

Morgan Stanley India Company
Private Limited+

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Stock Rating
Equal-weight

Industry View
In-Line

Info Edge (India) Ltd.

India Summit: Management Meeting Takeaways

Quick Comment: Management indicated that its internal targets would be lower than actual performance last year and it needs to wait and watch 1Q trends to get better picture of fiscal 2013 revenue outlook.

Management maintains its cautious outlook on the recruitment business and indicated that the outlook for collections in Naukri remains uncertain. 4Q revenue growth was a positive surprise and could have been driven by market share gains. Management expects 99 Acres revenues to keep growing even in the current uncertain environment, due to low penetration.

Stable margin outlook if revenue growth momentum continues: Management believes that margins could remain stable if revenues grow by 20%+ yoy in FY13e. Info Edge has so far invested Rs1.32bn and owns between 38% and 48% of its various investee companies. It is seeking co-investors in few of its investee companies.

Our view: Despite the weak macro, we believe recruitment revenues should be able to grow ~20% yoy with stable margins in FY13e. Overall, we forecast consolidated revenue growth of ~22% yoy with EBIT margins of 28% (+80bps yoy) and net income growth of 11% yoy in FY13e due to our assumption of lower non-op income and lower gains from associates companies.

Maintain EW: The stock is already trading at rich multiples of 38x FY13e and 36x FY14e EPS for earnings CAGR of 15% over FY12-14e, which limits any material upside from the current levels in our view.

Risks: Slower than expected revenue growth in recruitment or higher / lower than expected losses contributed by either its other verticals or subsidiaries, are the key upside/downside risks to our estimates.

Key Ratios and Statistics

Reuters: INED.BO Bloomberg: INFOE IN
India Internet Services

Shr price, close (Jun 7, 2012)	Rs753.65
52-Week Range	Rs800.00-548.10
Sh out, dil, curr (mn)	55
Mkt cap, curr (mn)	Rs41,145
EV, curr (mn)	Rs36,448
Avg daily trading value (mn)	Rs16

Fiscal Year ending	03/11	03/12e	03/13e	03/14e
ModelWare EPS (Rs)	11.57	18.93	20.95	25.40
Consensus EPS (Rs)\$	13.96	17.93	22.98	29.09
Revenue, net (Rs mn)	3,217	3,903	4,742	5,785
EBITDA (Rs mn)	855	1,235	1,423	1,736
ModelWare net inc (Rs mn)	631	1,033	1,144	1,386
P/E	57.7	38.4	36.0	29.7
P/BV	8.4	7.5	6.4	5.4
RNOA (%)	(266.0)	(233.4)	(333.4)	(500.3)
ROE (%)	16.9	23.7	21.5	21.7
EV/EBITDA	37.1	27.6	24.3	19.0
Div yld (%)	0.1	0.2	0.2	0.2
FCF yld ratio (%)	0.6	0.4	0.8	1.7
Leverage (EOP) (%)	(107.9)	(105.0)	(103.4)	(106.1)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

\$ = Consensus data is provided by Thomson Reuters Estimates.

e = Morgan Stanley Research estimates

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(as of May 31, 2012)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1133	38%	471	43%	42%
Equal-weight/Hold	1250	42%	472	43%	38%
Not-Rated/Hold	99	3%	27	2%	27%
Underweight/Sell	461	16%	121	11%	26%
Total	2,943		1091		

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Analyst Industry Views

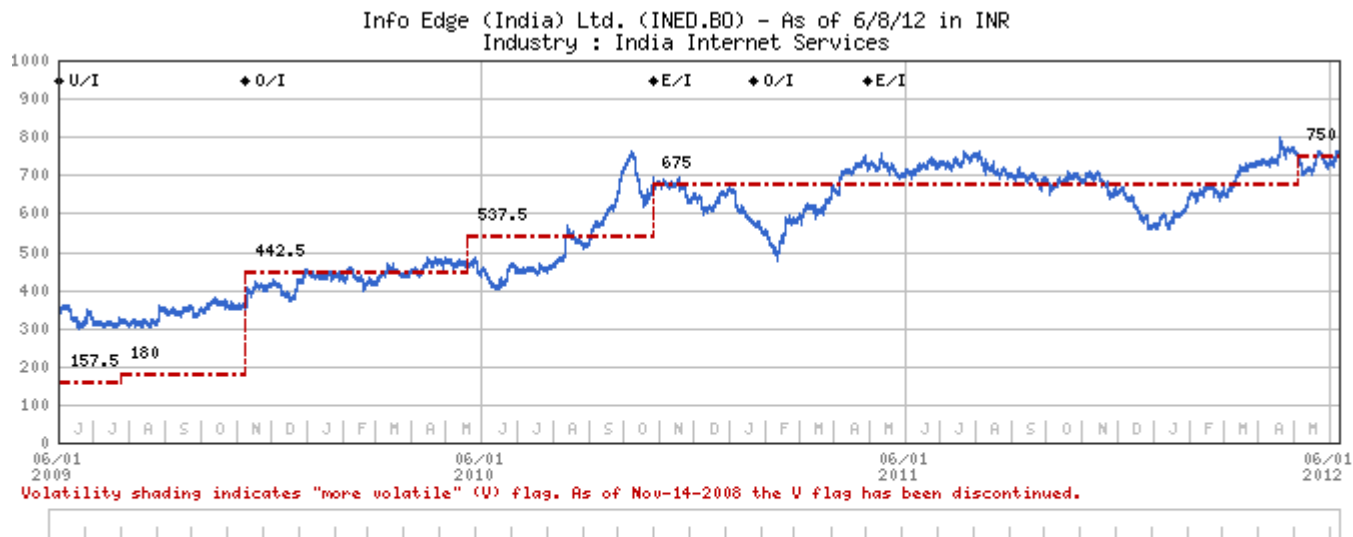
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Industry Coverage: India Internet Services

Company (Ticker)	Rating (as of)	Price* (06/07/2012)
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Info Edge (India) Ltd. (INED.BO)	E (04/29/2011)	Rs753.65
MakeMyTrip Limited (MMYT.O)	O (02/27/2012)	US\$15.08

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