

Company Flash

25 July 2007 | 5 pages

Info Edge (INED.BO)

Buy: 1QFY08 Preview: Expecting Another Strong Performance from India's Internet Leader

- Expect strong 1QFY08 results** — Based on our channel checks, we expect Info Edge to report strong FY1Q results, which are due in late July. The company did not give guidance, but we are modeling revs of Rs405m (+45% YoY) and net profit of Rs69m (+31% YoY). We expect Info Edge could top our estimates.
- Core business Naukri remains robust** — Naukri continues to lead the India online recruitment market and should show solid YoY growth in 1QFY08. The demand for recruiting services in India remains very strong, and is benefiting from a rapidly growing economy, continued strong employment demand in the IT sector, and rising Internet penetration.
- Jeevansathi and 99acres continue to ramp** — These younger businesses should continue to grow at encouraging rates, and we expect positive qualitative updates. As they remain in the investment phase, however, we do not expect them to contribute to earnings in 1QFY08.
- Reiterate Buy; TP of Rs920** — Info Edge's fundamentals remain very healthy and potential upside could exist for the upcoming 1QFY08 results. Our TP is based on 40x our FY09E non-GAAP EPS, warranted given the stock's scarcity premium and attractive earnings prospects.

Buy/Medium Risk	1M
Price (24 Jul 07)	Rs858.35
Target price	Rs920.00
Expected share price return	7.2%
Expected dividend yield	0.1%
Expected total return	7.3%
Market Cap	Rs23,429M US\$584M

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	149.0	77.9	0.0
2006A	139	6.37	74.5	134.8	76.5	75.0	0.1
2007E	276	11.34	78.0	75.7	10.1	23.9	0.1
2008E	413	15.11	33.3	56.8	9.6	18.4	0.1
2009E	624	22.83	51.1	37.6	7.8	22.9	0.1

Source: Powered by dataCentral

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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 shares as Buy/Medium Risk (1M) with a target price of Rs920. 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 ~90% 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 50% and a net profit CAGR of 67%.

Valuation

Our target price of Rs920 is based on 40x our FY09E EPS (YE 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 53% CAGR in net profit over FY06-09E.

Risks

Under our quantitative risk-rating system, a default Speculative rating would be applied to Info Edge shares given that the stock has been publicly traded for less than a year. However, in light of the company's track record of profitability and its market leadership, we rate the stock Medium Risk. We note Info Edge has demonstrated it is able to fend off aggressive private competitors Monster India and Timesjobs while growing revenues and earnings in the process. Strong results from the new verticals also improve the risk/reward.

Downside risks that could prevent the shares from reaching our target price include: 1) any 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

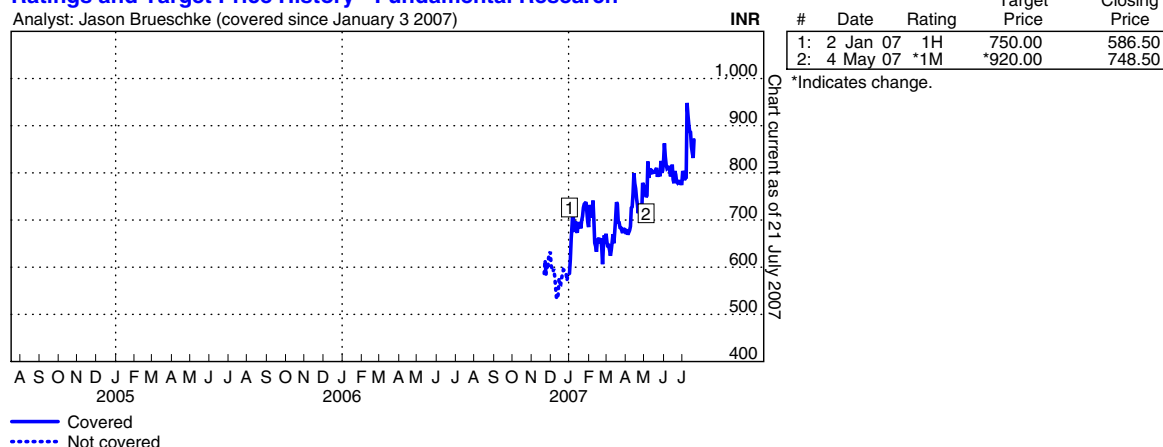
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Info Edge (INED.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Jason Brueschke (covered since January 3 2007)



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