

INFO EDGE (INDIA) LTD

Result Update: Q3 FY13

BUY

CMP	331.00
Target Price	371.00

JAN 22nd, 2013

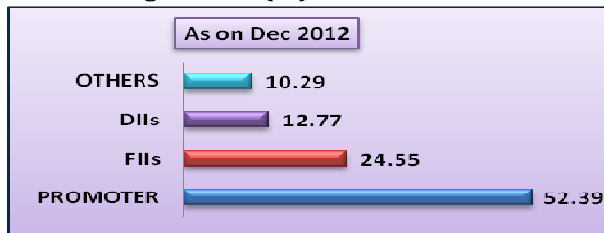
ISIN: INE663F01024

Stock Data	
Sector	IT
BSE Code	532777
Face Value	10.00
52wk. High / Low (Rs.)	400.00/277.60
Volume (2wk. Avg)	2526.00
Market Cap (Rs in mn)	36138.91

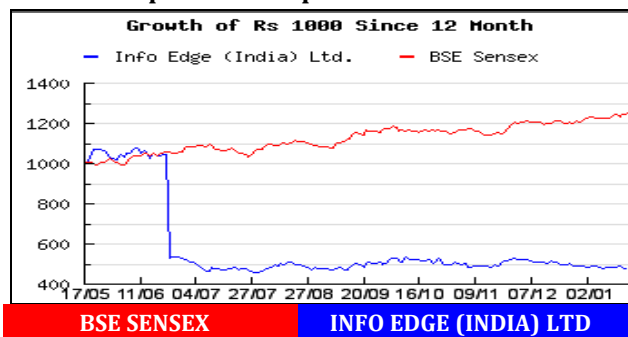
Annual Estimated Results (A*: Actual / E*: Estimated)

Years	FY12A	FY13E	FY14E
Net Sales	3770.84	4425.53	5000.85
EBITDA	1814.04	1987.85	2247.14
Net Profit	1226.23	1343.60	1525.79
EPS	22.46	12.31	13.97
P/E	14.74	26.90	23.69

Shareholding Pattern (%)



1 Year Comparative Graph



SYNOPSIS

- Info Edge (India) Ltd is premier on-line classifieds company engaged in recruitment, matrimony, real estate, education & related services.
- During the quarter ended, the robust growth of Net Profit is increased by 6.70% to Rs. 307.86 million.
- Info Edge recorded Net Sales of Rs 1064 mn for the quarter ended Dec 31, 2012 compared to Rs 920 mn in quarter ended Dec 31, 2011.
- During the quarter ended Dec 31, 2012, the company has acquired "TooStep" business on a slump sale from an Indian Private Ltd company for a net consideration of 41.25 million.
- During the quarter revenue from recruitment solutions grew at 10.1% while the real estate vertical grew by 54.6%.
- Info Edge has invested Rs. 318.00 Millions in tranches for around 49% stake in Applet Learning systems Pvt. Ltd.
- Info Edge has invested Rs. 50 million through fully convertible cumulative redeemable unsecured debentures in Ninety Nine Labels Private Ltd.
- Net Sales and PAT of the company are expected to grow at a CAGR of 19% and 22% over 2011 to 2014E respectively.

Peer Groups	CMP	Market Cap	EPS	P/E (x)	P/BV(x)	Dividend
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Info Edge India Ltd	331.00	36138.91	22.46	14.74	3.15	20.00
Core Education & Technologies	305.80	34979.70	17.27	17.71	2.77	30.00
Rolta India Ltd	63.40	10220.20	19.46	3.26	0.41	30.00
R S Software Ltd	165.90	2009.00	29.76	5.57	2.39	30.00

Investment Highlights

Results updates- Q3 FY13,

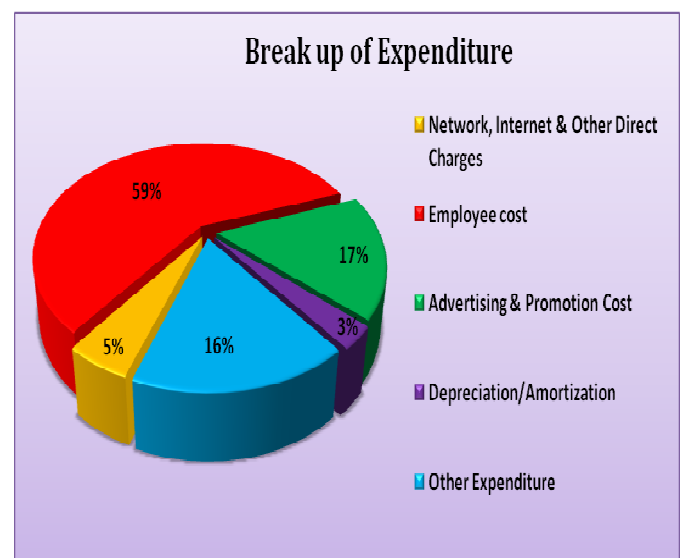
Info Edge India Ltd is one of India's premier on-line classifieds company in recruitment, matrimony, real estate, education and related services, reported its financial results for the quarter ended 31st Dec, 2012. The Third quarter witnesses a healthy increase in overall sales as well as profitability of the company.

Months	Dec-12	Dec-11	% Change
Net Sales	1064.05	919.94	15.67%
PAT	307.86	288.54	6.70%
EPS	2.82	5.29	-46.65%
EBITDA	465.22	429.16	8.40%

The company's net profit jumps to Rs. 307.86 million against Rs. 288.54 million in the corresponding quarter ending of previous year, an increase of 6.70%. Revenue for the quarter rose 15.67% to Rs. 1064.05 million from Rs. 919.94 million, when compared with the prior year period. Reported earnings per share of the company stood at Rs.2.82 a share during the quarter, registering 46.65% decrease over previous year period. Profit before interest, depreciation and tax is Rs. 465.22 millions as against Rs. 429.16 millions in the corresponding period of the previous year.

Expenditure :

During the quarter Total Expenditure rose by 25 per cent mainly on account of increase in Employee cost along with consideration of Network, Internet & Other Direct Charges in the rupee impact. Total expenditure in Q3 FY13 was at 728.95 million as against Rs.584.86 million in Q3FY12. Other Expenditure rose to Rs.117.72 millions against Rs.85.25 millions in the corresponding period of the previous year. Employee Cost was at Rs. 429.47 million and Depreciation Rs. 21.67 million in Q3FY13 are the primarily attributable to growth of expenditure.



Latest Updates

- **Acquisition of the business of Too step**

Info Edge (India) Ltd has acquired business in Too step Consultancy Pvt Ltd had developed a SaaS Platform which enabled recruiters to propagate jobs on social networking sites and Search Engines as also allowed recruiters to manage it.

- **Investment in Zomato Media Private Ltd**

Info Edge (India) Ltd has invested Rs.128.60 million through convertible cumulative redeemable preference shares in Zomato Media Private Ltd is engaged in business of providing advertising, rating reviews for restaurants. The aggregate investment including the above is Rs.31.60 millions in Zomato Media Pvt Ltd which translates to about 48.5% stake in the company.

- **Investment in Canvera Digital Technologies Private Ltd**

Info Edge (India) Ltd has invested an amount of Rs. 350 million through convertible cumulative redeemable preference shares in Canvera Digital Technologies Private Ltd is engaged in business of providing solutions to professional photographers owns and operates the site www.canvera.com.

- **Strategic Investments**

- ✓ The company has invested Rs.300 million in the Etechaces Marketing & Consulting Private Ltd.

- ✓ Info Edge has invested Rs. 318.00 Millions in tranches for around 49% stake in Applect Learning systems Pvt Ltd. Applect has launched a site meritnation.com which is delivering kinder garden to Class 12 study Material.

- ✓ The company has invested Rs.270 million into mydala.com which is offering discount offers & deals a platform for merchants revenues are generated form merchant commissions.

- During the financial year 2011-12, Company invested about Rs.992.7 million into the external businesses.

Future plan

The company is constantly keep working on finding / evaluating new technologies, processes, frameworks and methodologies to enable in improving the quality of offerings and user satisfaction.

Company Profile

Info Edge (India) Ltd was incorporated on May 1, 1995 under the Companies Act, 1956 as Info Edge (India) Private Ltd & converted into a Public Limited on April 27, 2006. It is one of India's premier on-line classifieds company in recruitment, matrimony, real estate, education and related services.

Company has a network of 67 offices spread across in 41 cities in India. Company also operates internationally through 2 offices in Dubai, 1 in Bahrain and 1 in Riyadh.

These international offices are engaged in business of sales, marketing and payment collection activities of company's business division.

The company has employee strength of 1,798 people. Info Edge (India) owns four subsidiaries namely Naukri Internet Services, Jeevansathi Internet Services, Info Edge (India) Mauritius and Allcheckdeals India.

➤ **Business**

• **Recruitment**

This business segment provide the recruitment classifieds and related services to job seekers and Corporate Customers, (employers and recruitment consultants) on our website www.naukri.com, and they are also recruitment classifieds and related services to job seekers and Corporate Customers, (employers and recruitment consultants) on our website www.naukrigulf.com which targets the middle eastern market with offices in Dubai, Bahrain, Riyadh and Abu Dhabi & others.

• **Real Estate**

It is one of India's first platforms to cater to the real estate market online and has a pan India listing of properties for sale, purchase and rent spanning 25 plus cities on our web site www.99acres.com, and it brings together builders, brokers, dealers and interested buyers /sellers and connects them over the online medium.

• **Matrimony**

The site www.Jeevansathi.com was acquired by Info Edge in September 2004. In India, arranged marriages, are very prevalent and the Indian matrimony market is highly fragmented along religion, caste, community, linguistic group and geography. The websites active in the matrimony market cater to specific markets. We believe we currently have strengths in the highly populous North India Hindi speaking belt, parts of Maharashtra and a few metropolitan towns.

- **Education**

It is a market place that connects the education seeker with the education provider. Shiksha.com provides detailed information on fee, eligibility, approving authority for various programs, faculty, placement & information on infrastructure for most post graduate programs, professionally oriented under graduate programs & vocational courses in Management, Engineering, IT, Animation, Design, Media, Hospitality, Medicine, Clinical Research, Law & Coaching for entrance examinations held both India and Abroad.

- **Subsidiaries**

- ✓ Naukari Internet Services Pvt Ltd
- ✓ Jeevansathi Internet Services Ltd
- ✓ Info Edge (India) Mauritius Ltd
- ✓ Info Edge USA Inc
- ✓ Applect Learning Systems Pvt Ltd
- ✓ ETechAcces Marketing & Consulting Pvt Ltd.

- **Brands**



- **Investee Companies**



Financial Highlights

Balance Sheet as on 31st March 2012

	FY12	FY13E	FY14E
EQUITY AND LIABILITIES:			
Shareholders' Funds:			
Share Capital	545.91	1091.81	1091.81
Reserves and Surplus	5198.21	6541.79	8067.58
Net worth (a)	5744.12	7633.60	9159.39
Non-Current Liabilities:			
long-term borrowings	2.79	2.85	2.93
Long term liabilities (b)	2.79	2.85	2.93
Current Liabilities:			
Trade Payables	270.41	302.86	336.17
Other Current Liabilities	1225.99	1569.27	1961.58
Short Term Provisions	231.18	265.86	311.05
Current Liabilities @	1727.58	2137.98	2608.81
Total (a+b+c)	7474.49	9774.43	11771.14
ASSETS:			
Non-Current Assets:			
Fixed Assets:			
Tangible Assets	518.81	529.19	537.65
Intangible Assets	12.31	10.46	9.42
Capital work-in-progress	94.43	100.10	106.10
(d)	625.55	639.75	653.17
Deferred tax assets	41.74	43.16	44.58
other non-current assets	666.98	700.33	742.35
Non Current Investments	2871.70	4077.81	5219.60
Long Term Loans and Advances	127.04	132.12	137.41
(e)	3707.46	4953.42	6143.94
Current Assets:			
Current Investments	942.20	998.73	1048.67
Trade Receivables	35.92	37.72	39.60
Cash and Bank Balances	2043.14	3004.96	3720.84
Short Term Loans and Advances	62.48	54.98	49.48
Other Current Assets	57.74	84.88	115.43
(f)	3141.48	4181.27	4974.03
Total (d+e+f)	7474.49	9774.43	11771.14

Annual Profit & Loss Statement for the period of 2011 to 2014E

Value(Rs.in.mn)	FY11	FY12	FY13E	FY14E
Description	12m	12m	12m	12m
Net Sales	2940.12	3770.84	4425.53	5000.85
Other Income	278.82	394.57	451.68	496.85
Total Income	3218.94	4165.41	4877.21	5497.69
Expenditure	-1907.47	-2351.37	-2889.35	-3250.55
Operating Profit	1311.47	1814.04	1987.85	2247.14
Interest	-0.77	-0.67	-19.15	-21.06
Gross profit	1310.70	1813.37	1968.71	2226.08
Depreciation	-71.15	-76.61	-83.29	-89.12
Profit Before Tax	1239.55	1736.76	1885.42	2136.96
Tax	-399.84	-510.53	-541.81	-611.17
Net Profit	839.71	1226.23	1343.60	1525.79
Equity capital	545.91	545.91	1091.81	1091.81
Reserves	4053.30	5198.19	6541.79	8067.58
Face value	10.00	10.00	10.00	10.00
EPS	15.38	22.46	12.31	13.97

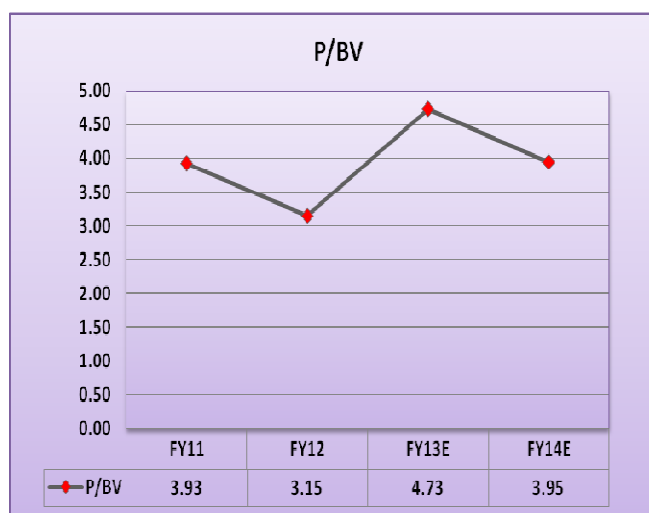
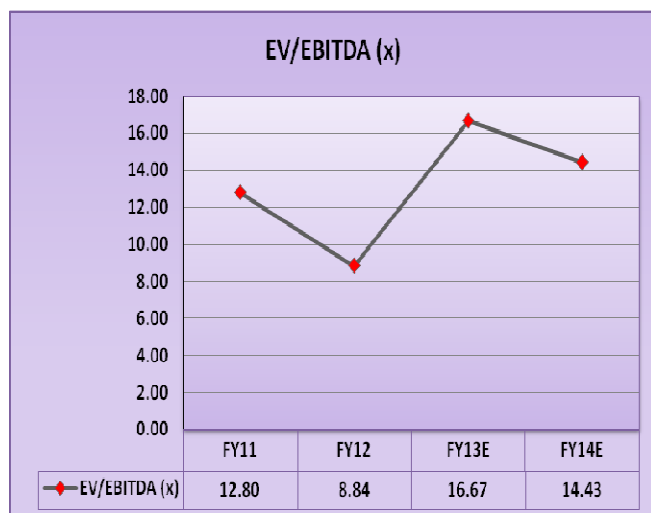
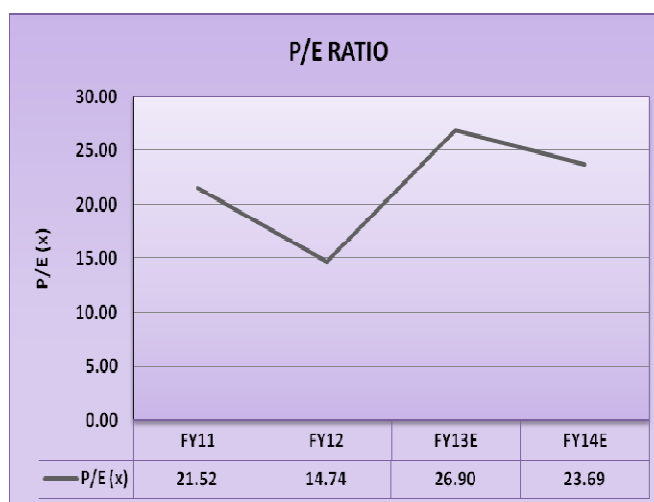
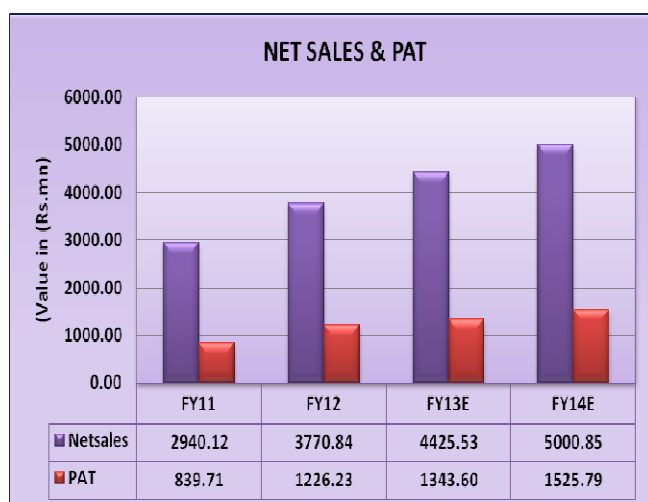
Quarterly Profit & Loss Statement for the period of 30th June, 2012 to 31st Mar, 2013E

Value(Rs.in.mn)	30-June-12	30-Sep-12	31-Dec-12	31-Mar-13E
Description	3m	3m	3m	3m
Net sales	1059.82	1078.00	1064.05	1223.66
Other income	106.07	112.44	108.45	124.72
Total Income	1165.89	1190.44	1172.50	1348.38
Expenditure	-691.17	-707.76	-707.28	-783.14
Operating profit	474.72	482.68	465.22	565.23
Interest	-0.18	-6.43	-6.43	-6.11
Gross profit	474.54	476.25	458.79	559.13
Depreciation	-18.66	-20.42	-21.67	-22.54
Profit Before Tax	455.88	455.83	437.12	536.59
Tax	-138.05	-122.65	-129.26	-151.85
Net Profit	317.83	333.18	307.86	384.73
Equity capital	1091.81	1091.81	1091.81	1091.81
Face value	10.00	10.00	10.00	10.00
EPS	2.91	3.05	2.82	3.52

Ratio Analysis

Particulars	FY11	FY12	FY13E	FY14E
EPS (Rs.)	15.38	22.46	12.31	13.97
EBITDA Margin (%)	44.61%	48.11%	44.92%	44.94%
PBT Margin (%)	42.16%	46.06%	42.60%	42.73%
PAT Margin (%)	28.56%	32.52%	30.36%	30.51%
P/E Ratio (x)	21.52	14.74	26.90	23.69
ROE (%)	18.26%	21.35%	17.60%	16.66%
ROCE (%)	30.02%	32.90%	27.12%	25.50%
EV/EBITDA (x)	12.80	8.84	16.67	14.43
Book Value (Rs.)	84.25	105.22	69.92	83.89
P/BV	3.93	3.15	4.73	3.95

Charts



Outlook and Conclusion

- At the current market price of **Rs.331.00**, the stock P/E ratio is at 26.90 x FY13E and 23.69 x FY14E respectively.
- Earning per share (EPS) of the company for the earnings for FY13E and FY14E is seen at Rs.12.31 and Rs.13.97 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 19% and 22% over 2011 to 2014E respectively.
- On the basis of EV/EBITDA, the stock trades at 16.67 x for FY13E and 14.43 x for FY14E.
- Price to Book Value of the stock is expected to be at 4.73 x and 3.95 x respectively for FY13E and FY14E.
- We recommend '**BUY**' in this particular scrip with a target price of **Rs.371.00** for Medium to Long term investment.

The other businesses are gaining traction is primary revenue generator is still the online recruitment classifieds and related services through naukri.com. The improvements in the Indian economy and hiring picking up, recruitment solutions had a good year in 2011-12. The investee companies are still developing the business models and will gain some visibility on future prospects in the next 2 to 3 years.

Industry Overview

The Information Technology (IT) and information technology enabled services (ITeS) industry has been one of the key driving forces fuelling India's economic growth. IT and ITeS sector's contribution to the national GDP has increased from 1.2 per cent in 1997-98 to an estimated 7.5 per cent in 2011-12.

IT has evolved as a major contributor to India's GDP and plays a vital role in driving growth of the economy in terms of employment, export promotion, and revenue generation.

IT-BPO sector is responsible for creating significant employment opportunities in the economy. Direct employment within the IT-BPO sector is expected to grow by over 9 per cent to reach 2.77 million, with over 230,000 jobs being added in 2011-12. IT services exports (including Engineering Research and Design (ER&D) and software products) continue to be the largest employer within the industry with nearly 47 per cent share of total direct employment, BPO exports generate about 32 per cent of the total industry employment, and the remaining 22 per cent is accounted for by the domestic IT-BPO sector.

The sector is responsible for enabling employment to an additional 8.9 million people in various associated sectors - catering, security, transportation, housekeeping, etc.

Market Size

As per NASSCOM estimates, IT and ITeS sector (excluding hardware) revenues are estimated at US\$ 87.6 billion in FY 2011-12. The industry is expected to grow by 19 per cent during FY 2012-13.

Additionally, the market size of the industry is expected to rise to US\$ 225 billion by 2020 considering India's competitive position, growing demand for exports, Government policy support, and increasing global footprint.

According to a study by management advisory firm Zinnov, adoption of IT services in the Indian SME segment is growing at 15 per cent and is expected to reach US\$ 15 billion by 2015.

The public cloud services market in India is projected to grow to US\$ 326.2 million, registering 32.4 per cent growth in 2012, according to a report by Gartner.

The Indian software and services exports including BPO exports is estimated at US\$ 68.7 billion in 2011-12, as compared to US\$ 59 billion in 2010-11, an increase of 16.4 per cent. The IT services exports is estimated to be US\$ 39.8 billion in 2011-12 as compared to US\$ 33.5 billion in 2010-11, showing a growth of 18.8 per cent. BPO exports is estimated to grow from US \$ 14.2 billion in 2010-11 to US\$ 15.9 billion in 2011-12, a year-on-year (Y-o-Y) growth of about 12 per cent. IT services contributed 58 per cent of total IT-BPO exports in 2011-12, followed by BPO at 23 per cent and software products / engineering at 19 per cent.

Investment

Indian IT's core competencies and strengths have placed it on the international canvas, attracting investments from major countries.

Between April 2000 and May 2012, the computer software and hardware sector attracted cumulative foreign direct investment (FDI) of US\$ 11,262 million, according to the Department of Industrial Policy and Promotion (DIPP).

More recently, online retailing, cloud computing and e-commerce are the major driving forces behind the rapidly increasing growth in the IT industry. Online shopping has increased with the emergence of internet retailing and e-commerce.

India's IT-BPO revenues are also driven by a rapid increase in rural BPO units, which accounted for more than US\$ 10 million in the total sector revenues.

Some of the major initiatives in Indian IT and ITeS sector are:

- Intel Capital, Intel Corporation's global investment and M&A organization, plans to invest up to US\$ 40 million in ten innovative Indian technology companies
- Kakinada Special Economic Zone (SEZ), being developed by GMR Group, has entered into a partnership agreement with Bengaluru-based RuralShores Business Services Pvt. Ltd for setting up a BPO centre
- Tata Consultancy Services (TCS) plans to set up operations in Madhya Pradesh (MP) by building a new integrated campus in Indore, with an initial investment of Rs 550 crore (US\$ 99.09 million) in the first phase
- MindTree Ltd has opened its first delivery centre outside India in Gainesville, Florida. The company plans to invest US\$ 2.93 million and create 400 new jobs over the next five years
- BPO firm ExlService Holdings has announced the acquisition of US-based Landacorp Inc. The acquisition will provide Exl with an end-to-end solution for the healthcare industry

Government Initiatives

The 51 software technology parks of India (STPI) centres that have been set up since inception of the programme have given a major boost to IT and ITeS exports. Apart from exemption from customs duty available for capital goods there are also exemptions from service tax, excise duty, and rebate for payment of Central Sales Tax.

FDI upto 100 per cent under the automatic route is allowed in Data processing, software development and computer consultancy services; Software supply services; Business and management consultancy services, Market Research Services, Technical testing & Analysis services.

Some of the major initiatives taken by Government of India to promote IT and ITeS sector in India are:

- The Cabinet has recently approved the National Policy on Information Technology 2012. The policy aims to increase revenues of IT and ITeS industry from US\$ 100 billion to US\$ 300 billion by 2020 and expand exports from US\$ 69 billion to US\$ 200 billion by 2020
- The Government of India plans to set up 15 new laboratories for testing hardware and software products under public-private partnership (PPP) model
- The Ministry of Finance has issued a circular to chairmen of public sector banks and regional rural banks, that all payments to customers, staff, vendors and suppliers as well as disbursement of loans and payments towards investments should be made only through the electronic mode
- The Government of India plans to announce incentives to promote IT related export hubs in small towns to attract investors towards SEZs. The Government may also allow broad banding of sectors, which will allow ancillary units to come up in sector-specific SEZs

Road Ahead

According to 'India Information Technology Report Q1 2011', released by Research and Markets, Indian market for IT services and products is expected to grow from US\$ 18.6 billion in 2011 to US\$ 40.5 billion in 2015. During the year 2011, government procurement is expected to grow substantially while opportunities in healthcare, education, telecom and financial services would broaden further.

Further, NASSCOM expects software and services exports growth at 16-18 per cent, clocking US\$ 68-70 billion of revenues in FY2012 whereas, domestic market is expected to grow by 15-17 per cent with revenues of US\$ 20.12- 20.56 billion. Newer phenomenon like cloud, analytical services, advanced mobile applications, healthy environment for start-ups and SaaS will drive the industry growth.

According to latest projections released by Cybermedia Research, the aggregate market size of domestic IT products and ITeS would reach US\$ 52.3 billion crore by 2014, growing 17.3 per cent between 2010 and 2014.

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