

Info Edge (INFOE) has announced a fresh USD 45mn investment in Etechaces Marketing (EMPL) along with Softbank, a global private equity fund. EMPL is the holding company of policybazaar.com and paisabazaar.com, the online marketplaces for insurance, credit cards and other financial products. Media reports indicate the possibility of an additional investment of USD 16mn that should lead to an increase in INFOE's stake in EMPL to 14.2% (JMFe). The latest round of funding implies USD 1bn+ enterprise valuation for EMPL, making it the second such company in INFOE's investment portfolio after Zomato. The transaction suggests INFOE's willingness to defend its stake in late-stage funding as well as an appetite for larger deals; prudent, in our view, given the growing cash balance (USD 222mn as of 4QFY18). We raise our price target for INFOE to INR 1,420 (INR 1,400 earlier) mainly to factor in the revised valuations for ENTL. Maintain BUY.

- PolicyBazaar – the next 'unicorn' for INFOE.** INFOE has announced an investment of USD 45mn in a joint-venture with Softbank Vision Fund (SVF) that in turn will invest USD 90mn in EMPL for an 8.3% stake. According to media reports (see [here](#) and [here](#)), the investment is part of the USD 206mn of Series F funding by EMPL at an implied valuation of USD 1bn+. The transaction also includes a direct investment of USD 105mn by SVF and the balance USD 11mn by other existing investors. According to media reports, INFOE could make an additional investment of USD 16mn in a secondary transaction that may involve acquisition of the stake currently held by PremjiInvest. We estimate the combined holding of INFOE (direct + that held through JVs with Temasek and SVF) could increase to 12.6% - 14.2% including the secondary purchase - post the transactions vs. 9.8% at present (Exhibit 1). The updated valuation of EMPL and INFOE's revised stake drives a net increase of INR 45 in our SOTP valuation of INFOE (at a 10% holding company discount).
- INFOE's investment strategy is maturing.** INFOE has traditionally restricted its investments to seed/early stage funding and has opted for scaling down its stake (through divestment or by not participating in the late stage funding) as valuations expand. This has been evident in Zomato where its holding has come down to 30.9% from a peak of 58%. Even in EMPL/policybazaar, its stake had come down to 9.8% before the current transaction from a peak of 49%. We believe this investment strategy is partially to bring in new investors into the investee company and also to minimise concentration risk in INFOE's portfolio ([The efficient Baxter](#), 27 Nov., 2017). Thus, the current investment is a change in stance; an inclination to defend (and even increase) stake in an investee company that is attractively positioned in its market. We believe an all-time high cash balance + limited opportunities for scale investments could also have prompted the view change.
- INFOE remains our preferred Internet play.** We like INFOE for its strong cash generation (FY18 OCF/EBITDA of 103%) and prudent cash deployment. Thus, we see the stock's U/P (4% vs. NIFTY) over the last 3 months as an opportunity to accumulate. We have lowered our FY19/FY20 EPS forecasts by 15%/14% to factor in the increased ad spend in the organic business. However, our SOTP-based PT moves to INR 1,420 (INR 1,400 earlier).

Financial Summary

Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E
Net Sales	8,021	9,155	10,632	12,410	14,528
Sales Growth (%)	11.8	14.1	16.1	16.7	17.1
EBITDA	2,275	2,973	3,478	4,467	5,516
EBITDA Margin (%)	28.4	32.5	32.7	36.0	38.0
Adjusted Net Profit	2,044	1,824	2,953	3,640	4,535
Diluted EPS (INR)	16.7	14.8	24.0	29.5	36.8
Diluted EPS Growth (%)	63.0	-11.2	61.9	23.3	24.6
ROIC (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	10.8	8.9	13.4	15.2	17.2
P/E (x)	72.7	81.9	50.6	41.0	32.9
P/B (x)	7.5	7.1	6.5	6.0	5.4
EV/EBITDA (x)	59.1	45.2	39.1	29.8	23.4
Dividend Yield (%)	0.4	0.5	0.7	0.8	1.0

Source: Company data, JM Financial. Note: Valuations as of 26/Jun/2018

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,420
Upside/(Downside)	17.3%
Previous Price Target	1,400
Change	1.4%

Key Data – INFOE IN

Current Market Price	INR1,211
Market cap (bn)	INR147.6/US\$2.2
Free Float	53%
Shares in issue (mn)	123.0
Diluted share (mn)	123.3
3-mon avg daily val (mn)	INR92.7/US\$1.4
52-week range	1,460/919
Sensex/Nifty	35,490/10,769
INR/US\$	68.3

Price Performance

%	1M	6M	12M
Absolute	3.5	-5.2	22.8
Relative*	1.9	-9.1	7.8

* To the BSE Sensex

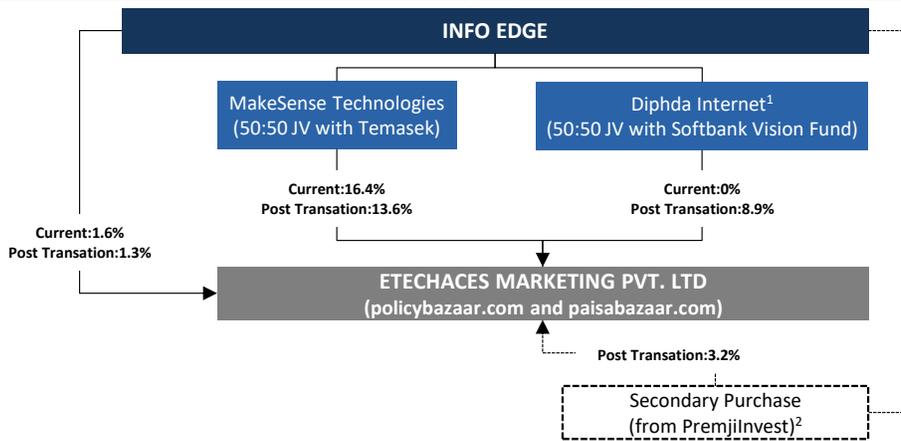
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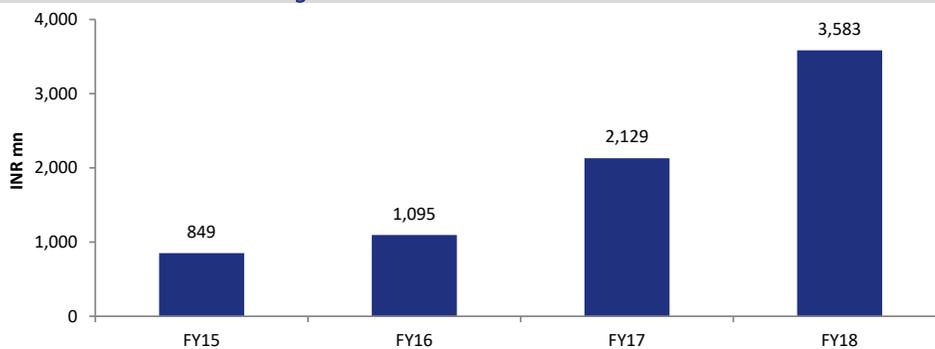
Exhibit 1. We estimate INFOE's stake in EMPL to go up to 14.2% post the latest funding



¹Proposed; ²According to media reports
Source: Company, JM Financial, media reports

INFOE could invest an incremental USD 61mn in EMPL through primary + secondary modes, according to media reports

Exhibit 2. EMPL revenues has grown at 62% CAGR over FY15-18



Source: Company, JM Financial

EMPL provides online aggregation and marketplace for financial products for retail consumers through policybazaar.com (for life/non-life insurance products) and paisabazaar.com (loans, credit cards and other non-insurance products)

Exhibit 3. The EMPL transaction follows the partial monetisation in Zomato earlier in the year

Transaction 1: INFOE-Ant Financial (secondary sale)	
Stake sold	6.66%
No of shares	32,629
Consideration (USD mn)	50
Implied valuation (USD mn)	751
Transaction 2: Zomato-Ant Financial (primary sale)	
Incremental stake purchased	17.57%
Consideration (USD mn)	150
Implied valuation (USD mn) - pre-money	853
Implied valuation (USD mn) - post-money	1,003

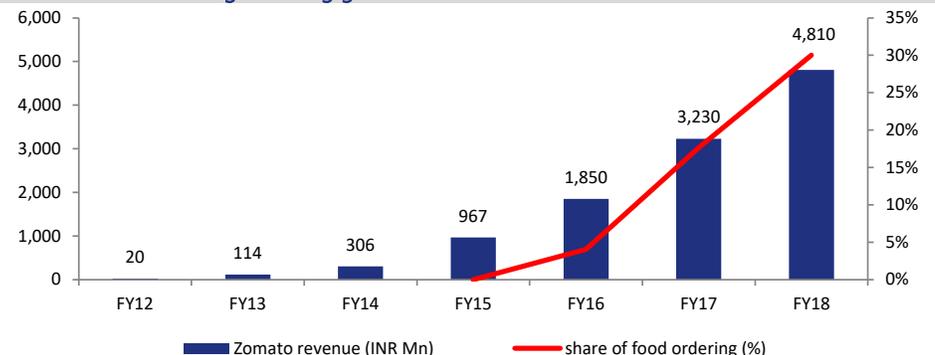
Source: Company, JM Financial

INFOE had partly sold its stake in Zomato, its other 'unicorn', to Ant Financial in Feb-18 (6.7% stake for USD 50mn)

Concurrently, Ant also directly invested USD 150mn for a 17.5% stake

Post the two transactions, INFOE's stake in Zomato has come down to 30.91% from 44.7%

Exhibit 4. Food ordering is driving growth at Zomato



Source: Company, JM Financial

Zomato reported a c50% growth in FY18. 55% of the incremental revenues came from food-ordering that is now c.30% of revenues vs. c.18% in FY17

Number of monthly food orders doubled to 5.5mn in Mar-18 from 2mn in Mar-17

We expect the cash-burn in Zomato to increase going forward given the direct competition from Swiggy

Maintain BUY; target price revised to INR 1,420

Exhibit 5. Valuation - Standalone

(in INR mn except per share data)	Valuation metric	Forward value	Multiple	EV
Naukri and other businesses (ex- 99acres + Jeevansathi)	EV/EBITDA	5,637	19.0X	1,07,112
99acres	EV/Sales	2,449	6.0X	14,693
Jeevansathi	EV/Sales	1,000	5.0X	5,001
Total				1,26,806
Net Debt (FY20)				-15,825
1-year forward equity value				1,42,631
Diluted shares (mn)				123
Equity value per share - Standalone (INR)				1,157

Source: JM Financial, Bloomberg

Exhibit 6. Valuation – Investee companies

	Investment (INR mn)	INFOE's stake (%)	Entity valuation	Stake valuation	Comment
Zomato	1,428	30.9%	61,416	18,984	c.USD 1bn valuation based on last funding round (November 2015)
Meritnation	1,546	66%	5,687	3,734	Invested INR 379.3mn for an additional c7% stake in November 2017
Policybazaar	3,741	14.2%	61,416	8,721	Based on latest funding round (June 2018)
Happily Unmarried	250	48%	2,500	1,200	Based on proposed funding by Wipro Consumer (November 2017)
Canvera	370	62%	n.a.	0	Not considered
Mydala	270	42%	n.a.	0	Not considered
Vacation labs	60	26%	n.a.	0	Not considered
Big Stylist	170	49%	n.a.	0	Not considered
Blue Dolph	70	35%	n.a.	0	Not considered
Unnati Online	40	28%	n.a.	0	Not considered
Dinolabs	40	15%	n.a.	0	Not considered
Wishbook	40	22%	n.a.	0	Not considered
Total	8,025			32,639	
Equity value per share - Investee companies (INR)				265	
Equity value per share - Consolidated (INR)				1,420	

Source: JM Financial, Bloomberg

Exhibit 7. Valuation summary

	Per share value	% of valuation
Naukri and other businesses (ex- 99acres + Jeevansathi)	869	61%
99acres	119	8%
Jeevansaathi	41	3%
Investee		
Zomato	154	11%
Meritnation	30	2%
Policybazaar	71	5%
Happily Unmarried	10	1%
Others^	0	0%
Cash	128	9%
Total	1,420	100%

Source: JM Financial

^Includes Canvera, Mydala, Vacation labs, Big Stylist, Blue Dolph, Unnati Online, Dinolabs and Wishbook

Key Risks

- Key upside risks to our price target are: (1) better-than expected pick-up in the share of paid listings in 99acres; (2) higher-than-expected valuations of investee companies; (3) any accretive acquisition not currently priced in.
- Key downside risks are: (1) guided step-up in ad-spends of 99acres affecting margins; (2) risk to Naukri.com from lower hiring in some sectors; (3) investments in start-ups not giving expected returns, leading to stake sales at a discount.

Exhibit 8. What has changed in our forecasts and assumptions?

	Old			New			Change		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Consolidated revenue (INR mn)	10,872	12,782	-	10,632	12,410	14,528	-2.2%	-2.9%	-
Revenue growth rate (YoY)	17.8%	17.6%	-	16.1%	16.7%	17.1%	-165bp	-85bp	-
EBITDA margin	37.3%	39.2%	-	32.7%	36.0%	38.0%	-462bp	-322bp	-
PAT (INR mn)	3,451	4,230	-	2,953	3,640	4,535	-14.4%	-14.0%	-
EPS	28.4	34.8	-	24.25	29.89	37.24	-14.6%	-14.1%	-

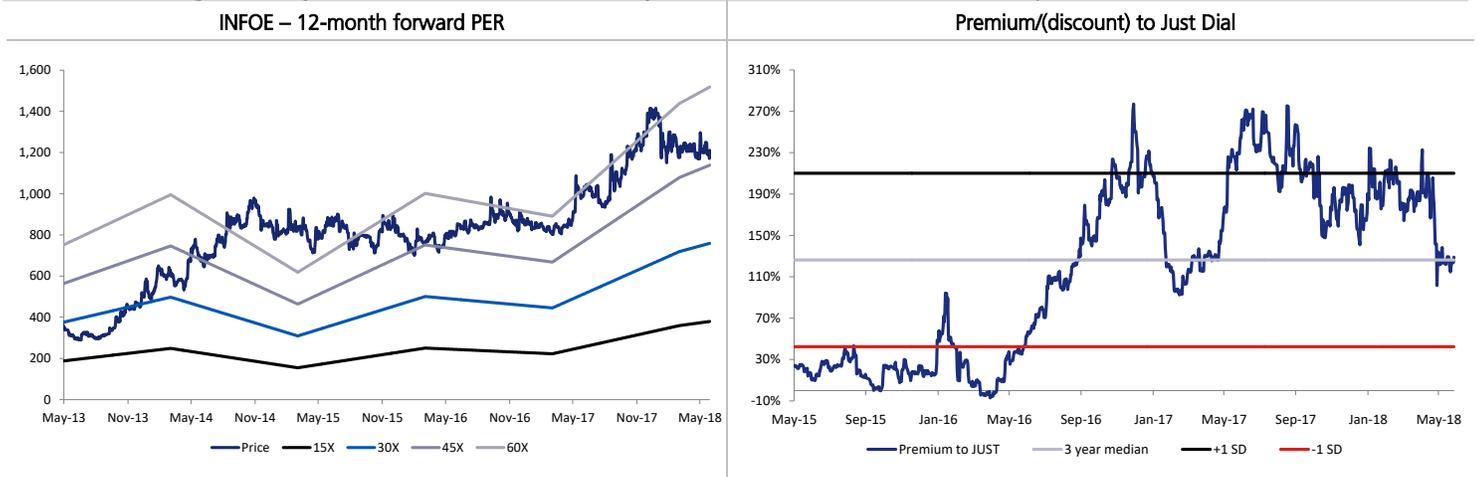
Source: JM Financial

Exhibit 9. How we differ from consensus

(INR mn)	Consensus			JMFe			Difference		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	10,559	12,328	14,166	10,632	12,410	14,528	0.7%	0.7%	2.5%
EBITDA	3,747	4,524	5,384	3,478	4,467	5,516	-7.2%	-1.3%	2.5%
EBITDA margin	35.5%	36.7%	38.0%	32.7%	36.0%	38.0%	-277bp	-71bp	-3bp
PAT	3,158	3,832	4,508	2,953	3,640	4,535	-6.5%	-5.0%	0.6%
EPS (INR)	25.8	31.5	37.0	24.0	29.5	36.8	-7.0%	-6.2%	-0.7%

Source: JM Financial, Bloomberg

Exhibit 10. Info Edge currently trades at 11% discount to its 5-year median PER of 54x and at 129% premium to Just Dial



Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Net Sales	8,021	9,155	10,632	12,410	14,528	
Sales Growth	11.8%	14.1%	16.1%	16.7%	17.1%	
Other Operating Income	0	0	0	0	0	
Total Revenue	8,021	9,155	10,632	12,410	14,528	
Cost of Goods Sold/Op. Exp	3,752	3,931	4,304	4,810	5,387	
Personnel Cost	0	0	0	0	0	
Other Expenses	1,995	2,251	2,850	3,133	3,625	
EBITDA	2,275	2,973	3,478	4,467	5,516	
EBITDA Margin	28.4%	32.5%	32.7%	36.0%	38.0%	
EBITDA Growth	67.8%	30.7%	17.0%	28.4%	23.5%	
Depn. & Amort.	241	215	236	248	269	
EBIT	2,034	2,758	3,242	4,219	5,248	
Other Income	584	57	803	768	965	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	2,619	2,814	4,045	4,986	6,213	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	2,619	2,814	4,045	4,986	6,213	
Taxes	575	991	1,092	1,346	1,677	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	2,044	1,824	2,953	3,640	4,535	
Adjusted Net Profit	2,044	1,824	2,953	3,640	4,535	
Net Margin	25.5%	19.9%	27.8%	29.3%	31.2%	
Diluted Share Cap. (mn)	122.7	123.3	123.3	123.3	123.3	
Diluted EPS (INR)	16.7	14.8	24.0	29.5	36.8	
Diluted EPS Growth	63.0%	-11.2%	61.9%	23.3%	24.6%	
Total Dividend + Tax	664	814	1,187	1,484	1,780	
Dividend Per Share (INR)	4.5	5.5	8.0	10.0	12.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Profit before Tax	2,619	2,814	4,045	4,986	6,213	
Depn. & Amort.	241	215	236	248	269	
Net Interest Exp. / Inc. (-)	-584	-57	-803	-768	-965	
Inc (-) / Dec in WCcap.	512	1,139	731	879	1,047	
Others	0	0	0	0	0	
Taxes Paid	-377	-1,054	-1,092	-1,346	-1,677	
Operating Cash Flow	2,410	3,058	3,117	4,000	4,886	
Capex	177	-142	-260	-260	-286	
Free Cash Flow	2,587	2,916	2,857	3,740	4,601	
Inc (-) / Dec in Investments	-1,238	-854	-4,163	0	0	
Others	1,455	-1,446	803	768	965	
Investing Cash Flow	394	-2,442	-3,620	508	679	
Inc / Dec (-) in Capital	4	5	0	0	0	
Dividend + Tax thereon	-166	-585	-1,187	-1,484	-1,780	
Inc / Dec (-) in Loans	0	-1	0	0	0	
Others	0	0	0	0	0	
Financing Cash Flow	-163	-581	-1,187	-1,484	-1,780	
Inc / Dec (-) in Cash	2,641	35	-1,690	3,024	3,785	
Opening Cash Balance	11,818	14,460	14,494	12,805	15,828	
Closing Cash Balance	14,460	14,494	12,805	15,828	19,613	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Shareholders' Fund	19,831	21,074	22,840	24,996	27,751	
Share Capital	1,211	1,216	1,216	1,216	1,216	
Reserves & Surplus	18,620	19,859	21,624	23,780	26,535	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	4	3	3	3	3	
Def. Tax Liab. / Assets (-)	-295	-359	-359	-359	-359	
Total - Equity & Liab.	19,540	20,719	22,484	24,641	27,395	
Net Fixed Assets	602	529	552	564	581	
Gross Fixed Assets	1,044	1,163	1,422	1,682	1,968	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	442	634	870	1,118	1,387	
Capital WIP	0	0	0	0	0	
Investments	7,409	8,263	12,426	12,426	12,426	
Current Assets	15,807	17,086	15,425	18,482	22,308	
Inventories	0	0	0	0	0	
Sundry Debtors	75	44	51	60	70	
Cash & Bank Balances	14,460	14,494	12,805	15,828	19,613	
Loans & Advances	0	0	0	0	0	
Other Current Assets	1,272	2,548	2,569	2,595	2,625	
Current Liab. & Prov.	4,278	5,159	5,918	6,832	7,920	
Current Liabilities	0	0	0	0	0	
Provisions & Others	4,278	5,159	5,918	6,832	7,920	
Net Current Assets	11,529	11,926	9,506	11,651	14,388	
Total - Assets	19,540	20,719	22,484	24,641	27,395	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Net Margin	25.5%	19.9%	27.8%	29.3%	31.2%	
Asset Turnover (x)	0.4	0.4	0.5	0.5	0.6	
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0	
RoE	10.8%	8.9%	13.4%	15.2%	17.2%	

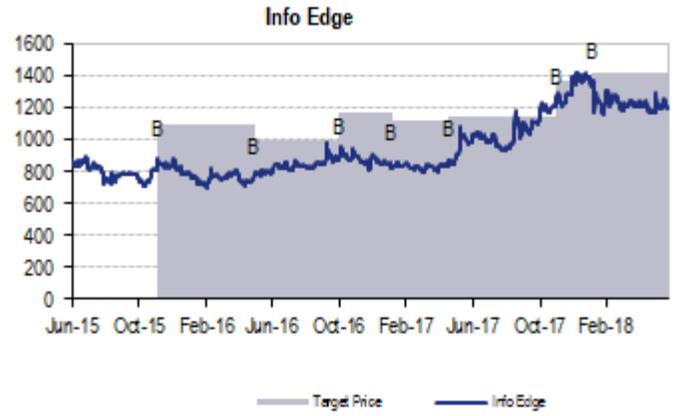
Key Ratios						
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
BV/Share (INR)	161.8	171.3	185.3	202.8	225.1	
ROIC	0.0%	0.0%	0.0%	0.0%	0.0%	
ROE	10.8%	8.9%	13.4%	15.2%	17.2%	
Net Debt/Equity (x)	-0.7	-0.7	-0.6	-0.6	-0.7	
P/E (x)	72.7	81.9	50.6	41.0	32.9	
P/B (x)	7.5	7.1	6.5	6.0	5.4	
EV/EBITDA (x)	59.1	45.2	39.1	29.8	23.4	
EV/Sales (x)	16.8	14.7	12.8	10.7	8.9	
Debtor days	3	2	2	2	2	
Inventory days	0	0	0	0	0	
Creditor days	0	0	0	0	0	

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
30-Nov-15	Buy	1,097	
25-May-16	Buy	992	-9.6
28-Oct-16	Buy	1,169	17.9
30-Jan-17	Buy	1,121	-4.1
17-May-17	Buy	1,141	1.8
27-Nov-17	Buy	1,366	19.8
2-Feb-18	Buy	1,421	4.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

(formerly known as JM Financial Securities Limited)

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

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Rating	Meaning
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