Results

Performance of the Company

Info Edge boasts of a strong financial performance over the last few years

- The revenues for the last four years have grown at a CAGR of 110% to Rs 82.4 Cr in FY06, primarily on the back of a spurt in the company's recruitment services and matrimonial services businesses. The Net Profit has witnessed a CAGR of 197% to Rs 13.3 Cr during the same period.
- The OPM has risen from 16.2% for FY03 to 29.4% for FY06. It has shown a consistent upward trend, barring FY05 during which the company had invested in recruiting an efficient and trained management team for its matrimonial and real estate services businesses, brand building measures, and also due to an increase in administrative and other costs.
- Due to the nature of its business, the company has strong cash flows, and has not required any working capital or other financings to meet its costs of operations and capital expenditures.

Valuation

The issue is priced in the band of Rs 290-320. At the upper price band of Rs 320, it quotes at 40x its Q1FY07 annualised earnings of Rs 8. Looking at the prospects of the business and the track record of the company, we expect the company to maintain the same growth trajectory going forward. The Company is diversifying its portfolio, and has huge potential to ride along with the booming Indian Economy.

There is no comparable Indian company in the same space listed on the bourses, but if we compare it with Monster Worldwide (parent company of Monsterindia.com), listed on Nasdaq, the latter is trading at 38x its TTM earnings. Worldwide the Internet based businesses trades at higher valuations as compared to other brick-and-mortar enterprises. We recommend the investors to subscribe to the issue at cut off.

Financial Snapshot

| Rs Cr | FY03 | FY04 | FY05 | FY06 | YoY (%) | Q1FY07 |
|----------------------------------|------------|------------|------------|------------|---------|--------------|
| Revenues | 8.9 | 19.2 | 44.1 | 82.4 | 87.1 | 27.9 |
| Expenditure | 7.6 | 14.8 | 40.2 | 59.8 | 48.9 | 20.4 |
| EBDITA (Operating Profit) | 1.4 | 4.7 | 4.9 | 24.2 | 390.9 | 8.9 |
| Interest | 0.0 | 0.1 | 0.2 | 0.4 | 161.2 | 0.1 |
| Depreciation | 0.6 | 0.7 | 1.1 | 2.8 | 147.1 | 1.0 |
| Other Income | 0.2 | 0.3 | 1.1 | 1.7 | 55.6 | 1.4 |
| PBT | 0.9 | 3.9 | 3.7 | 21.0 | 475.8 | 7.8 |
| Tax | 0.3 | 1.4 | 3.3 | 7.7 | 131.4 | 2.6 |
| RPAT | 0.5 | 2.4 | 0.3 | 13.3 | 4187.4 | 5.2 |
| Adjusted PAT | 0.5 | 2.4 | 0.3 | 13.2 | 5014.0 | 5.2 |
| Equity* | 27.3 | 27.3 | 27.3 | 27.3 | | 27.3 |
| Face Value | 10.0 | 10.0 | 10.0 | 10.0 | | 10.0 |
| EPS (Rs)** | 0.2 | 0.9 | 0.1 | 4.9 | | 7.7** |
| Margins | | | | | | |
| OPM (%) | 16.2 | 24.3 | 11.2 | 29.4 | | 31.8 |
| NPM (%) | 5.5 | 12.5 | 0.6 | 16.0 | | 18.7 |

* Calculated on post Issue Equity of Rs 27.3 Cr

** Quarterly annualized EPS

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