

BSE Sensex 28,033
S&P CNX 8,382

INFO EDGE

Stock Info

| | |
|-----------------------|-----------|
| Bloomberg | INFOE IN |
| Equity Shares (m) | 113.9 |
| 52-Week Range (INR) | 1,015/413 |
| 1, 6, 12 Rel. Per (%) | 15/27/63 |
| M.Cap. (INR b) | 107.9 |
| M.Cap. (USD b) | 1.8 |

Financial Snapshot (INR Billion)

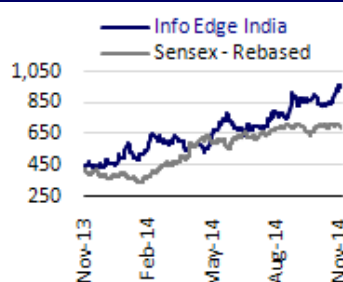
| Y/E | MAR | 2015E | 2016E | 2017E |
|---------------|-------|-------|-------|-------|
| Sales | 6.1 | 7.3 | 8.7 | |
| PAT | 1.8 | 2.5 | 3.1 | |
| EPS (INR) | 15.0 | 20.9 | 25.7 | |
| EPS Gr. (%) | 27.1 | 39.6 | 23.1 | |
| BV/Sh. (INR) | 138.6 | 154.7 | 173.8 | |
| RoE (%) | 14.8 | 14.2 | 15.6 | |
| RoCE (%) | 14.8 | 13.3 | 15.5 | |
| P/E (x) | 63.4 | 45.4 | 36.9 | |
| EV/EBITDA (x) | 53.6 | 40.4 | 30.5 | |
| EV/Sales (x) | 17.5 | 14.3 | 11.6 | |

Shareholding pattern (%)

| | Sep-14 | Jun-14 | Sep-13 |
|----------|--------|--------|--------|
| Promoter | 44.5 | 44.5 | 52.2 |
| DII | 14.4 | 14.4 | 11.4 |
| FII | 31.2 | 31.3 | 30.8 |
| Others | 9.9 | 9.9 | 5.6 |

*FII includes depository receipts

Stock Performance (1-year)



CMP: INR956

TP: INR1,130

Buy

Zomato receives funding; valued at INR37b (pre-money)

~3% upgrade in our target price

- Zomato receives INR3.7b of funding, INR1.85b from INFOE, and the remaining from two other investors.
- Zomato is raising funds, a pre-money company valuation of ~INR37b. This will add ~INR26 to our SOTP.
- Our revised SOTP for INFOE is INR1,130. Maintain Buy.

Event: Zomato receives INR3.7b of funding

- INFOE announced that it has committed to make an additional investment of INR1.85b in the shares of Zomato Media Private Ltd (www.zomato.com). INFOE would be investing along with two other investors in this round of funding, which aggregates to INR3.7b and includes purchase of shares from certain existing shareholders.
- On disbursement of this amount, the total amount invested by INFOE in Zomato will be INR3.27b. INFOE's shareholding in Zomato, post the aforesaid aggregate fund raising, will be maintained at 50.1% on a fully converted and diluted basis.

Impact: Zomato valued at INR41b post-money

Zomato is raising funds, with a pre-money company valuation of ~INR37b (~USD600m). This places the post-money valuation of the company at USD650m+ or ~INR40b. The value attributable to INFOE is ~INR20b. In our initiating coverage report on INFOE on Nov 4, 2014, we had attributed a value of ~INR15b to it (INR125/share). This will add ~INR26 to our SOTP, which will now be INR1,130.

Marginal upgrade in target price to INR1,130

We value INFOE using the SOTP valuation method. While recruitment business remains the cash cow, we expect the real estate portal, 99acres.com, along with holdings in restaurants classifieds, Zomato.com, and online coupons and discount marketing platform, Mydala.com, to drive significant value for the company, going forward. Recruitment contributes ~50% to our target price of INR1,130. We believe INFOE is a direct and preferred play on the fast expanding e-commerce opportunity. Our revised target price, after marking to market Zomato's valuation, is INR1,130. Maintain **Buy**.

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Exhibit 1: Valuation: SOTP

| Segment | Methodology | Methodology description | Valuation (attributable to INFOE - INR b) | Contribution (INR per share) |
|------------------|---|--|---|------------------------------------|
| Naukri | 20x forward earnings | We treat INFOE's forward standalone earnings to be coming entirely from Naukri. Though in reality, more than 100% if earnings is recruitment as other segments are making losses. We value the earnings at 20x | 68.4 | 570 |
| 99acres.com | 14x forward sales | Median sales multiple of peers such as rightmove.co.uk, realestate.com.au, zillow.com, zoopla.co.uk All trade in a tight sales band of 10-13x Growth in 99acres.com is expected to be higher than peers | 24.6 | 205 |
| Zomato.com | Valuation ascribed in the latest round of funding | Latest round of funding valued Zomato at ~USD650m, with INFOE retaining its 50.1% shareholding based on a fully convertible and diluted basis | 20 | 171 |
| Meritnation | Valuation ascribed in the latest round of funding | Meritnation raised INR100m from INFOE, which increased the company's stake in FY13 from 54% to 55.81% This implies valuation of INR6b, of which 55.81% is ascribed to INFOE | 3.1 | 26 |
| Policybazaar.com | Valuation ascribed in the latest round of funding | Policybazaar had raised USD20m in May 2014, valuing it at ~USD100m. INFOE holds 23% in the company | 1.4 | 12 |
| Mydala.com | 3x forward sales | Based on strong growth prospects, and already INR3b monthly GMV, we estimate Mydala's revenue at USD40m by FY17 While the company could easily enjoy a multiple on the higher side, we ascribe 3x forward sales. INFOE's 46% ownership in the same implies valuation contribution of INR3.3b | 3.8 | 32 |
| Jeevansathi.com | 3x forward sales | JS is the 3rd biggest player in the online matrimony market. We assume 15% CAGR in revenues and value the franchise at 3x forward revenues | 1.6 | 14 |
| Canvera | Valuation ascribed in the latest round of funding | Canvera raised INR45m from INFOE in latest round of funding, which increased INFOE's stake from 23% to 26%, effectively pegging the company's value at INR1500m | 1 | 8 |
| Cash On books | | | 11 | 92 |
| Total | | | | 1,130 |

Source: MOSL, Company

Financials and valuations

| Income Statement | | (INR Million) | | | | |
|--------------------------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Y/E March | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
| Sales | 3,771 | 4,372 | 5,059 | 6,080 | 7,262 | 8,717 |
| Change (%) | 28.3 | 16.0 | 15.7 | 20.2 | 19.4 | 20.0 |
| Employee benefit expense | 1,370 | 1,672 | 1,968 | 2,436 | 2,779 | 3,149 |
| Advertising and promotion cost | 516 | 577 | 662 | 778 | 890 | 1,068 |
| Other expense | 442 | 626 | 761 | 883 | 1,021 | 1,184 |
| EBITDA | 1,442 | 1,498 | 1,668 | 1,982 | 2,573 | 3,317 |
| % of Net Sales | 38.3 | 34.3 | 33.0 | 32.6 | 35.4 | 38.1 |
| Depreciation | 77 | 94 | 174 | 189 | 227 | 266 |
| Interest | 20 | 25 | 51 | 14 | 0 | 0 |
| Other Income | 395 | 465 | 432 | 797 | 1,244 | 1,367 |
| PBT | 1,740 | 1,844 | 1,876 | 2,575 | 3,591 | 4,419 |
| Tax | 511 | 528 | 591 | 781 | 1,087 | 1,337 |
| Rate (%) | 29.3 | 28.7 | 31.5 | 30.3 | 30.3 | 30.3 |
| Reported PAT | 1,230 | 1,315 | 1,285 | 1,794 | 2,504 | 3,081 |
| Extraordinary Items | 0 | -293 | 0 | 0 | 0 | 0 |
| Adjusted PAT | 1,230 | 1,022 | 1,285 | 1,794 | 2,504 | 3,081 |
| Change (%) | 46.4 | -16.9 | 25.7 | 39.6 | 39.6 | 23.1 |

| Balance Sheet | | (INR Million) | | | | |
|---------------------------------|--------------|---------------|--------------|---------------|---------------|---------------|
| Y/E March | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
| Share Capital | 546 | 1,092 | 1,092 | 1,199 | 1,199 | 1,199 |
| Reserves | 5,198 | 5,563 | 6,530 | 15,424 | 17,352 | 19,642 |
| Net Worth | 5,744 | 6,654 | 7,622 | 16,623 | 18,551 | 20,841 |
| Loans | 2.8 | 4.8 | 4.4 | 4.7 | 4.7 | 4.7 |
| Capital Employed | 5,747 | 6,659 | 7,626 | 16,628 | 18,556 | 20,846 |
| Gross Block | 908 | 1,378 | 1,501 | 1,731 | 2,051 | 2,391 |
| Less : Depreciation | 376 | 471 | 645 | 834 | 1,061 | 1,327 |
| Net Block | 531 | 908 | 857 | 897 | 990 | 1,064 |
| CWIP | 94 | 98 | 95 | 98 | 98 | 98 |
| Investments | 3,666 | 3,233 | 3,775 | 3,882 | 3,882 | 3,882 |
| Curr. Assets | 3,183 | 4,267 | 5,088 | 14,139 | 16,441 | 19,203 |
| Current Investments | 0 | 1,293 | 2,531 | 10,173 | 10,173 | 10,173 |
| Debtors | 36 | 45 | 50 | 71 | 85 | 102 |
| Cash & Bank Balance | 2,985 | 2,710 | 2,311 | 3,542 | 5,790 | 8,487 |
| Loans & Advances | 62 | 103 | 69 | 201 | 242 | 290 |
| Other Current Assets | 99 | 117 | 127 | 153 | 151 | 151 |
| Current Liab. & Prov | 1,728 | 1,847 | 2,189 | 2,388 | 2,855 | 3,402 |
| Current Liabilities | 1,496 | 1,606 | 1,865 | 2,283 | 2,750 | 3,297 |
| Provisions | 231 | 241 | 324 | 105 | 105 | 105 |
| Net Current Assets | 1,456 | 2,420 | 2,899 | 11,751 | 13,586 | 15,801 |
| Application of Funds | 5,747 | 6,659 | 7,626 | 16,628 | 18,556 | 20,846 |

E: MOSL Estimate

Financials and valuations

Ratios

| Y/E March | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | |
| EPS | 11.3 | 12.0 | 11.8 | 15.0 | 20.9 | 25.7 |
| Cash EPS | 12.0 | 12.9 | 13.4 | 16.5 | 22.8 | 27.9 |
| Book Value | 52.6 | 60.9 | 69.8 | 138.6 | 154.7 | 173.8 |
| DPS | 1.0 | 1.0 | 2.5 | 3.0 | 4.0 | 5.5 |
| Payout % (excl.div.taxes) | 10.4 | 9.7 | 23.4 | 24.1 | 23.0 | 25.7 |
| Valuation (x) | | | | | | |
| P/E | 84.2 | 78.7 | 80.5 | 63.4 | 45.4 | 36.9 |
| Cash P/E | 79.2 | 73.4 | 70.9 | 57.3 | 41.6 | 34.0 |
| EV/EBITDA | 67.2 | 65.1 | 58.4 | 53.6 | 40.4 | 30.5 |
| EV/Sales | 25.7 | 22.4 | 19.3 | 17.5 | 14.3 | 11.6 |
| Price/Book Value | 18.0 | 15.6 | 13.6 | 6.8 | 6.1 | 5.5 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profitability Ratios (%) | | | | | | |
| RoE | 23.7 | 21.2 | 18.0 | 14.8 | 14.2 | 15.6 |
| RoCE | 26.3 | 22.6 | 20.9 | 14.8 | 13.3 | 15.5 |
| Turnover Ratios | | | | | | |
| Debtors (Days) | 3 | 4 | 4 | 4 | 4 | 4 |
| Fixed Asset Turnover (x) | 6.0 | 4.3 | 5.3 | 6.1 | 6.7 | 7.5 |

Cash Flow Statement

(INR Million)

| Y/E March | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
|------------------------------|--------------|---------------|---------------|---------------|--------------|--------------|
| CF from Operations | 874 | 964 | 1,108 | 1,178 | 1,486 | 1,980 |
| Cash for Working Capital | 385 | 39 | 261 | 230 | 413 | 482 |
| Net Operating CF | 1,259 | 1,003 | 1,368 | 1,408 | 1,899 | 2,462 |
| Net Purchase of FA | -1,103 | -2,012 | -1,024 | -231 | -320 | -340 |
| Net Purchase of Invest. | 517 | 988 | 9 | -7,228 | 1,244 | 1,367 |
| Net Cash from Invest. | -586 | -1,024 | -1,015 | -7,459 | 924 | 1,027 |
| Proceeds from Equity | 0 | -18 | -36 | 7,513 | 0 | 0 |
| Proceeds from LTB/STB | -1 | 2 | 0 | 0 | 0 | 0 |
| Dividend Payments | -48 | -127 | -255 | -480 | -576 | -791 |
| Cash Flow from Fin. | -49 | -143 | -291 | 7,033 | -576 | -791 |
| Net Cash Flow | 624 | -163 | 62 | 981 | 2,248 | 2,698 |
| Opening Cash Bal. | 2,038 | 2,663 | 2,499 | 2,561 | 3,543 | 5,790 |
| Add: Net Cash | 624 | -163 | 62 | 981 | 2,248 | 2,698 |
| Closing Cash Bal. | 2,663 | 2,499 | 2,561 | 3,543 | 5,790 | 8,488 |

E: MOSL Estimate

NOTES

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