



Ashish Kila

Director, Perfect Group



Best Ideas 2020, Hosted by MOI Global

A dark blue background with a chessboard. A large black king piece is in the foreground, slightly to the left of center. In the background, several white chess pieces are visible, including a knight and a pawn, all slightly out of focus.

Sidecar Investing Framework
updated with
Ranking of Business Models.

-Ashish Kila
Perfect Research

Disclosure (SEBI RA Regulation)

- | | | |
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- Facts regarding the business and management actions, environment or other factors keep changing and hence our view on the business could also change, we may or may not be able to update our revised views in the public.

❖ About Ashish Kila



Ashish Kila is a rank holder CA and MBA from MDI Gurgaon. He has worked with leading investment banks like Goldman Sachs & Morgan Stanley in their equity research division and now is the Director at Perfect Group.

Ashish looks after the strategic functions at the group and manages the family office fund – ‘Perfect Research’.

Ashish has over the years conducted seminars on value investing showcasing investing frameworks and ideas in prominent institutions/forums.



ASHISH KILA
CIO, PERFECT RESEARCH

❖ Prominent Institution/Platforms

Business Schools-



Investment Houses



Associations/forums



❖ Acknowledgements



MR. R.A.KILA
CHAIRMAN, PERFECT GROUP

&

PERFECT RESEARCH TEAM

❖ Blessed to have got Vicarious Learning's from my Role Models ...



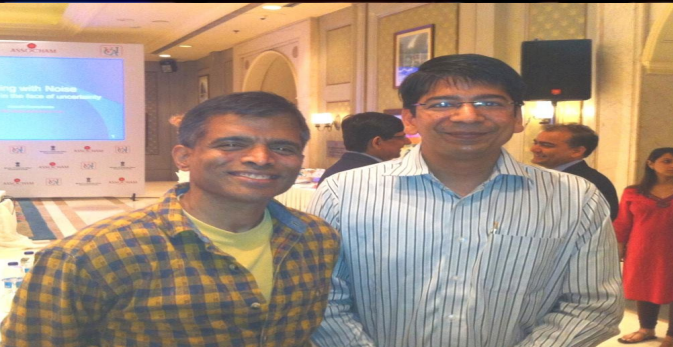
With Mr. Sanjay Bakshi and Mr. Mohnish Pabrai



With Mr. Thomas Russo



With Mr. Rajeev Thakkar and Mr. Parag Parikh



With Prof. Aswath Damodaran



With Mr. Bharat Shah



With Mr. Basant Maheswari



With Mr. Ashish Dhawan



With Mr. Tom Gayner

❖ Update on Thomas Cook Business discussed at Best Ideas 2018

- Thomas Cook shareholders in a spinoff transaction have got Qess Corp shares recently.
- We are not happy at all with the Qess management's corporate governance and capital allocation standards.

Few concerns listed below:

- Capital Allocation - Investing in unrelated businesses, like buying a football club
- Aggressive Accounting Policies - Goodwill not written off stands at Rs. 1288 Crore (~22% of Balance sheet) as on September 2019
- High Working Capital intensity – In a bid to get higher margins and grow fast, company has not been following the collect and pay model to a large extent.
- We may change our views if we see substantial progress on the above concerns

❖ Perfect Research Annual Investing Study

2013

- Role of Management

2014

- 4C's of Investing

2015

- Standard Valuation Matrix

2016

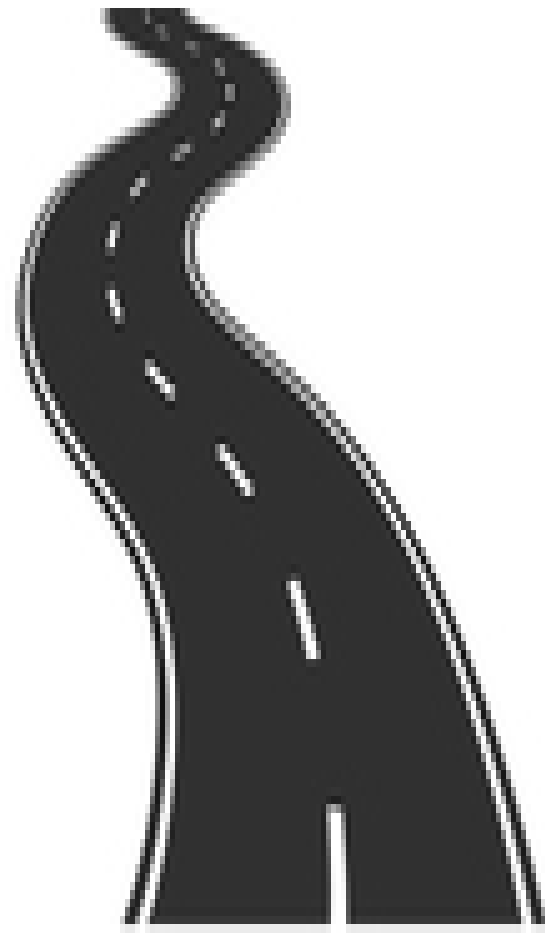
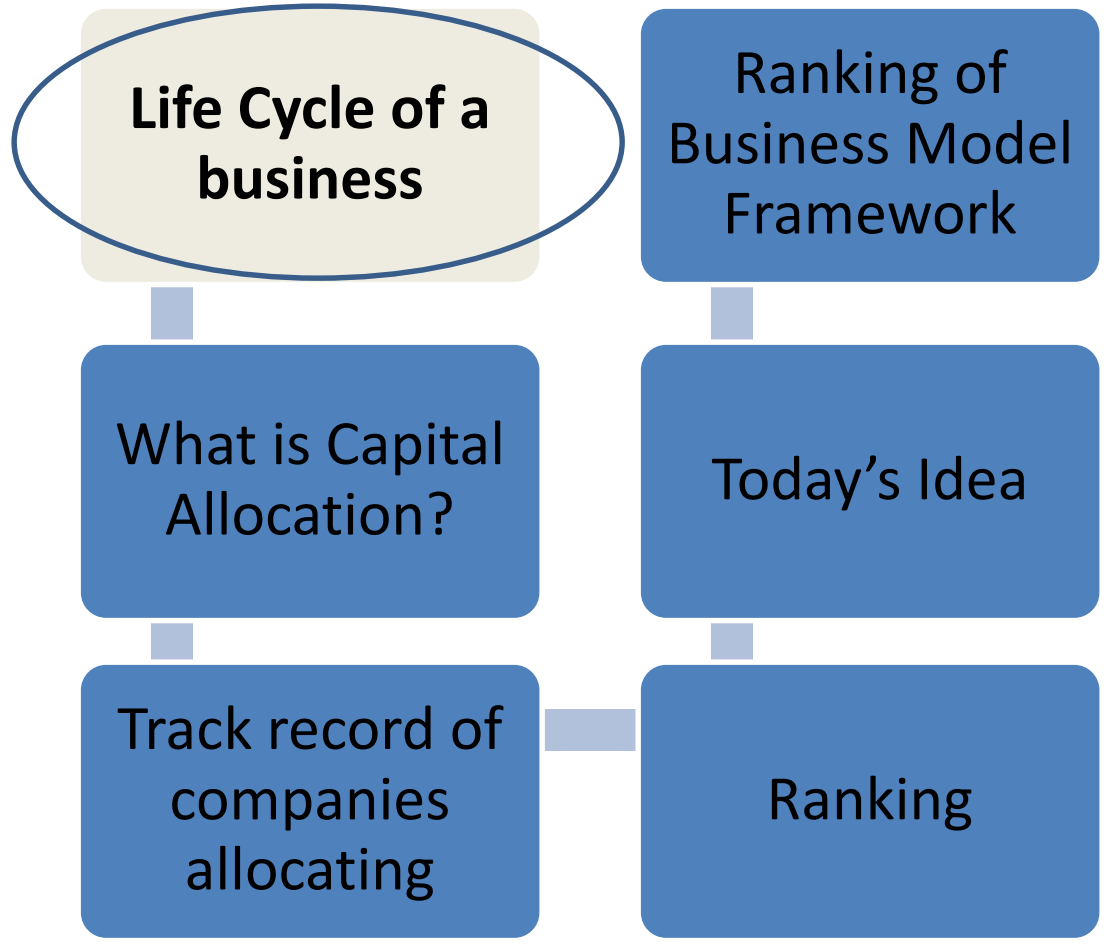
- Capacity to Suffer

2017

- Sidecar Investing

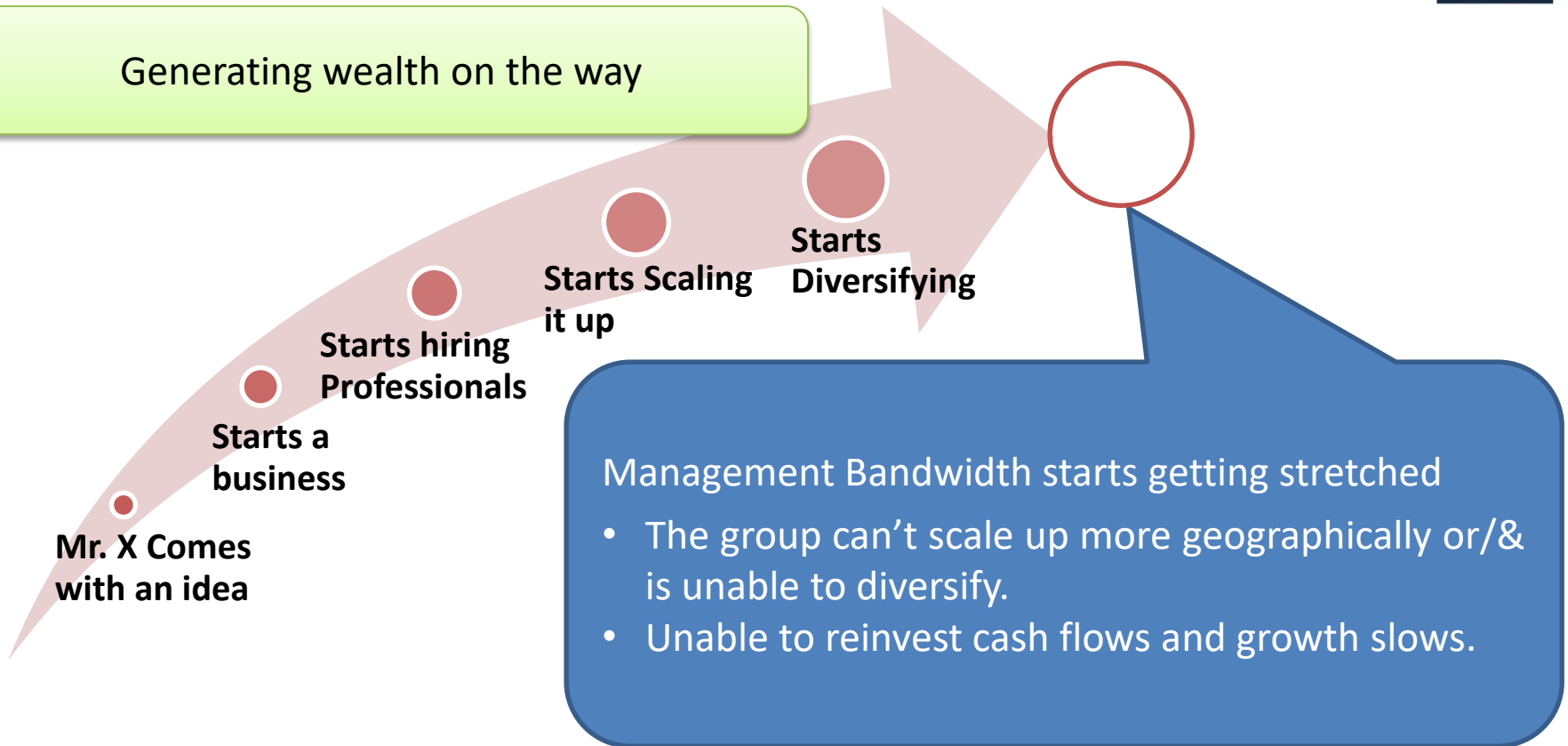
2018

- Ranking of Business Model



❖ Let's take a Life Cycle of a Typical Business

Generating wealth on the way





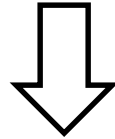
Notable Exception

Berkshire Hathaway

❖ Problem – Few co’s can keep growing

➤ In the year 2016,

Rank ↕	Name ↕	Industry ↕	Revenue (USD millions) ↕	Revenue growth ↕	Employees ↕	Country ↕	Headquarters ↕	CEO ↕	Ref ↕
8	Berkshire Hathaway	Conglomerate	\$223,604	▲ 6.1%	367,700		Omaha, Nebraska	Warren Buffett	[13]
31	General Electric	Conglomerate	\$126,661	▼ 9.8%	295,000		Boston	John Flannery	[33]

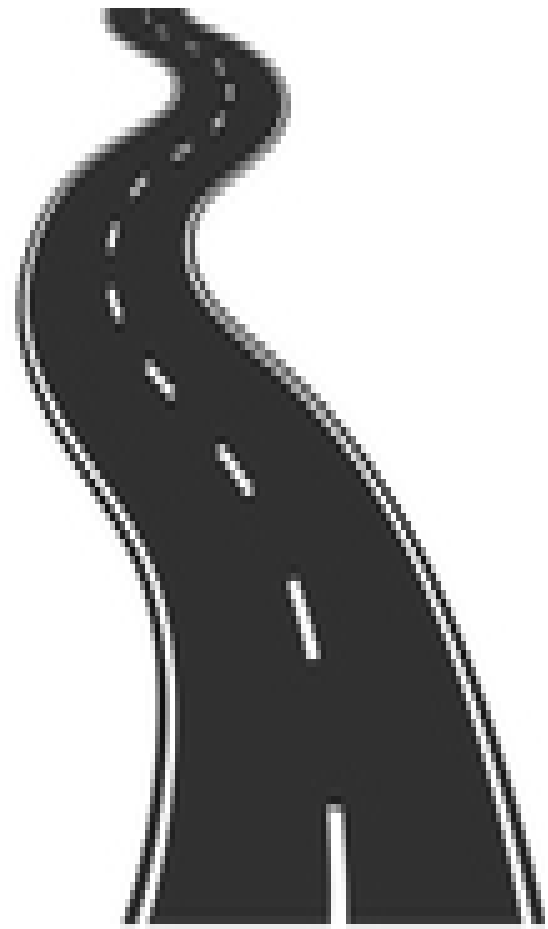
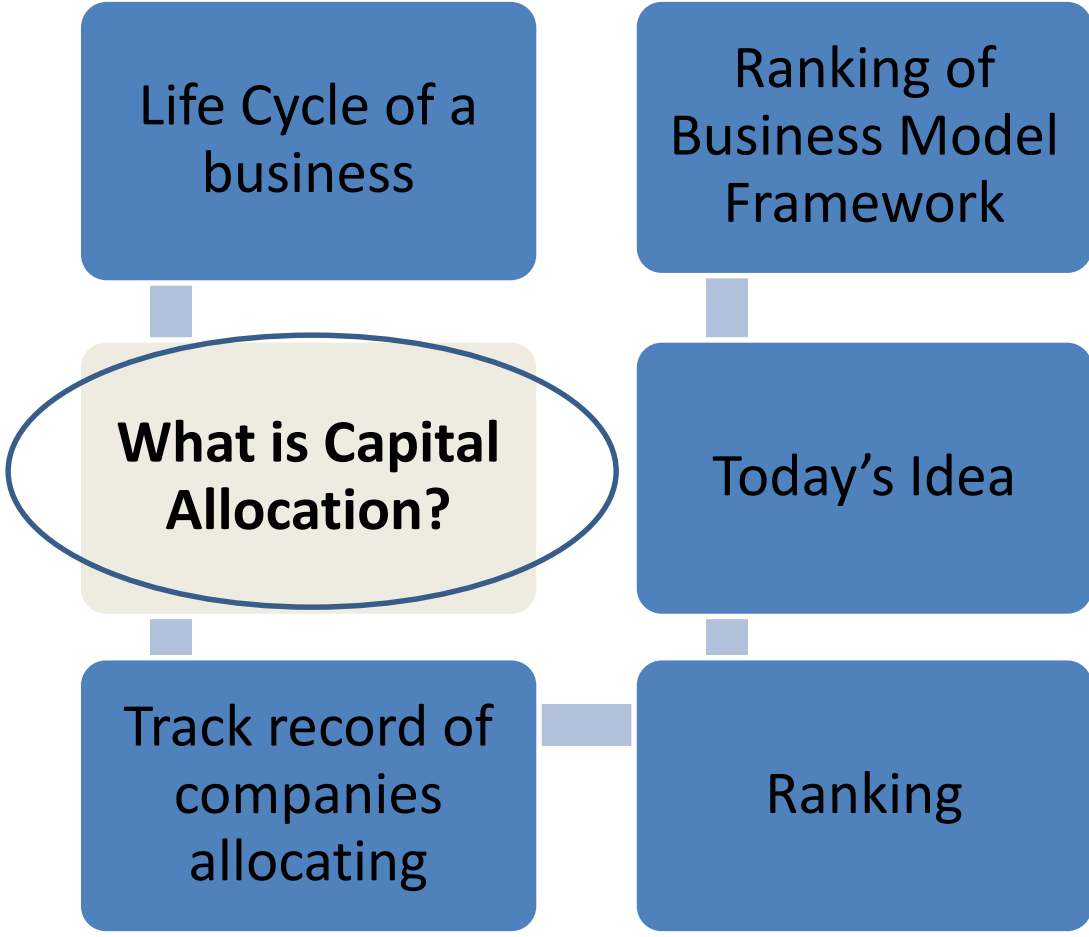


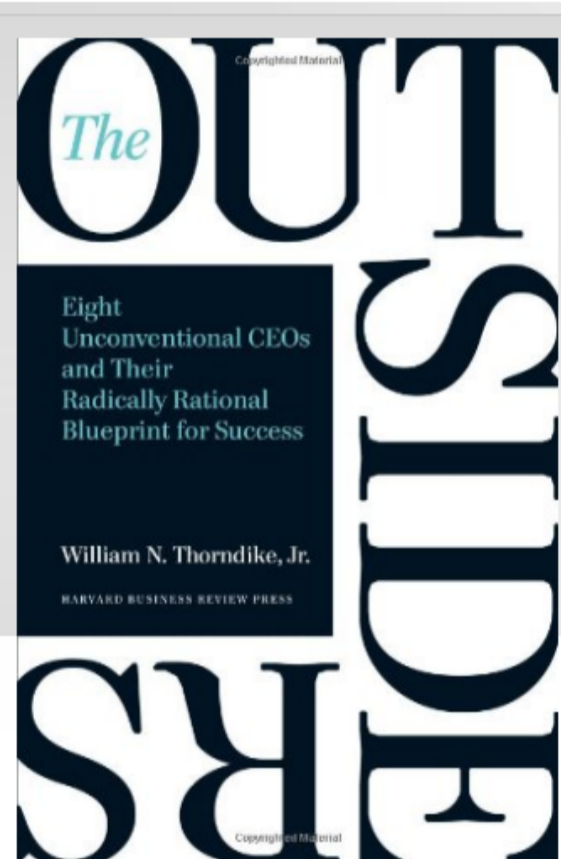
Down from 31 to 48

➤ In today’s scenario,

Rank ↕	Name ↕	Industry ↕	Revenue (USD millions) ↕	Profit (USD millions) ↕	Employees ↕	Country ↕	Ref ↕
12	Berkshire Hathaway	Conglomerate	\$247,837	▲ \$4,021	389,000	 United States	[16]
48	General Electric	Conglomerate	\$120,268	▼ -\$22,355	283,000	 United States	[52]

➤ Even GE couldn’t manage a diversified portfolio of businesses.

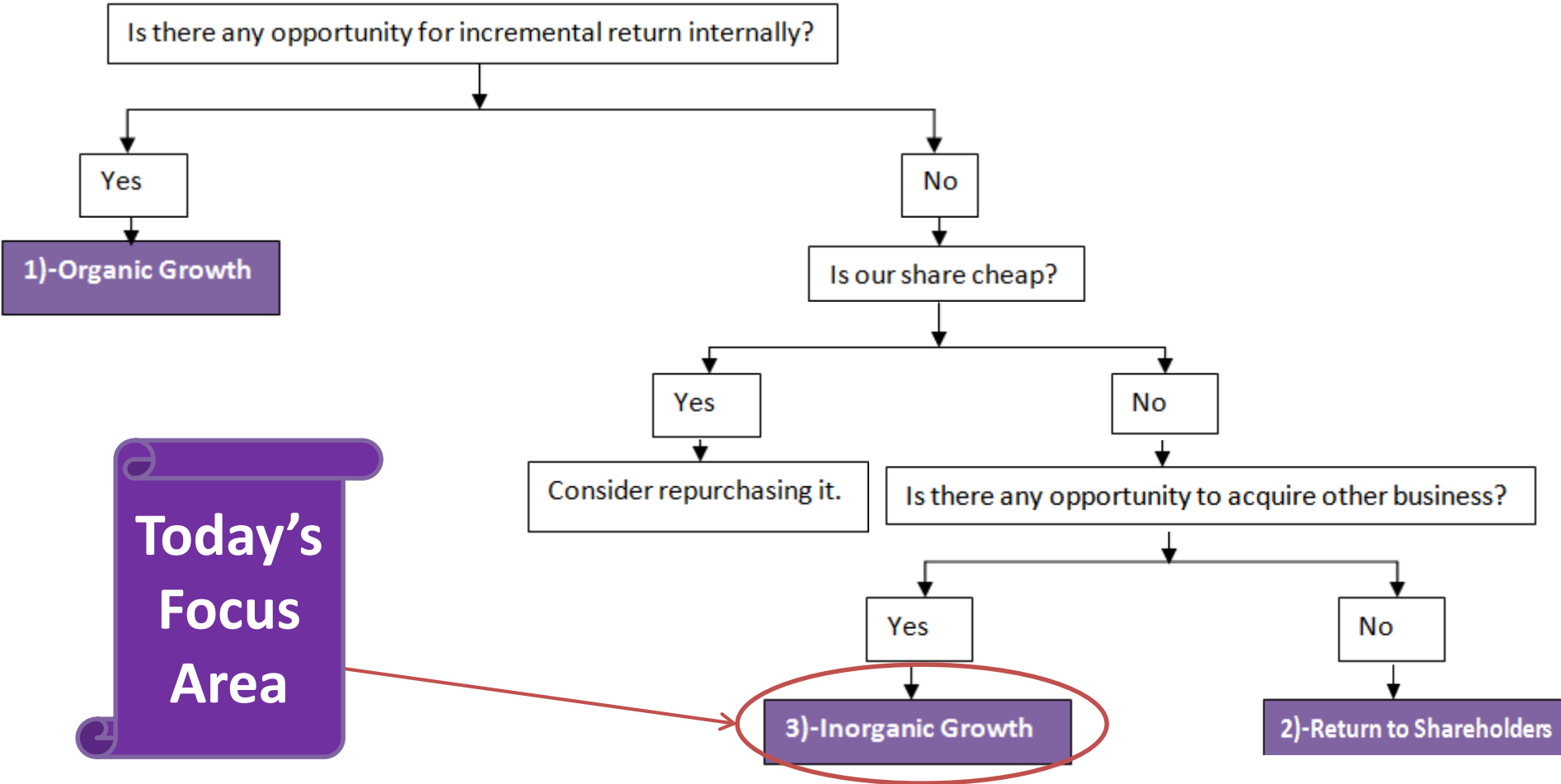




“The best CEOs are “masters of “capital allocation- the process of deciding how to deploy the firm’s resources” ... capital allocation is investment, and as a result all CEOs are both capital allocators and investors. They have the investor’s mind set”

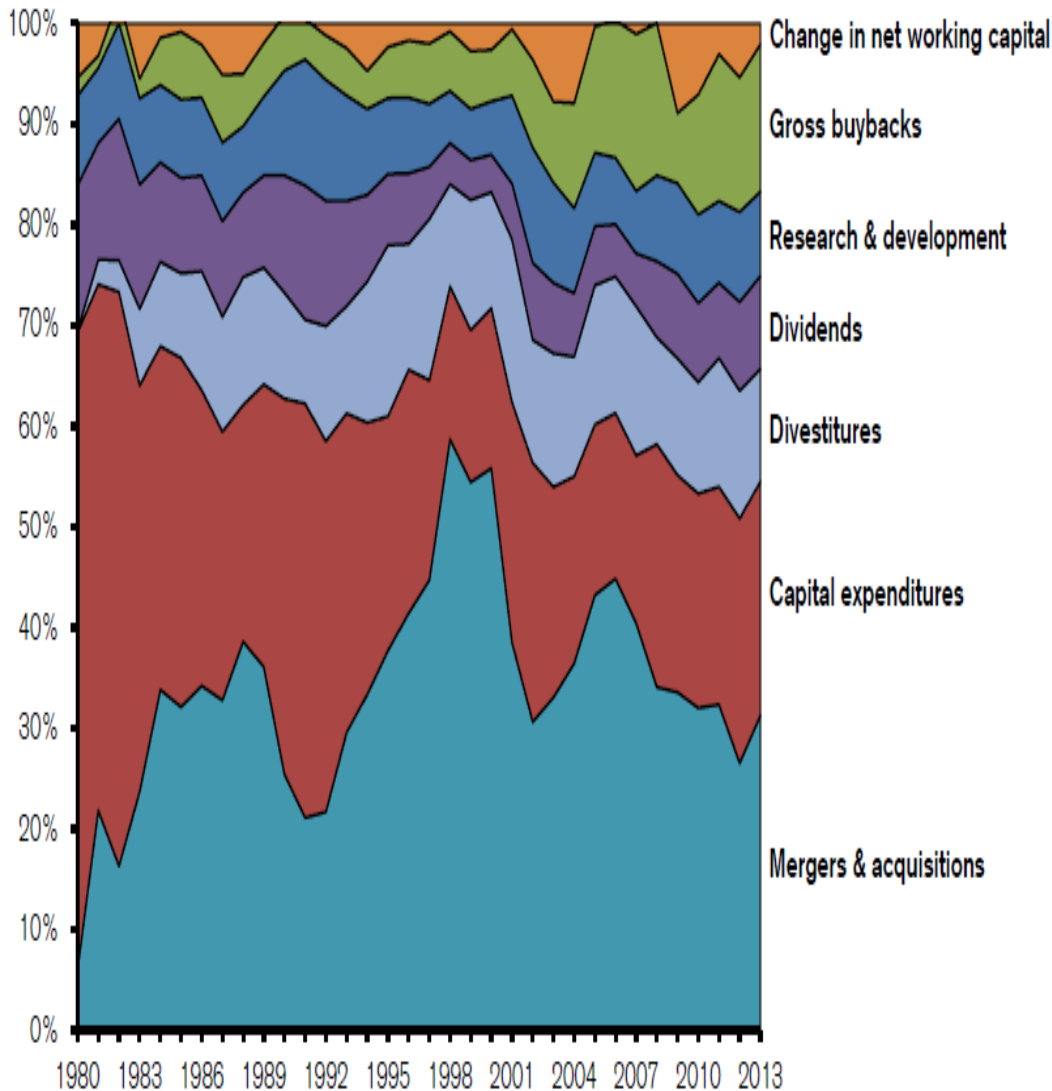
William Thorndike,
The Outsiders

❖ How the management should think about Capital Allocation?



Today's Focus Area

Some interesting insights



- A study revealed that mergers and acquisitions (M&A) and capital expenditures are the largest uses of capital over time. (1980-2013)
- M&A activity tends to be greatest when the economy is doing well, the stock market is up and access to capital is easy

❖ Benefits of Inorganic Growth

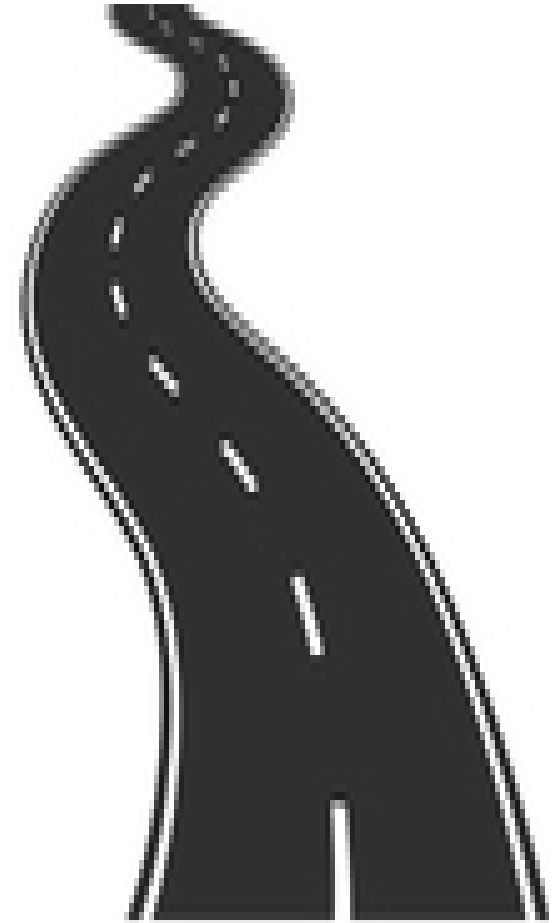
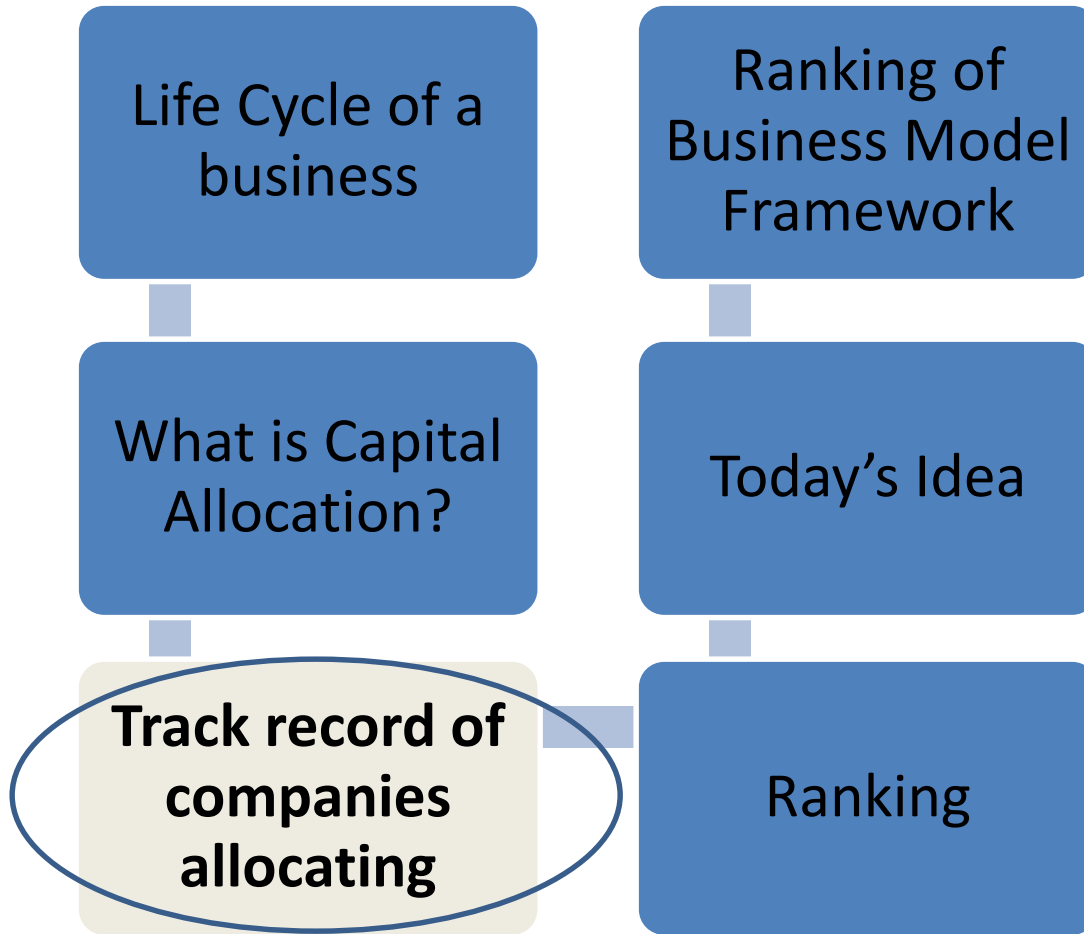
Capability upgrades:- Technology, manufacturing, research and development, or human know-how – whatever the capability, acquisitions are a way to acquire it.

Market breakthroughs:- It can take years to build distribution networks or gain a foothold in a particular market.

Reshaping the consumer experience:- acquisition brings additional capabilities to serve customers better.

Sidecar Investing





❖ Instances of unsuccessful Inorganic Growth

The Biggest M&A Mistake in Corporate History - The Market Mogul

<https://themarketmogul.com/the-biggest-ma-mistake-in-corporate-history-2/> ▼

Dec 16, 2014 - The boardroom and cultural differences of **AOL Time Warner** meant that ... The undeniable failure of the merger can be taken to reinforce the ...

The deal that cost Bank of America \$50 billion – and counting ...

www.charlotteobserver.com/news/business/banking/article9151889.html ▼

Jan 23, 2014 - Reality has persistently demonstrated that **failed cultural integrations** ... Bank of America and Merrill Lynch ... If there is uncertainty after the close it can **cause real issues in integration.**" 12 Things Not to Do in M&A - Inline CTA ...

Volvo and Renault's Proposed Merger | Mergers And Acquisitions ...

<https://www.scribd.com/document/248423341/Volvo-and-Renault-s-Proposed-Merger> ▼

Volvo would have merged its automotive operations with those of Renault, the aspect of ... the impact of the factors which in any ways affected the decision of merger ... **Complex Structure:** The structure of the ownership of the merged company ...

Apollo's failed deal for Cooper sows doubt on future Indian M&A

<https://in.reuters.com/.../india-mergers.../apollos-failed-deal-for-cooper-sows-doubt-o...> ▼

Dec 31, 2013 - Apollo's failed deal for Cooper sows doubt on future Indian M&A. MUMBAI (Reuters) - The ambition from Indian mid-sized companies for **large debt-fuelled acquisitions abroad** was dealt a major setback after the unravelling of a \$2.5 billion bid by India's Apollo Tyres Ltd (APLO.NS) to buy Cooper Tire & Rubber Co (CTB.N).

Cross-cultural challenges at the DaimlerChrysler merge | Richard ...

https://www.rlc.fi/white_papers/cross-cultural-issues-at-the-daimlerchrysler-merge-case-stud... ▼

Apr 27, 2016 - **Cross-cultural issues relating to the DaimlerChrysler merge** – Case Study. Case Study by Richard D. Lewis. DaimlerChrysler merge. In May 1998, when the impending merger of Daimler-Benz and Chrysler was ... an industrial giant with global sales of more than \$150 billion, making it fifth among the world's ...

❖ Tata - Corus – Auction driven

- In 2007, Tata Steel finally bought Corus in a \$12 billion deal, acquisition size was four times larger than Tata steel's size.
- Tata Steel paid 608 pence a share, a premium of 34% to the original offer price to ward off a challenge from Brazilian miner and steelmaker CSN.
- As stated by Tata, the initial motive behind the completion of the deal was not the revenue size of Corus, but rather its market value.

Tata Steel's desire to get rid of its UK business shows how unlucky its ...

<https://qz.com/.../tata-steels-desire-to-get-rid-of-its-uk-business-shows-how-unlucky-it...> ▼

Mar 30, 2016 - For a decade, Tata Steel's entry into the European market has ... Tata's acquisition of Corus in 2007 made Tata Steel the first Fortune ... the saving grace for Tata Motors, which has failed to revive domestic passenger car sales.



"I dont believe in taking right decisions..
I take decisions & then make them right



❖ Instances of successful Inorganic Growth

**BERKSHIRE
HATHAWAY INC.**



**CONSTELLATION
SOFTWARE
INC.**

The logo for Recruit consists of a blue stylized 'r' icon followed by the word 'RECRUIT' in a bold, dark grey, sans-serif font.

❖ Betting on the 'Jockey'- "Warren Buffett"

Buffett created a hands-off culture that encourages entrepreneurs to sell their private companies to Berkshire.

Management takeaways from Warren Buffett's 50 years at Berkshire Hathaway:-

- **Leave your managers alone** — Managers at the 60-plus business units owned by Berkshire have a lot of autonomy, and that encourages them to stick around. They only have 25 employees at their HQ.
- **Incentives:** The more cash you send him, the more you get paid. Rewarding site managers and regional executives based on productivity, gain related to low capital deployment.
- **Don't follow the Herd**— Buffett ignores street expectations of short term quarterly profits and doesn't question them every quarter.



Source: <http://bit.ly/fortunebuffet>, <http://bit.ly/Busiinessinsider>

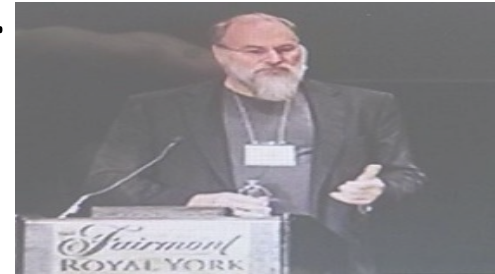
Berkshire Hathaway

Constellation Software

Recruit Holdings

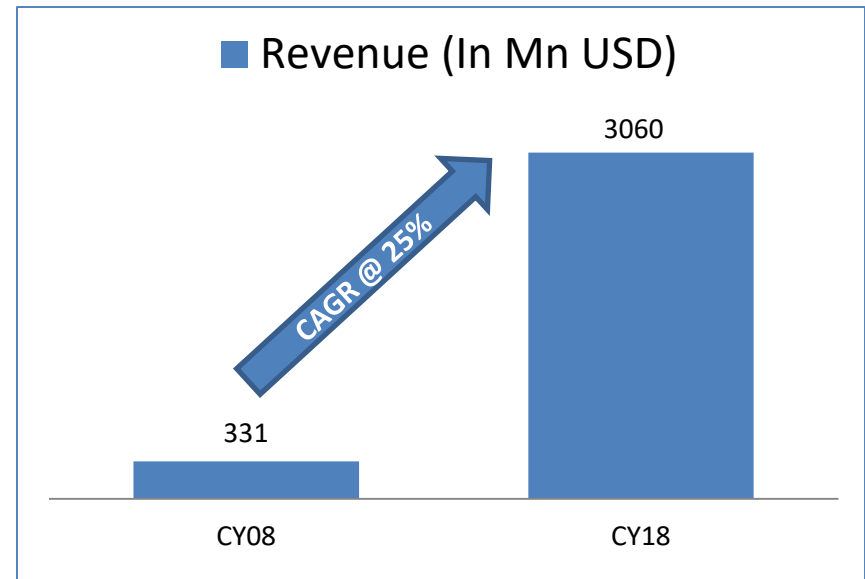
❖ One of a Kind – Constellation Software

➤ Mark Leonard has built Constellation into a world leading consolidator of Vertical Market Software (VMS) companies - firms that create products to help run businesses in specific industries.



➤ Constellation’s acquisitions are small, in the range of **CAD 2 to 4 million**, Constellation has created a business development team that is constantly trying to find more software businesses to buy.

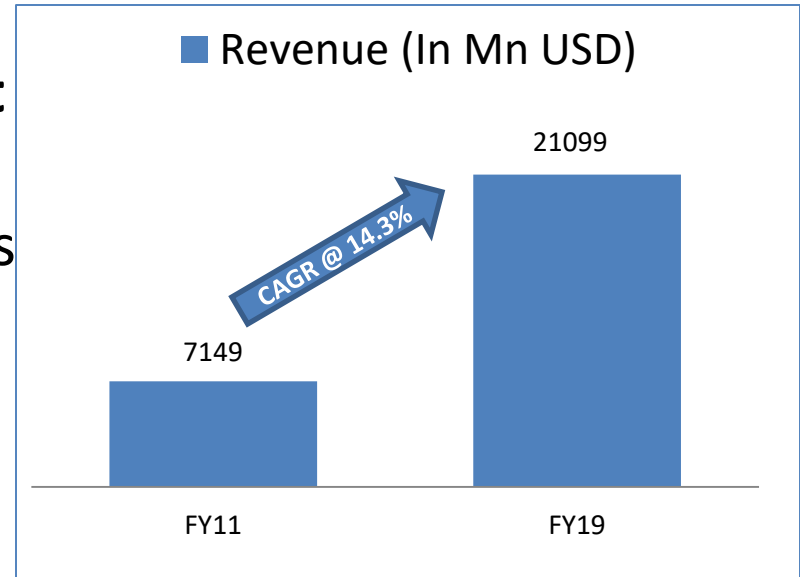
➤ **Capital allocation at Constellation is centralized but the actual operation of the businesses is decentralized.**



Source: Yahoo Finance, 25iq.com

➤ It has classified its operations under three heads – HR, Technology, Media & Solutions and Staffing.

➤ **First, Recruit made a small investment purchasing a minor share and offered advice on improving business operations to the potential acquisition. If the company was a good fit, Recruit then acquired it entirely.**



➤ **Second**, once purchased, acquired companies were encouraged to keep their own name and brand, as well as most of their own people and systems, while Recruit took on the role of an advisor, focusing on improving profitability and the strength of management.

Source: Company, HBR

When we find such a sidecar investment
we

**SHOULD SIT UP AND TAKE
NOTICE**

of such opportunity.



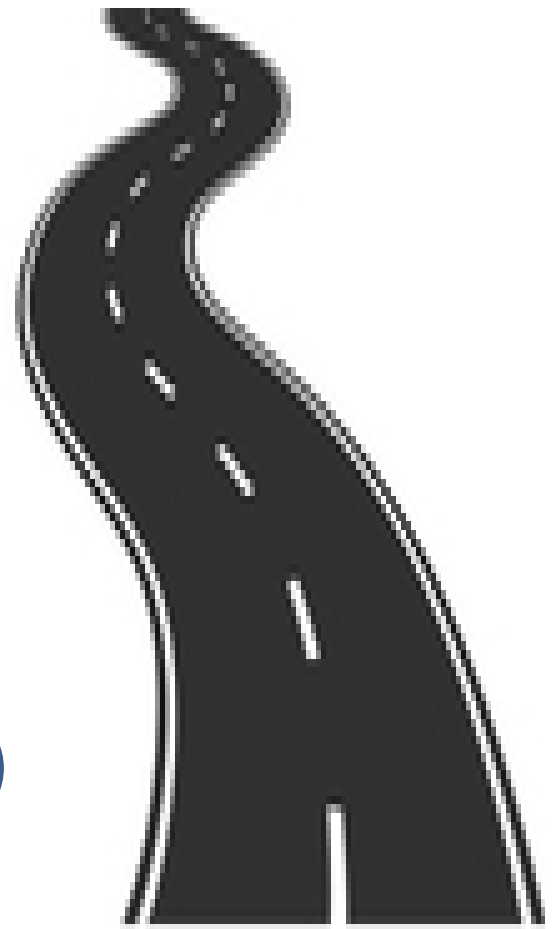
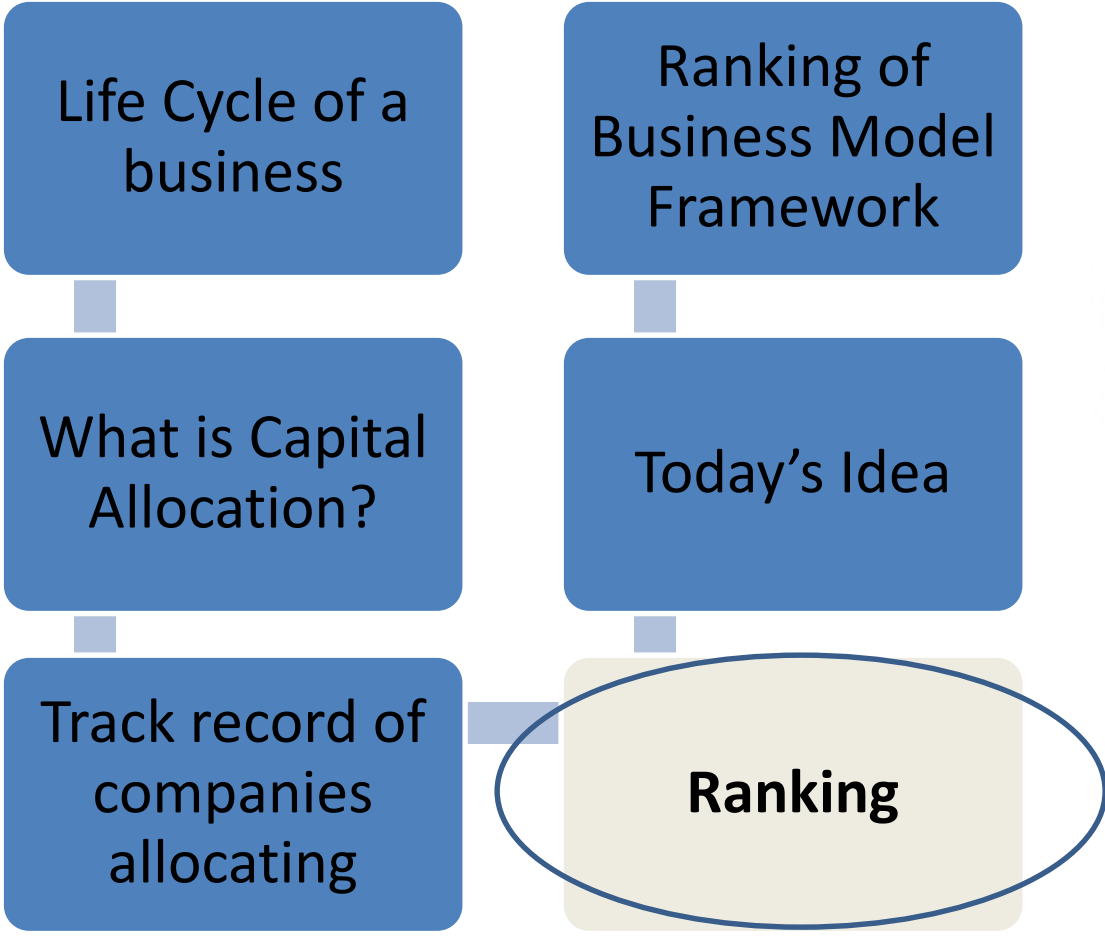
-Prof. Richard Zeckhauser

❖ Inorganic Acquisitions - Our Sidecar Investments

- **Prof. Richard Zeckhauser** advises that when a ‘Sidecar Investment’ opportunity comes, one should never miss it.
- Prof. Bakshi Quoted an example of film ‘Sholay’ in which one sees Veeru driving the mobike and Jai enjoying the free ride in a sidecar attached to the bike.
- A sidecar investment should be with an Individual who has great capital allocation & exceptional sourcing skills and a track record of value creation through inorganic growth. (Warren Buffett, Prem Watsa, in this case)
- The more the investor is confident on driver’s integrity and his motorcycle’s capabilities, the more attractive is the investment.



❖ Roadmap



Our checklist for successful M&A

What we prefer?

Friendly Merger

Asset Light Model

Fair Valuation

Cash Generating Business

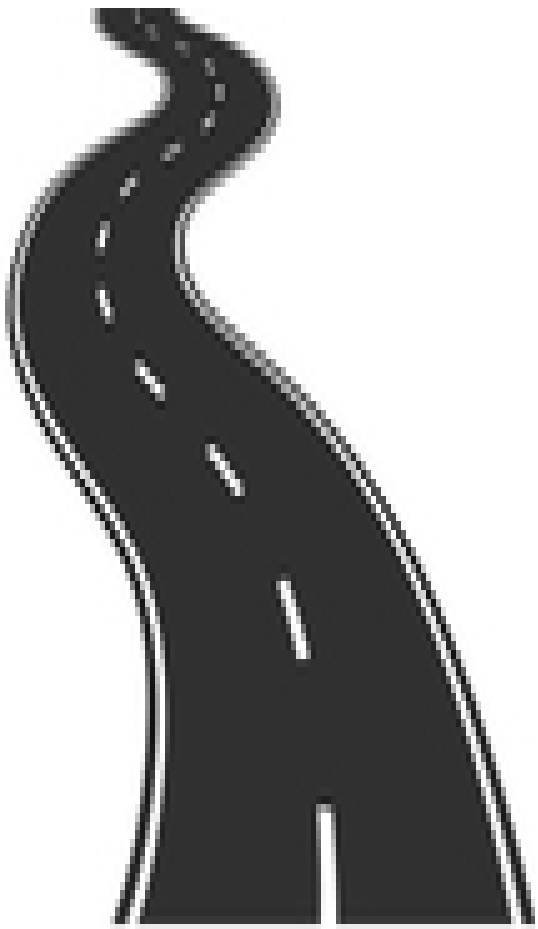
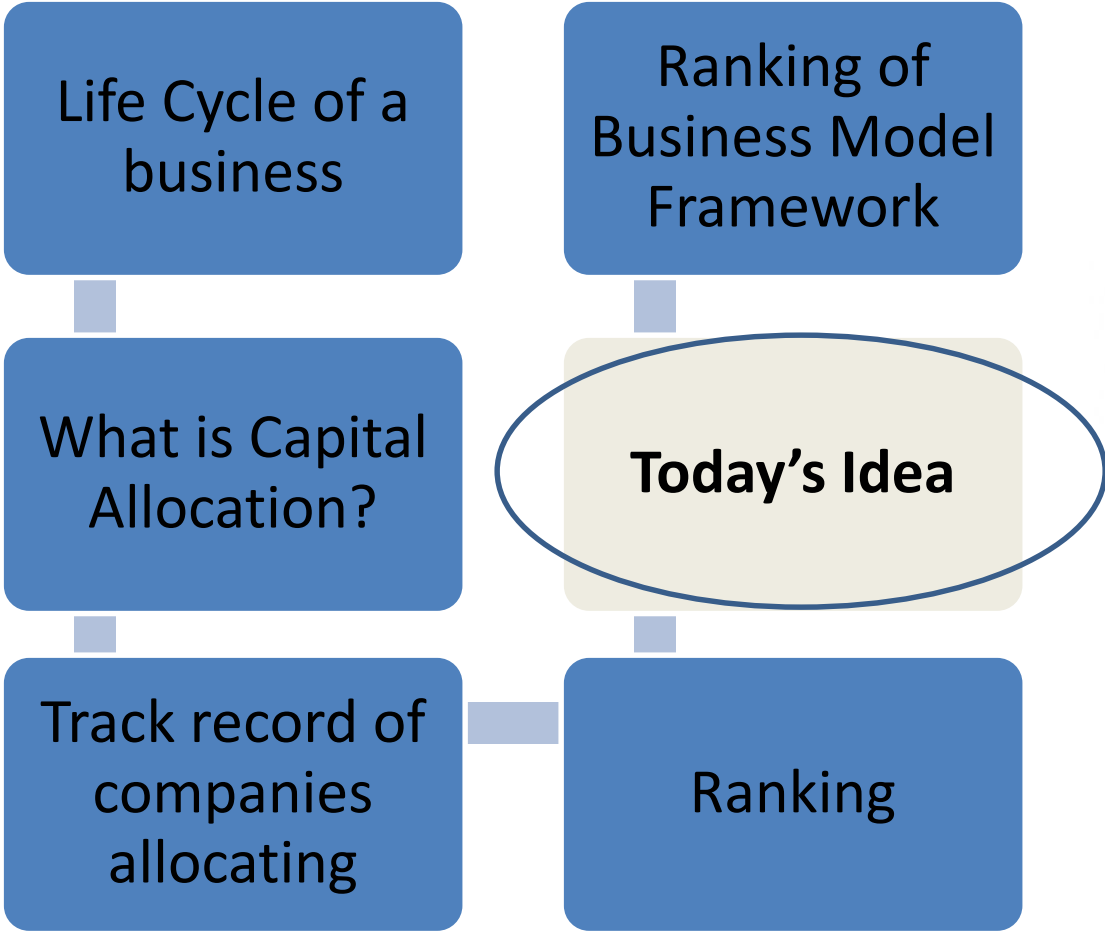
Hands Off Approach

Keep distance from..

Auction Driven Sale

Use of Excess Leverage

Cultural Differences



❖ Ranking of Businesses (Sidecar)



InfoEdge

A **Platform Company** providing services of on-line classifieds in the areas of Recruitment, Matrimony, Real Estate, Education, and related services in India.

❖ Comparing InfoEdge with Global players

Particulars	Berkshire Hathaway	Constellation Software	Recruit Holdings	InfoEdge
Hands off culture	Capital Allocation & Cash Flow Focus	Financial & Operational Discipline	Advisory Role	Sounding Board
Diversification	Yes	Moderate as only buying software companies	Yes	Yes
Investing in Start-ups	Mostly profitable franchises	Yes	Yes	Yes
Acquisition Style	Open to both Complete & Partial Stake	Complete Stake	Starts with Partial & moves to Complete	Only Partial Stake, except Acquires

❖ Value Migration to Platform Companies

- As per a 2017 Credit Suisse report titled “Technology killing Corporate America”, **average age of an S&P 500 company has come down from 60 years to 20 years in the 1950s.**
- **Retail:** In India, Amazon and Flipkart together (with a GMV of USD 8+) are bigger in size than the top 10 Indian retailers combined, e.g. Future Group, Reliance Retail, ABFRL, Avenue Supermarts etc.
- **Media:** Digital platforms like Facebook, Google ads already account for ~50% of all advertising. This is **disrupting business models of traditional media** such as Cable, Radio and Print.
- **Hospitality:** Online travel agencies such as Expedia, Booking.com, MakeMyTrip and platform like Airbnb have resulted in hotel chains losing market share to standalone hotels or homestays.

Source – 2point2 Capital

About InfoEdge & platform companies

Investment Process

InfoEdge v/s VC

Size of Opportunity

Valuation

Our Checklist

❖ Era of Platform Companies

- **Platform companies do not own the means of *production* – instead they create the means of *connection*.** Platforms reduce the frictional cost of a transaction between users.
- **Zero Marginal Cost** - IT makes building and scaling up platforms vastly simpler and cheaper, as the network grows, the cost of acquiring new consumers and providers is almost zero.
- **Platform businesses therefore often end up being quasi monopolies as once the flywheel is set in motion, they end up being one of the only large platforms in that space** – Amazon in Horizontal E-Commerce, Uber in Ride-Hailing Services, Airbnb in Vacation Rentals or Google in Search.

Source – 2point2 Capital

About InfoEdge & platform companies

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❖ Shift from Horizontal to Vertical Platforms

- Horizontal classifieds promote diversified offerings that are not limited to specific product categories, they offer products ranging from furniture, cars, booking a restaurant, house on rent, etc.
- On the other hand vertical classifieds are focused on providing specialisation services like Naukri.com for job listings, Zomato for food delivery, etc.
- For instance,
 - 59 % of used goods buyers are willing to pay for quality verification of goods or home delivery;
 - 43% of job portal users are willing to pay for auto application for jobs and
 - 40% of consumers searching for Real Estate are ready to invest more for legal verification and property checks.

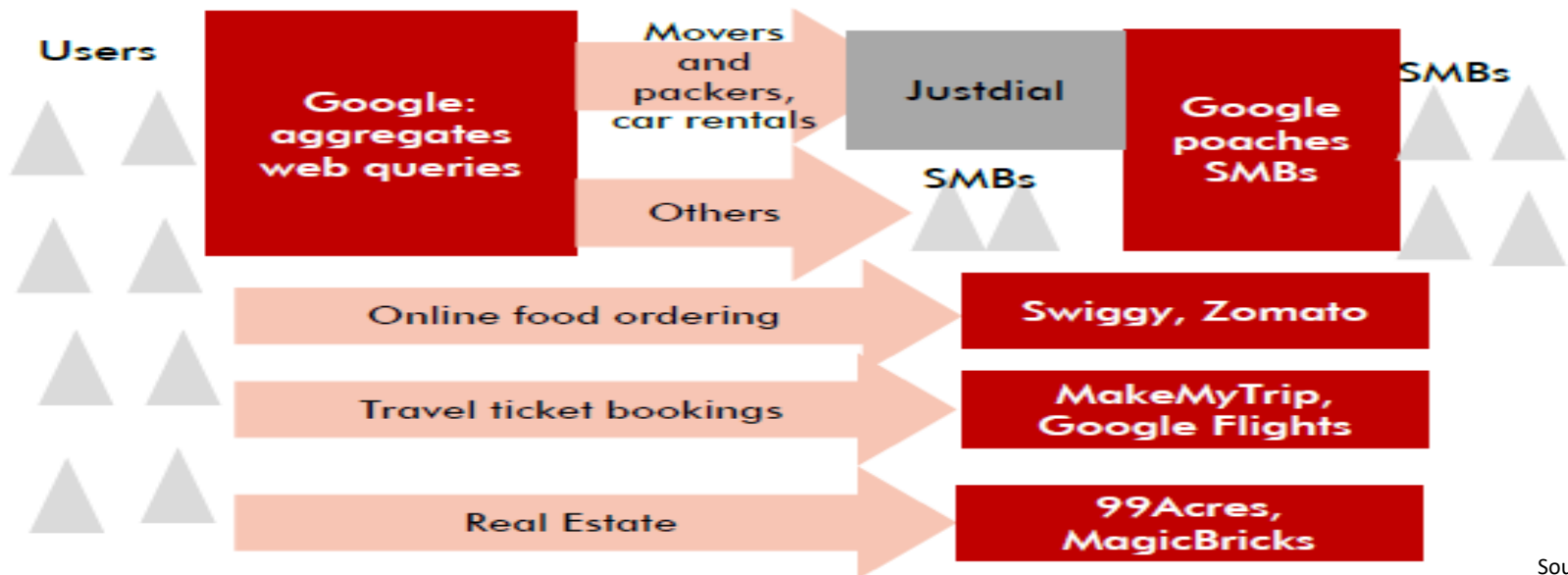
Source – Yourstory, KPMG



❖ E.g.- The decline of JustDial “a horizontal platform”

- Burgeoning sales force that keeps prodding its customers to upgrade to paid services
- A mere 15% direct traffic as compared to 40% for vertical businesses. It is dependent on Google for most of the searches. Hence, Just Dial loses over 40% of their active paid customers every year.

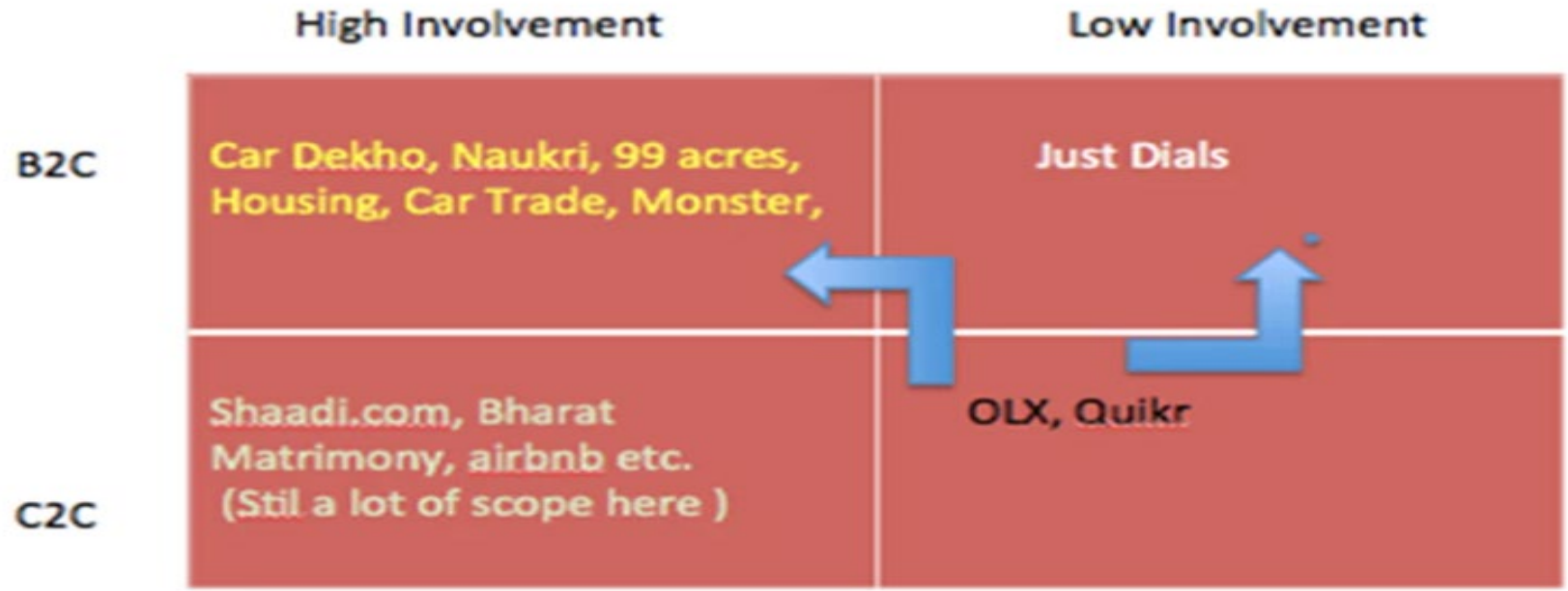
JustDial faces challenges in getting traffic and retaining SMBs...



Source – Yourstory

❖ Shift from Horizontal to Vertical Platforms

➤ Vertical Classifieds are gaining traction as the horizontal classifieds are facing stiff competition from behemoths like Amazon.com, Google, Facebook, etc. Keeping this in mind OLX and Quikr have entered into vertical classifieds as they saw significant headwinds in horizontal classifieds.



Source – Yourstory

❖ About InfoEdge



- InfoEdge India operates as an on-line classifieds company in the areas of Recruitment, Matrimony, Real Estate, Education, and related services in India.
- Naukri.com was launched in March 1997.
- It turned profitable in 2002 and ever since then it has used cash generated from Naukri.com to invest in other businesses and expand its portfolio.
- It was listed on the stock exchange on April 27, 2006.
- It has a Nation wide coverage through 75 branch offices in 48 cities of India.
- Traffic share in the traditional job-board space continues to be 75%.
- Naukri.com has created a Brand Name similar to that of Sugar-Free.
- InfoEdge **Consolidated Revenue has grown at a CAGR of 19% since its listing in 2006.**

Source – Company, Nov 2018 Investor Presentation

About InfoEdge & platform companies

Investment Process

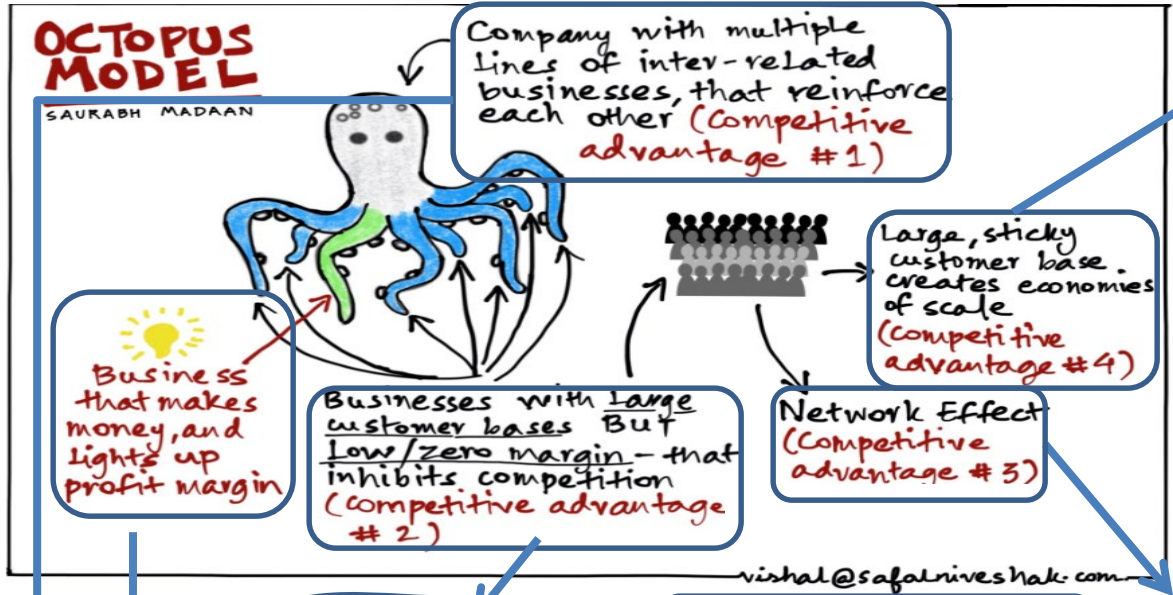
InfoEdge v/s VC

Size of Opportunity

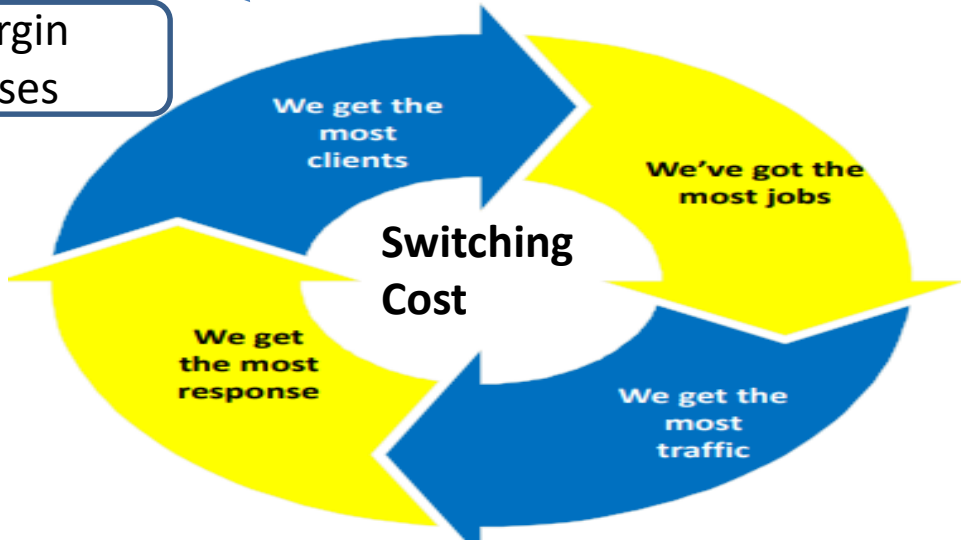
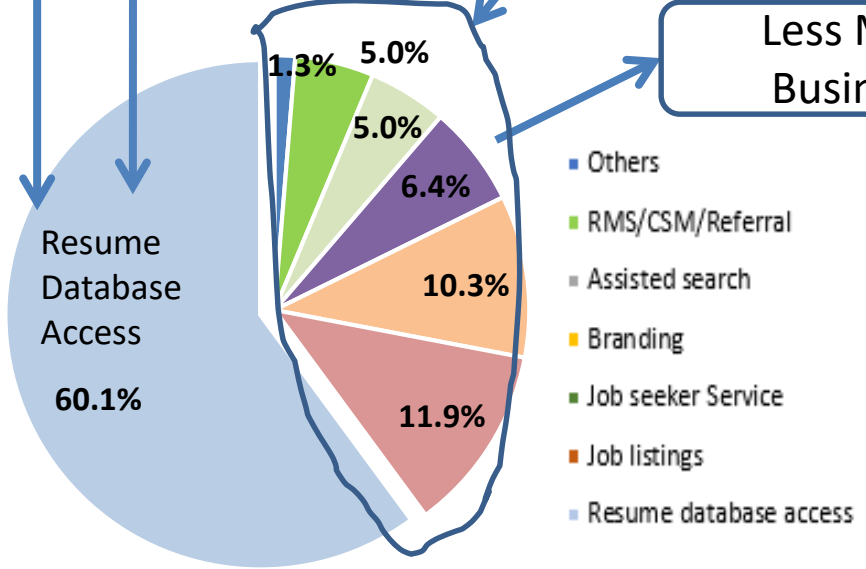
Valuation

Our Checklist

❖ Applying the Octopus Model in Naukri.com



- It has over 100% of industry profits enabling greater investment in
 - Product Innovation
 - Sales Network
 - Engineering
 - Servicing Back Office
 - Brand Support
 - Superior Talent



Source – Nov 2019 Investor Presentation, Safal Niveshak

❖ About 99acres.com

- It is a property listing portal where potential buyers and renters access information for free and contact the owner or the real estate developer.
- Properties are listed by the developers, home sellers and owners who intend to rent out or sell the property.
- It has a market share of around 50%.



Revenue Model

- **Projects**
 - Listings
 - Featured listings
 - Microsites
 - Email campaigns
 - Banner Ads
- **Re-sale**
 - Listings
 - Featured listings
- **Rental**
 - Listings
 - Featured listings

Source – Nov 2018 Investor Presentation



- An online Matrimonial Website.
- It operates on a freemium model, wherein
 - Users do not pay for listing, searching, expressing interest and accepting others expression of interest.
 - Payment is required to contact the other person or any other assisted services.
- There are 3 main players – Bharat Matrimony is the leader, followed by Shaadi and then Jeevansathi
 - Bharat Matrimony dominates states in South India and Non Resident Indians from these States.
 - Shaadi leads in Gujarat and Punjab and Non Resident Indians from these states.
 - Jeevansathi leads in certain North Indian communities and States.

Source – Nov 2018 Investor Presentation

❖ Thinking of the management

Mr. Hitesh Oberoi, CEO commenting on Jeevansathi and few other companies making losses:-

- I would not see these as losses,
- I would see those as investments into the future, because in the long run we want to sort of
 - diversify our portfolio
 - get into new categories
 - build new revenue streams
- Our investments are in the nature of OPEX.
 - We don't do CAPEX and
 - We have high operating leverage.
 - Once we reach a certain size and scale and after that it is easy to make profit.



Investment Process of the company

- To find its next Zomato or Policybazaar, InfoEdge has a team of five people whose sole focus is scouting for potential businesses to invest in.
- The team is headed by the founder Mr. Sanjeev Bikhchandani himself. Each month, the team meets with 150-200 start-ups.

➤ The company looks at the below metrics before investing in a company:

- Quality of Team
- Size of Market
- Size of Opportunity
- Proven Model in Abroad
- Are the Intellectual Property Rights being created
- Online Business in India
- Conservative on valuations
- No Big M&A
- Early Stage



“ Bikhchandani put cash ahead of revenue and premiums and was wary of swings in cash position

- Yashish Dahiya
Co-founder, Policybazaar

Source – Ken.com, Q3FY08 Concall, Outlook Business

About InfoEdge & platform companies

Investment Process

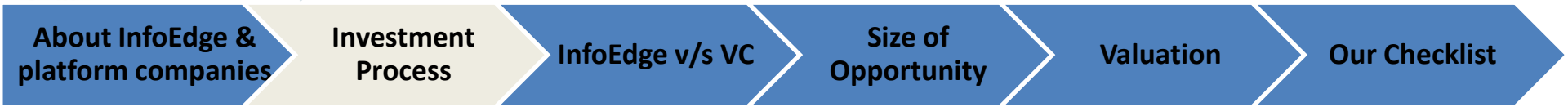
InfoEdge v/s VC

Size of Opportunity

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Our Checklist

❖ Naukri Cash Engine funding Strategic Investments



Country	Internet Penetration Rates
Japan	91% (2017)
China	58% (2018)
India	39% (2018)

➤ The number of internet users in India is expected to reach over 730 million users by FY20 thereby increasing the penetration level to ~54% of the Indian population.

➤ As per The Economist almost 1.2% of the total population is getting connected to the internet every month in India.

Source – India - The Economist, China- Forbes, Japan - Statista

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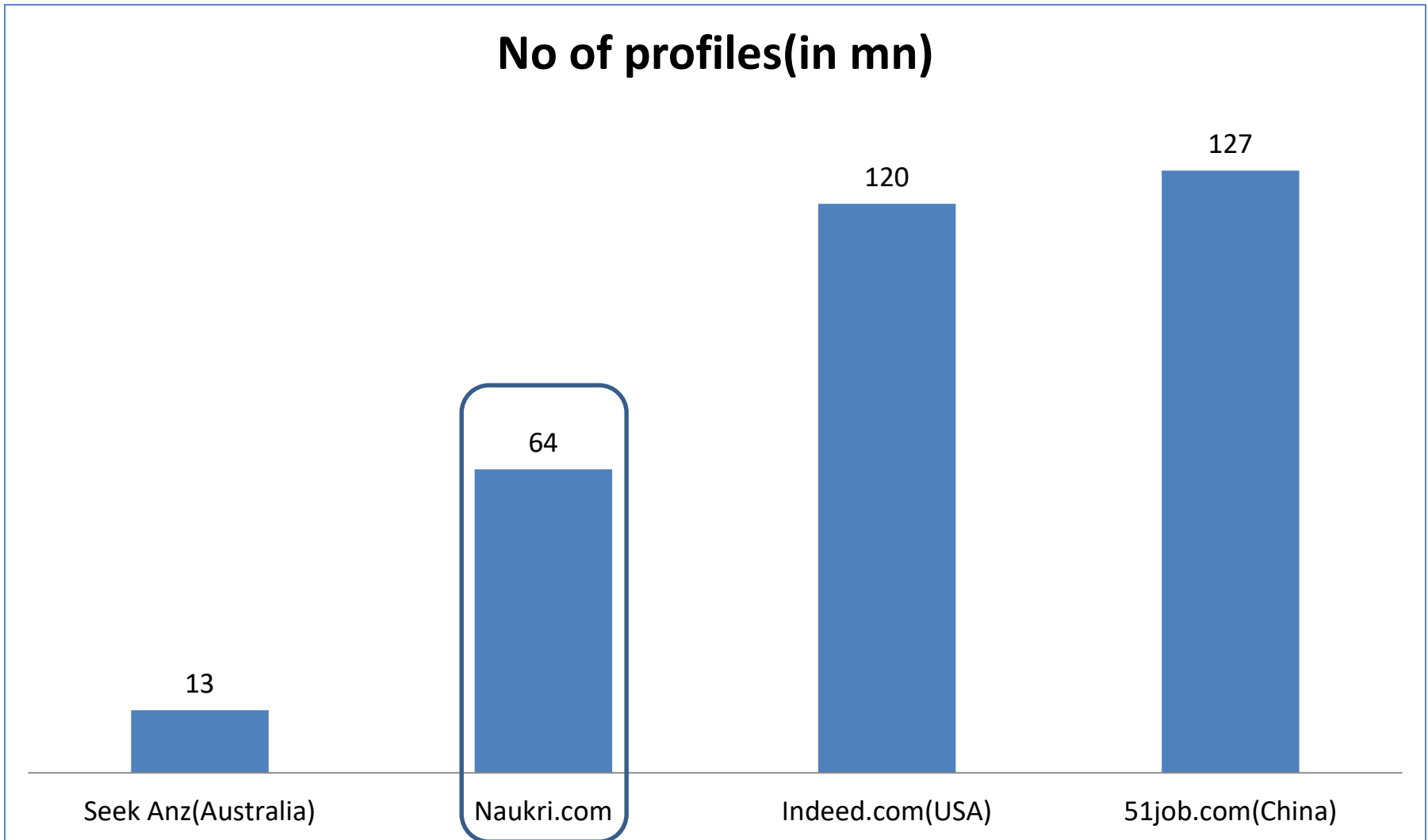
Size of Opportunity

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❖ Size of the opportunity – Naukri.com

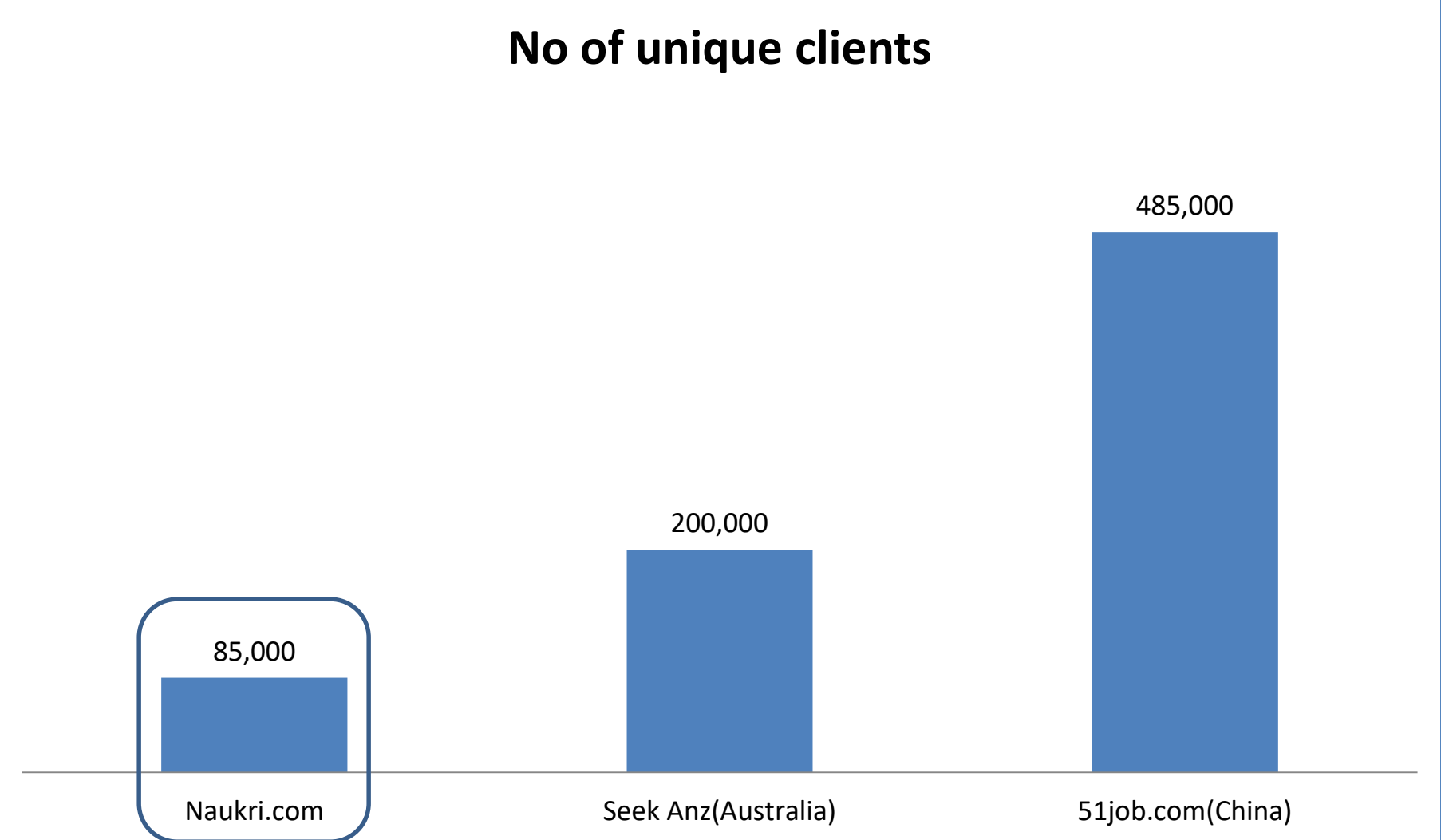
No of profiles(in mn)



Source –Company November 2019 Presentation

❖ Size of the opportunity – Naukri.com

No of unique clients

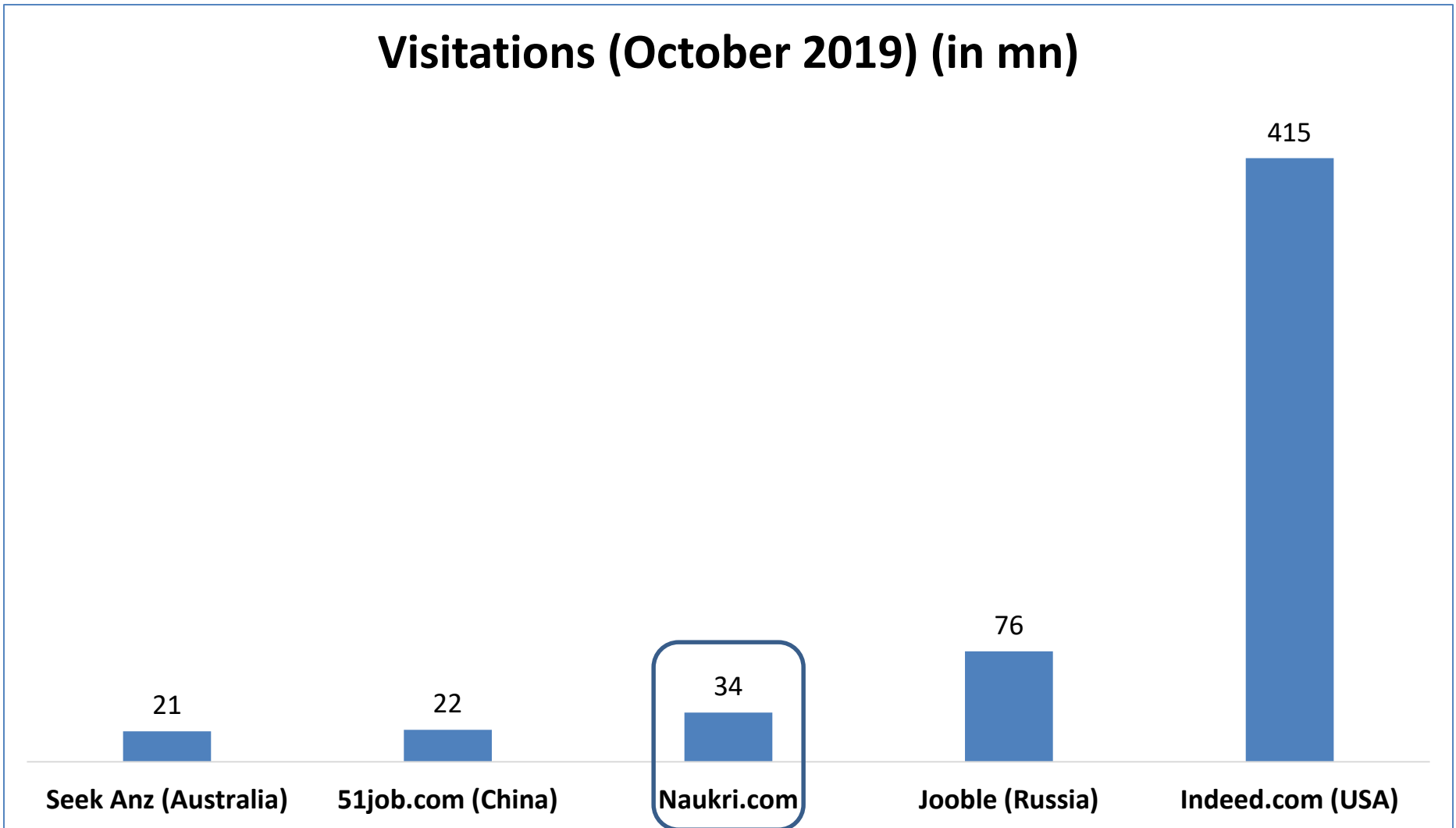


Source –Company November 2019 Presentation

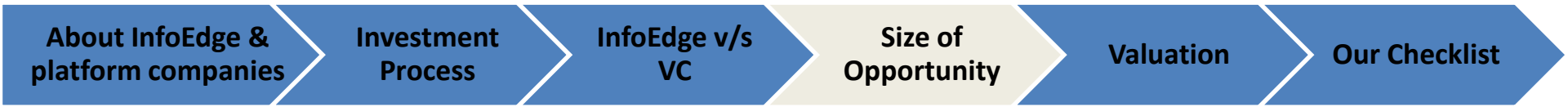
❖ Size of the opportunity – Naukri.com



Visitations (October 2019) (in mn)



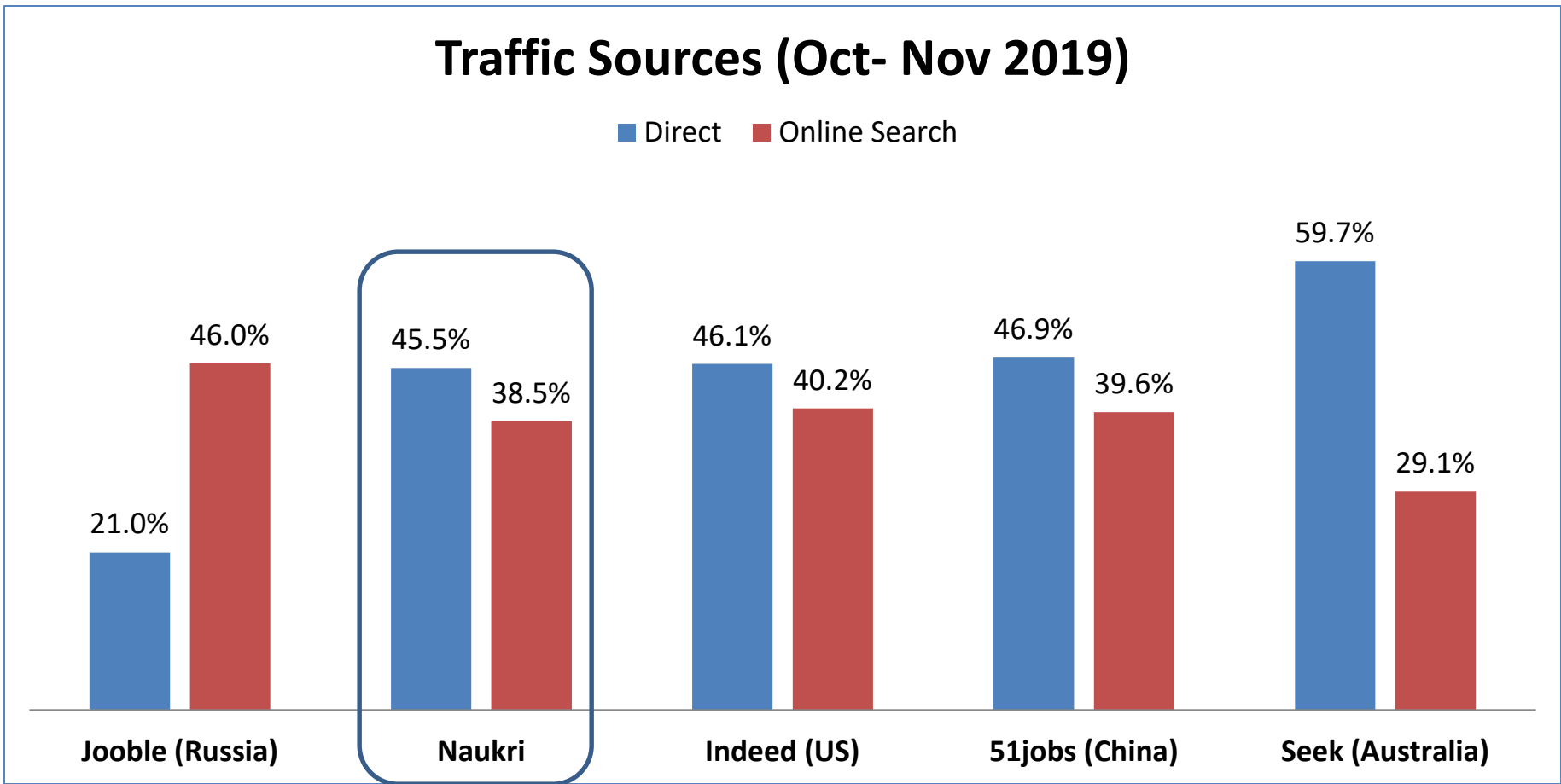
Source – Similarweb



❖ Size of the opportunity – Naukri.com

Traffic Sources (Oct- Nov 2019)

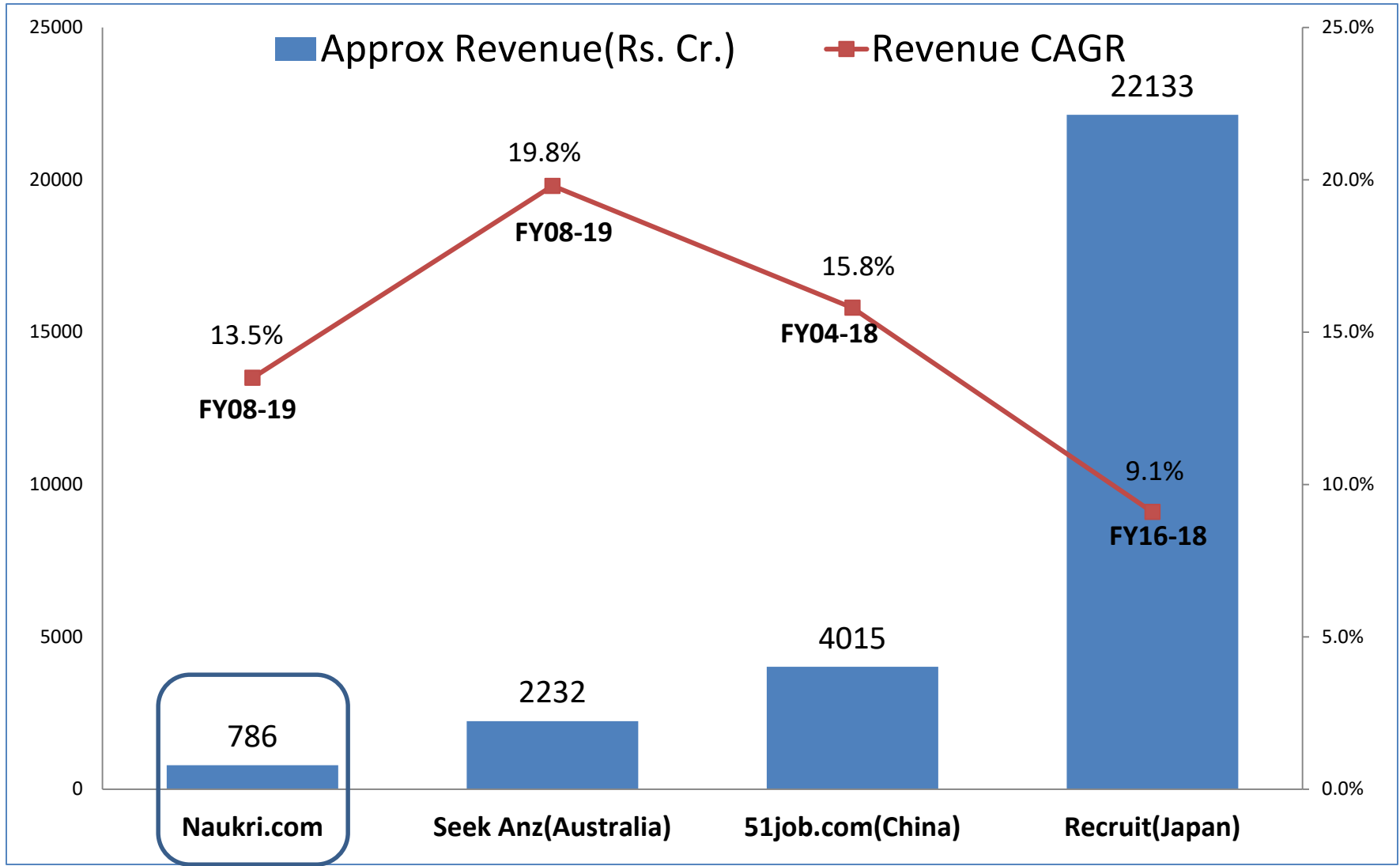
■ Direct ■ Online Search



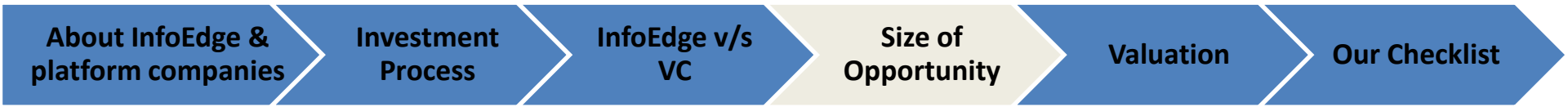
➤ More traffic coming directly suggests users are finding the network more valuable over time as it grows.

Source – Similarweb, Andreessen Horowitz

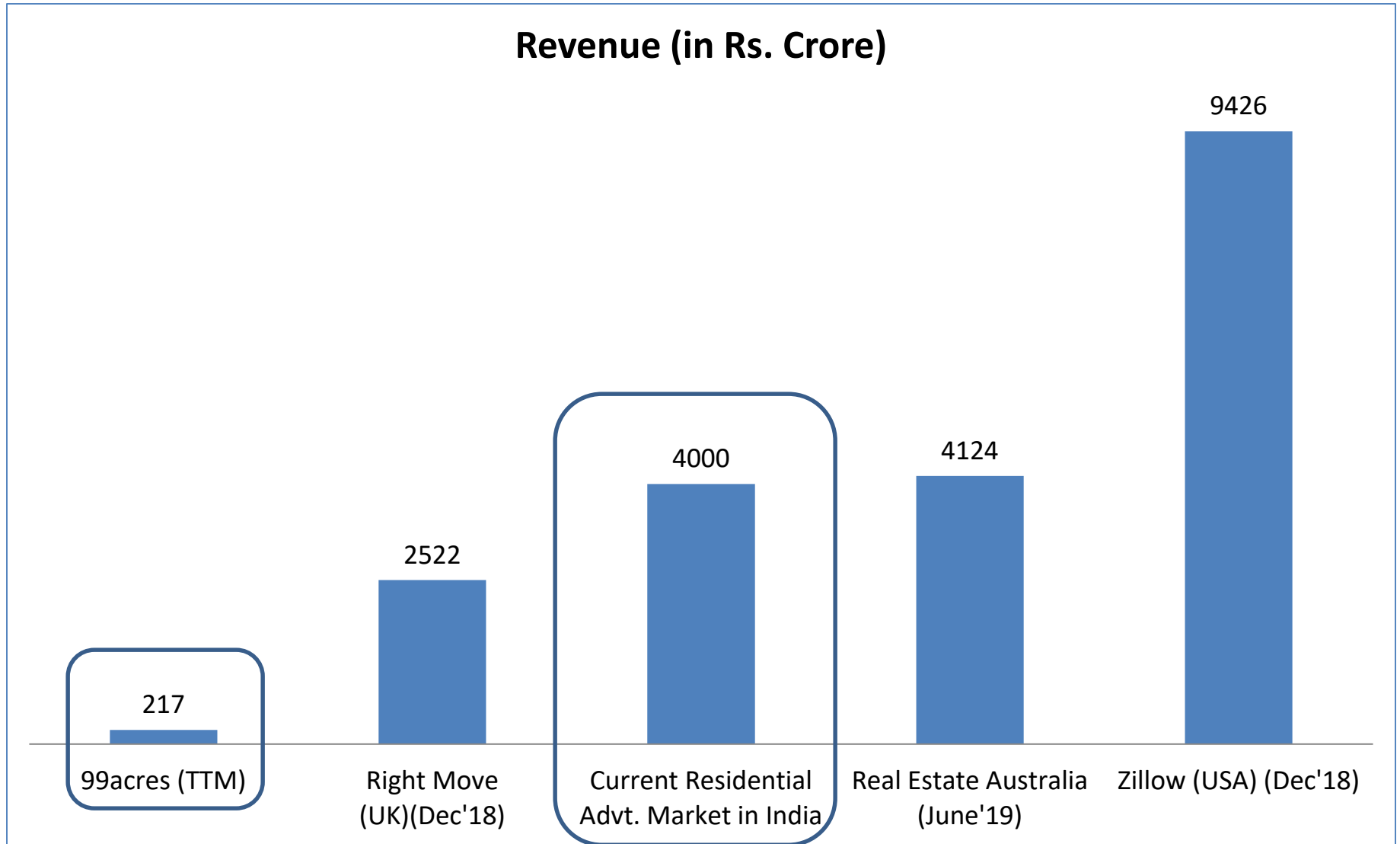
❖ Size of the opportunity – Naukri.com



Source – company November 2019 Presentation, Q3FY19 Concall



❖ Size of the opportunity – 99acres.com



Source – Company, Yahoo Finance

About InfoEdge & platform companies

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InfoEdge v/s VC

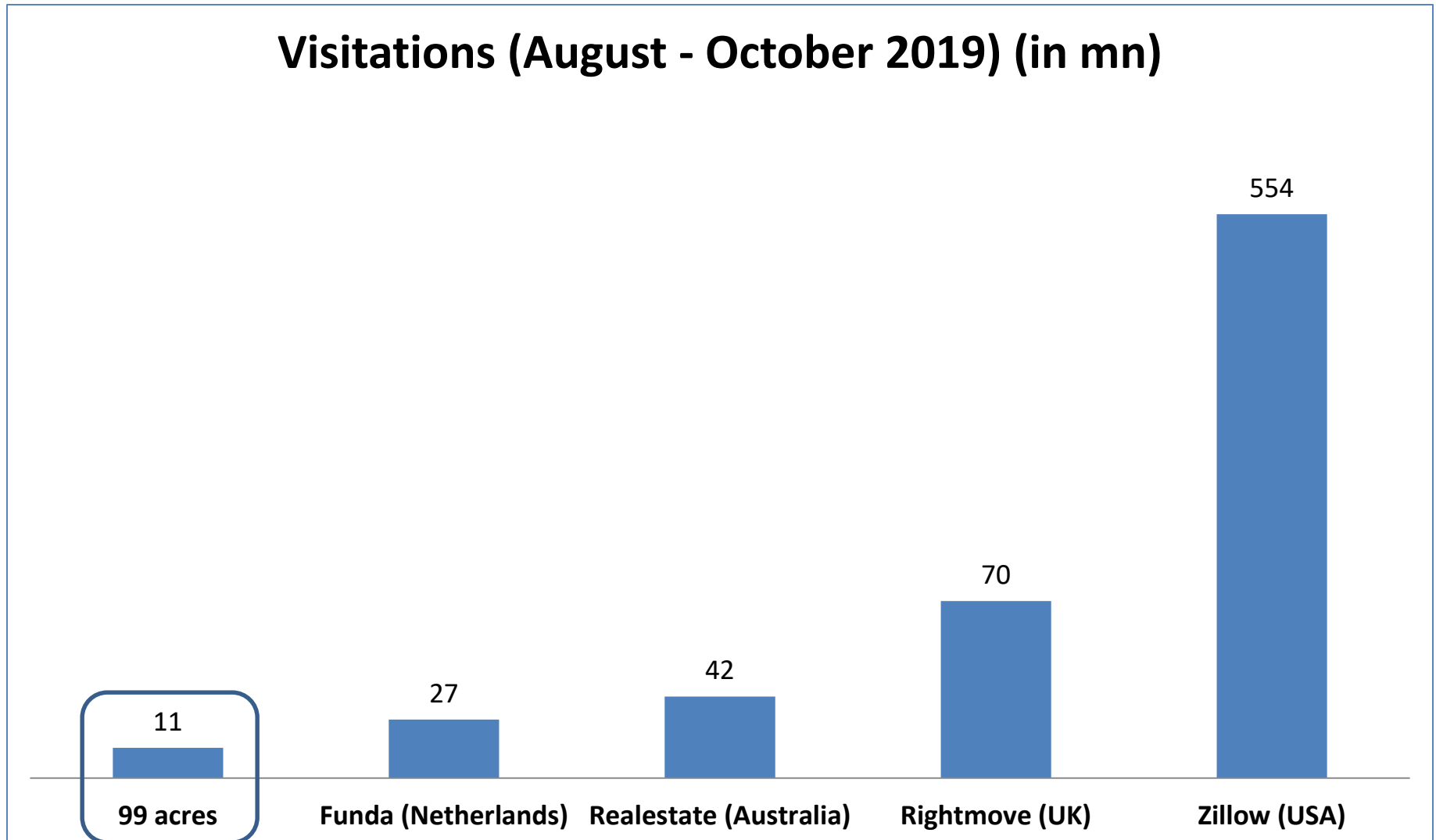
Size of Opportunity

Valuation

Our Checklist

❖ Size of the opportunity – 99acres.com

Visitations (August - October 2019) (in mn)



Source – SimilarWeb

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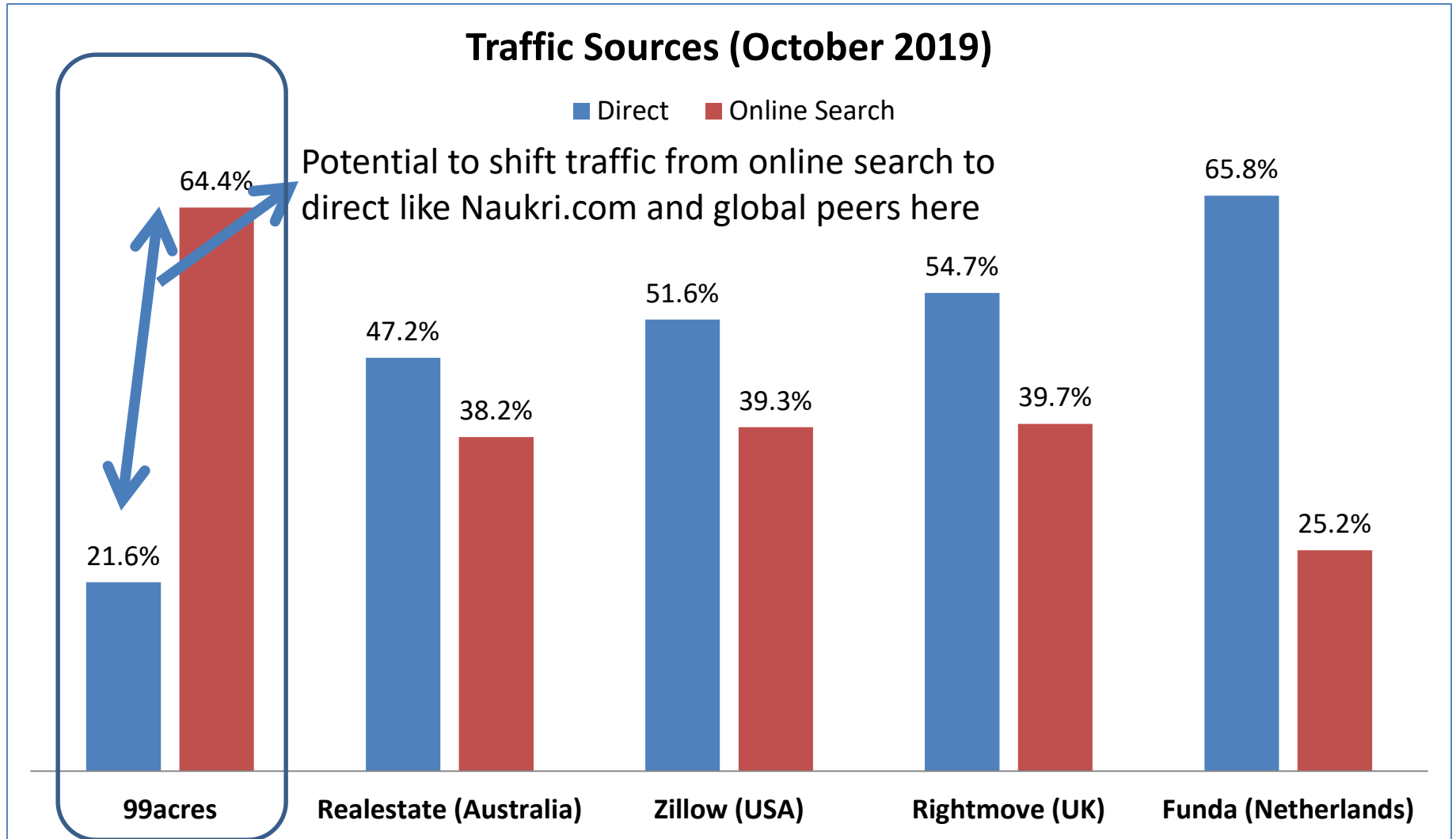
InfoEdge v/s VC

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❖ Size of the opportunity – 99acres.com



Source – SimilarWeb

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❖ Size of the Opportunity - Real Estate classified

- As per the industry and government estimates, India's **Real Estate sector accounts for 10% of the GDP and is expected to reach \$1 trillion in market size by 2030.**
- The next phase of growth of digital classifieds will be driven by the rapid growth of e-services, Real Estate and Automobiles, which will lead the classified industry to grow to \$1.2 billion by 2020.

Source – The Hindu, ET

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❖ Size of the Opportunity – Jeevansathi.com



- Increasing awareness to drive penetration, the matchmaking and wedding industry has been growing steadily at 25% - 30% every year. With only 6% of the market going online.
- India's annual spending on marriage-related services standing at \$57bn.
- Online matchmaking in India is a very fragmented market with over 2,600 wedding portals and only a handful of players having some scale.
- Unmarried population in 2016 - 107 million.
- Active seekers in 2016 - 63 million.
- Active users of online matrimony in 2016 - 6 million (~10% market).
- There are over 10 million weddings in India every year.

Source – InfoEdge Nov 2018 presentation & Q3FY19 & Q2FY19 Concall, Matrimony presentation, BBC

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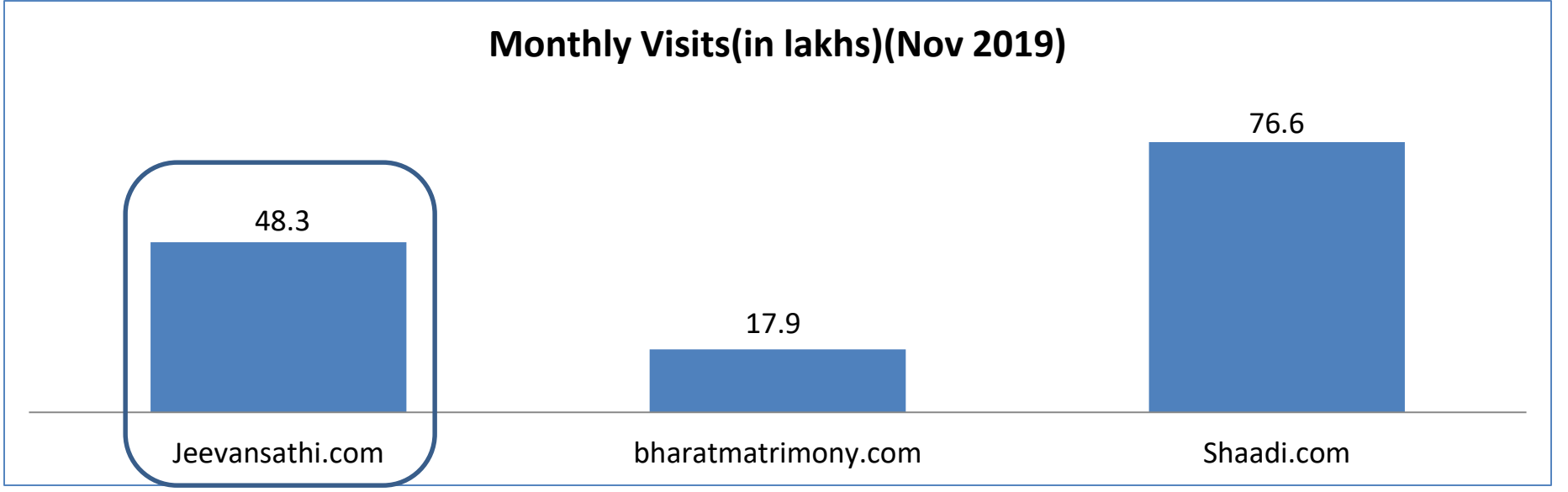
Size of Opportunity

Valuation

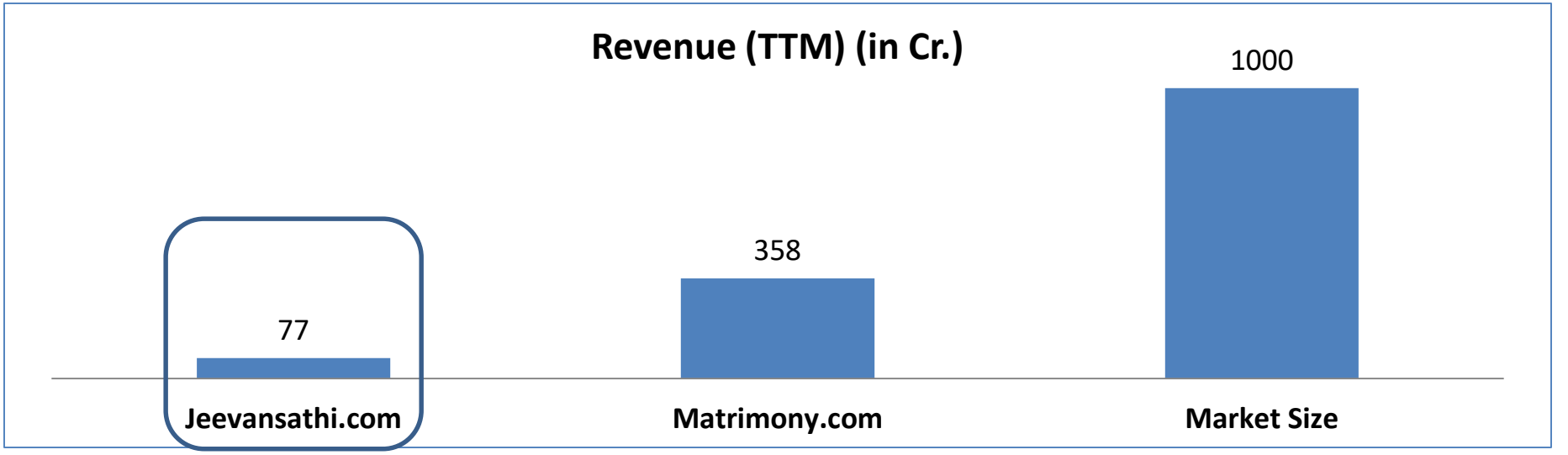
Our Checklist

❖ Matrimonial- Peer Comparison

Monthly Visits(in lakhs)(Nov 2019)



Revenue (TTM) (in Cr.)



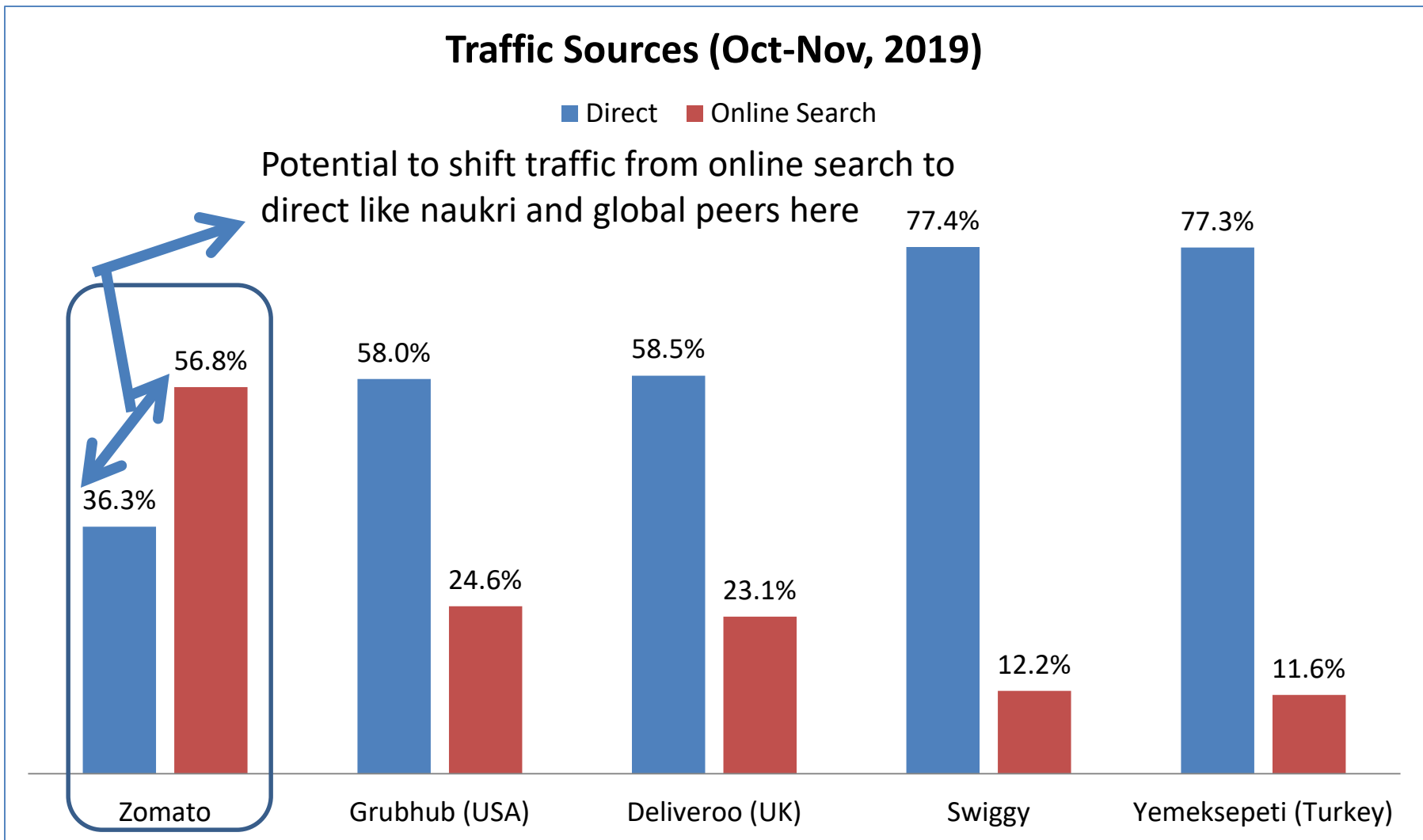
Source – Annual report of Companies. Similar web

❖ Size of the Opportunity – Zomato

Traffic Sources (Oct-Nov, 2019)

■ Direct ■ Online Search

Potential to shift traffic from online search to direct like naukri and global peers here



Source – Bloomberg, Statista Research, Similarweb

About InfoEdge & platform companies

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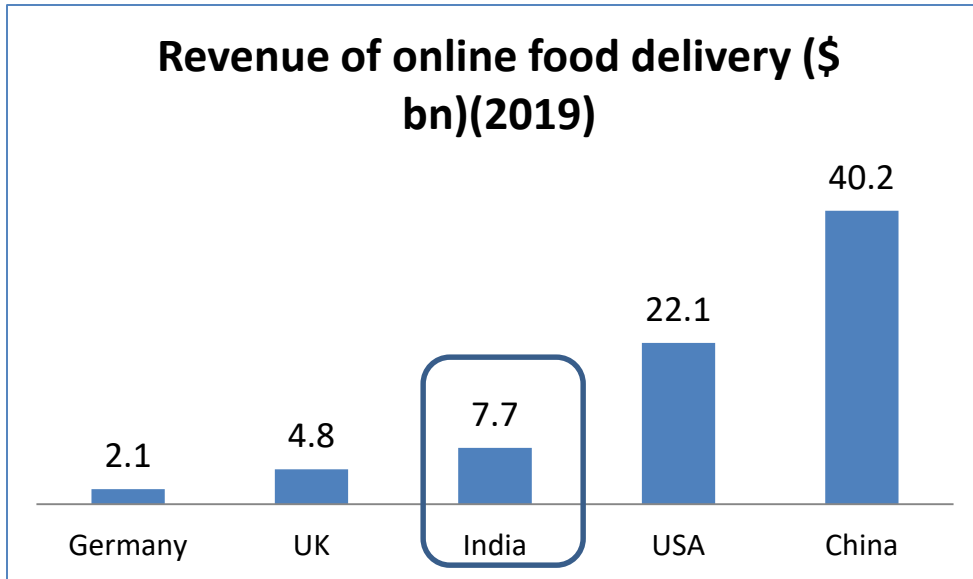
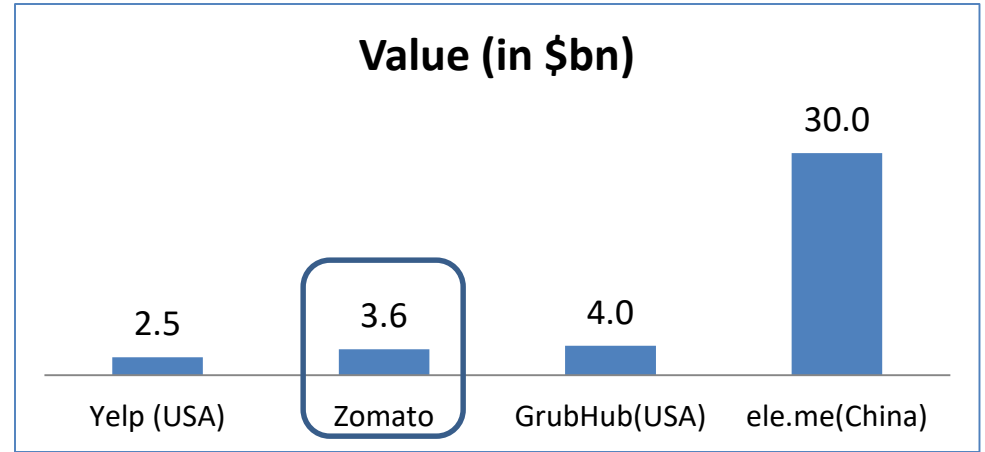
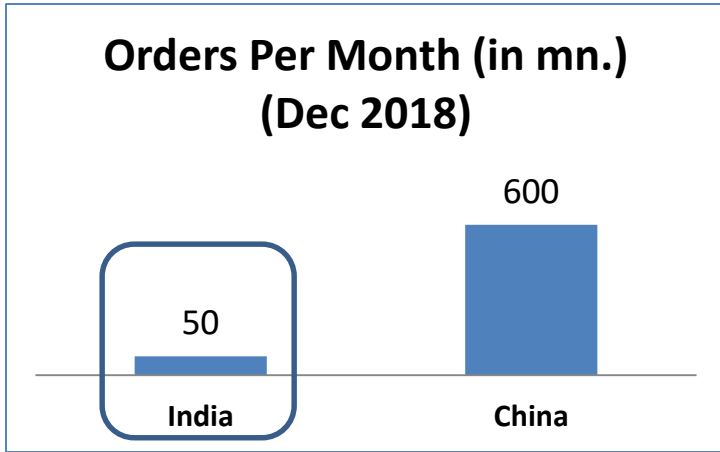
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❖ Size of the Opportunity – Zomato



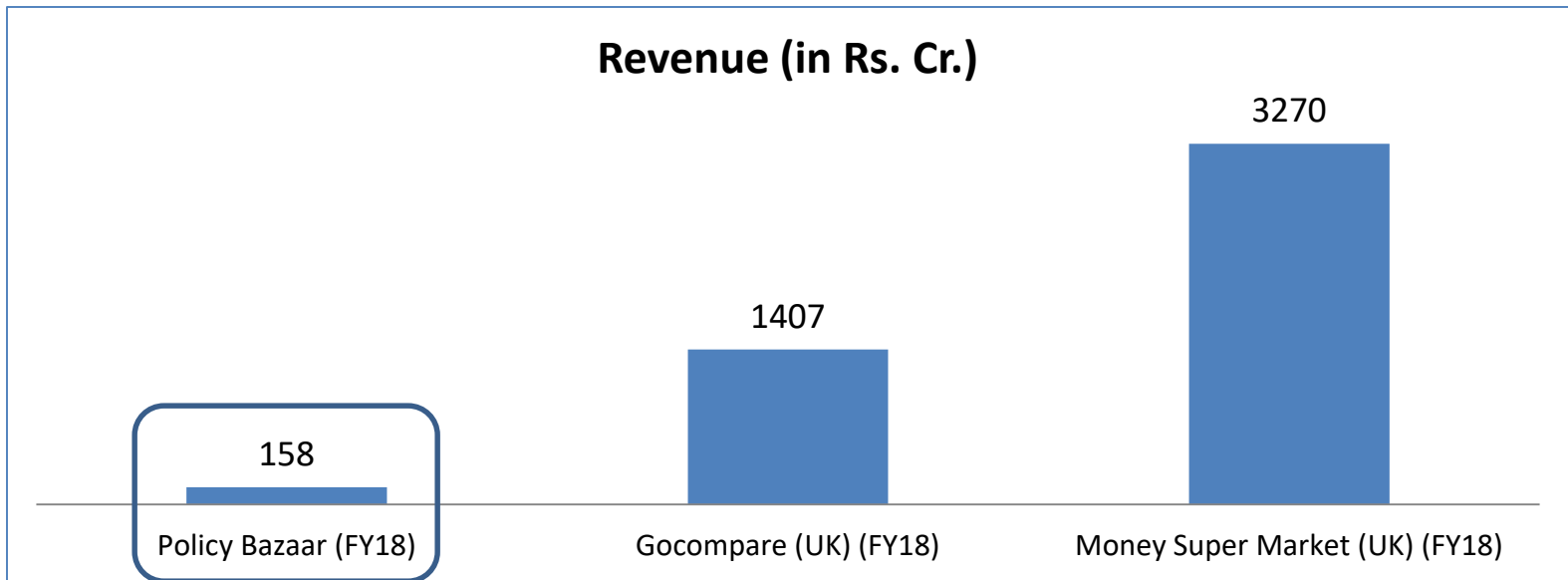
Businesses	USA	India
Restaurant Discovery	Yelp	Zomato
Food Delivery	Grub hub	
Table Registration	Open table	

Source – Ambit, Inc42.com, Yahoo Finance, Bloomberg, Company, Statista Research, Livemint, Kr-asia.

❖ Size of the Opportunity – Policybazaar.com



- Insurance penetration in India is 4% of the GDP, which is lower than the other developing countries like South Africa (14%).
- More than 80% of the Indian population is not yet under term insurance (2016).
- Policy Bazaar commands over 50% of total online insurance sale.

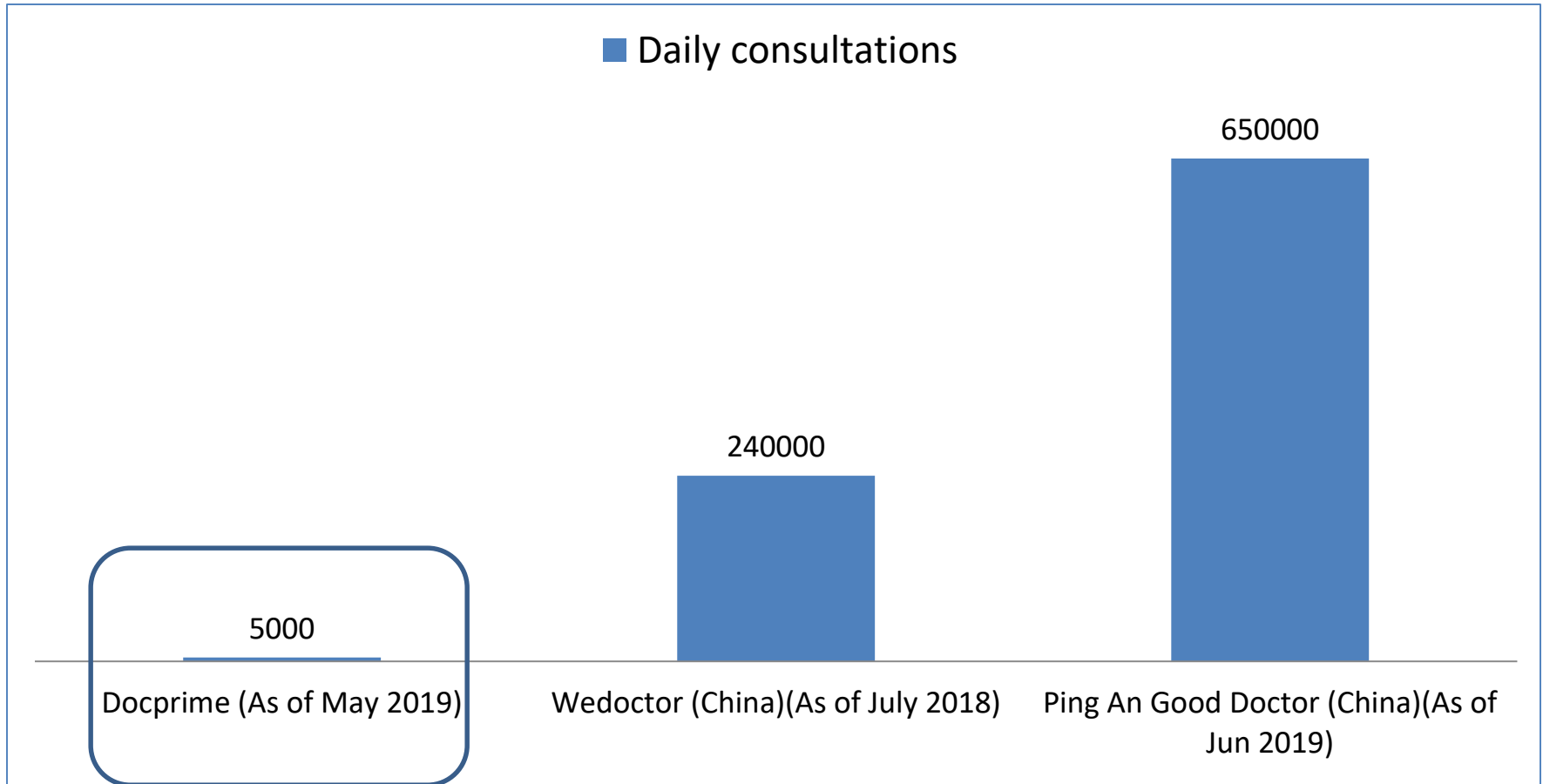


Source – Ambit, Inc42.com, Yahoo Finance, Bloomberg, ET, Company



❖ Size of the Opportunity – Docprime

➤ Online platform catering to services like, online consultancy, booking appointment with doctors, booking a laboratory test.

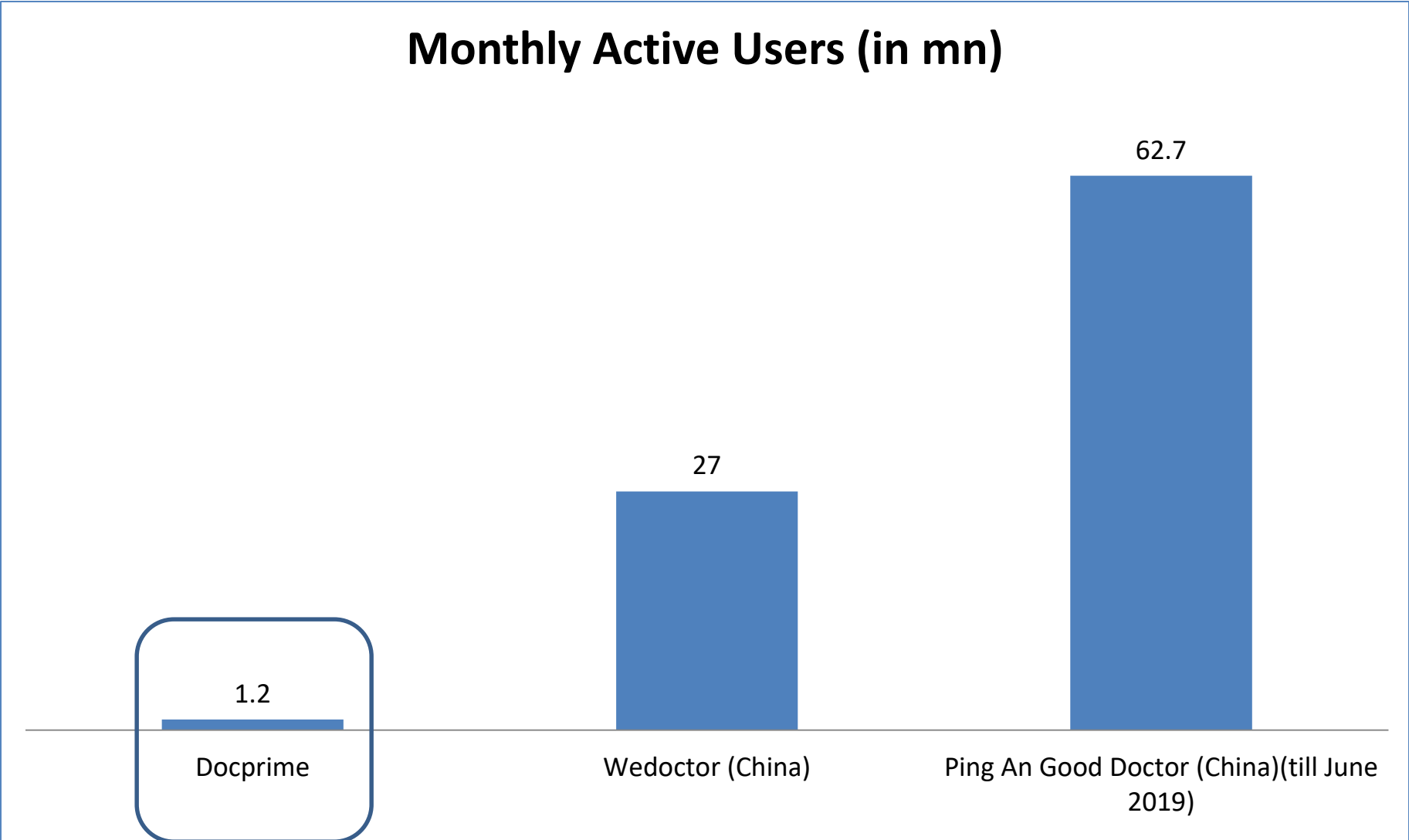


Source – Mobilehealthnews, SCMP, Prenswire

❖ Size of the Opportunity – Docprime



Monthly Active Users (in mn)



Source – company, The Hindu Business Line, similarweb, linkedin, prnewswire

❖ Valuation Methodology

➤ Since all businesses except Naukri.com are currently under investment & scaling up phase and not profitable. Doing DCF for Naukri and using various valuation multiples for other parts.

➤ Assumptions for DCF for Naukri

- Terminal Growth Rate of 5%
 - Opportunity Cost of Capital @ 10%
 - Future Growth Rate in Cashflows Assumed at 20% based on
 - Historical CAGR in Cash EBITDA of Naukri at 20% since 2007,
 - Potential Size of Opportunity discussed earlier
 - Massive jump in internet users penetration due to Jio
- Zomato we have taken valuation as Valued by Banks (HSBC)

❖ Assumptions for DCF

CFO Estimation	Value (in Rs. Cr.)
InfoEdge CFO FY19	275
Add: 99acres TTM EBITDA loss	10
Add: Jeevansathi TTM EBITDA loss	45
Less: Shiksha TTM EBITDA profit	-2
Adjusted CFO only for Naukri.com FY19	328
Maintenance Capex (Depreciation FY19)	-22
Net Adjusted CFO only for Naukri.com FY19	306
Assumed Growth rate for FY20	20%
Expected FY20 value by growing FY19 value at 20%	368

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❖ DCF Valuation & Zomato Valuations :

➤ Zomato Valuations

Particulars	Valuation Metric	Multiple/stock	Particulars	Value in Rs. Cr.	Total value in Rs. Cr.	Value per share
Zomato	HSBC Global Research valued Zomato at \$3.6 Bn	27.6%	Value of Zomato at \$3.6 billion	25920	7144	585

➤ DCF valuations

Note: 1 USD = 72 INR

Years:	1-10
Growth Rate:	20%
Terminal Growth Rate:	5%
Discount Rate:	10%
Shares Outstanding (Nos.):	12.21

Year	Years	FCF	Present Value (PV)
1	2021	441	401
2	2022	529	437
3	2023	635	477
4	2024	762	520
5	2025	914	568
6	2026	1097	619
7	2027	1317	676
8	2028	1581	737
9	2029	1897	804
10	2030	2276	877

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❖ DCF Valuation :

Terminal Year FreeCash Flows:	2391
PV of Year 1-10 Free Cash Flows:	6121
Discounted Terminal Value:	18433
Total PV of FCF (Till March 2020)	24554
Total PV of FCF (Till November 2019)	23786
Intrinsic Value per Share of Naukri	1948
Zomato per share Intrinsic value	585
Cash per share (less New investments)	118
Intrinsic Value per Share of Naukri + zomato + cash	2651
CMP (Dec 6, 2019)	2445

❖ Assumption for Multiples

- Price to Sales for 99acres and JeevanSaathi
 - 99acres.com - At the mid of sales multiple of peers rightmove.co.uk, realestate.com.au, zillow.com, zoopla.co.uk. All trade in a tight sales band of 6-17x.
 - Growth in 99acres.com is expected to be higher than peers once the Real Estate segment picks up in India. Hence, we ascribe median P/S multiple of 17x.
- For Policy Bazaar we have taken valuation as per last funding round
- For other investments as per Investment Book Value.

❖ Free Lottery Tickets !!!!

➤ At CMP of 2445, All businesses & investee companies (other than Zomato) are coming as free Optionalities which on the basis of below estimates are worth Rs. 521 per share and are growing very fast.

Optionalities						
Particulars	Valuation Metric	Multiple /stake	Particulars	Value in Rs. Cr.	Total value in Rs. Cr.	Value per share
Jeevansathi and Shiksha	TTM Q2FY20 P/S	4.5	Sales	129	581	48
99.acres	TTM Q2FY20 P/S	17.0	Sales	217	3689	302
Policy Bazaar	Last Fund Raising Round in Nov-2019	15.9%	Value of Policy Bazaar at \$1.5 billion	10800	1712	140
Other Investees- happily unmarried, merit nation, mint bird, Unnati Online etc	Invested Value	1.0	Value of other investee companies	378	378	31
Total Optionalities other than Zomato					6359	521

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❖ Optionalities

policy bazaar ^{com}
compare kiya kya?

99acres.com
India's No.1 Property Portal

shiksha

Jeevansathi.com
Be found

meritnation
Education Site for School Students

Canvera
preserving memories

HAPPILY UNMARRIED
Grooming Products

unnati
Employment Exchange

dire
Global Attestation Platform

zippserv
Truth about Real Estate

mydala.com
Har baargain ...

BigStylist
STAY HOME, BEAUTIFUL!

VacationLabs
Tour Operator Website Builder and Booking Engine

bluedolph.in

Terra
Economics &
Analytics
Lab

Univariety
Discover & be discovered
Career Counselling & College Guidance Platform for K-12 Schools

WISHBOOK
Facilitating B2B Sales Process for fashion/apparel industry

NoPaperForms
Enrollment management platform

printo
easy, one-stop printing

legitquest
Information • Insight • Intelligence

Gramophone
TRANSFORMING AGRICULTURE

ShoeKconnect
Bulk Shoe Delivery Platform

MedCords
Medical Records Storage Platform

iimjobs.com

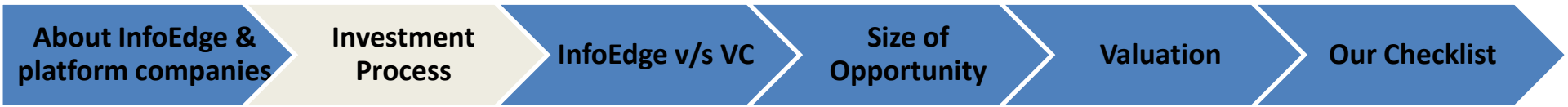
ShopKirana
Empowering Retailers

SHIPSY

Adda 247
Govt. Job in Your Pocket!

greytHR

B2B Platform for Retailers



❖ Why is InfoEdge better than a VC/PE?

➤ They have got permanent capital and there are no exit timelines for their investments.

➤ **Buyer of Choice** : Out of 14 unicorns in India, two have been incubated by InfoEdge viz Zomato and PolicyBazaar.

➤ **66% of the gross investments by them has been in 2 successful investee companies – Zomato and Policy bazaar. Their valuation has grown by 318x and 171x from the initial investment respectively.**



“ Info Edge has great faith and belief in Zomato. Even during our bad times, they did not blink

- Deepinder Goyal
Founder, Zomato

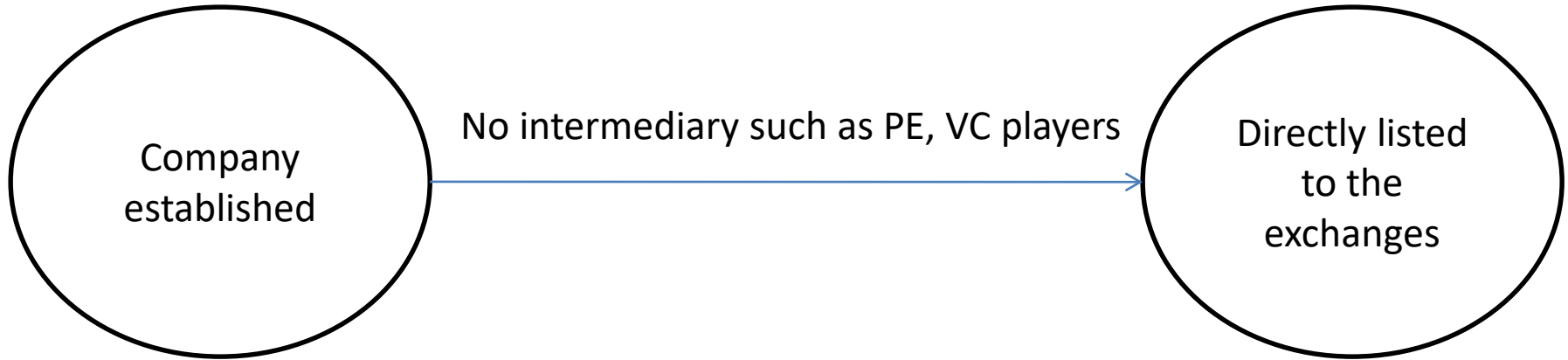
➤ **Averaging up their investments –**

➤ **“Our first cheques are usually in the range of \$1-3 million. The strategy is to get into companies early with a small amount of money, and as the company delivers, keep doubling down”,** says a member of InfoEdge’s investment team.

Source: Ambit, Outlook Business, JM Financial



➤ What was happening in the late 1900s & early 2000s?

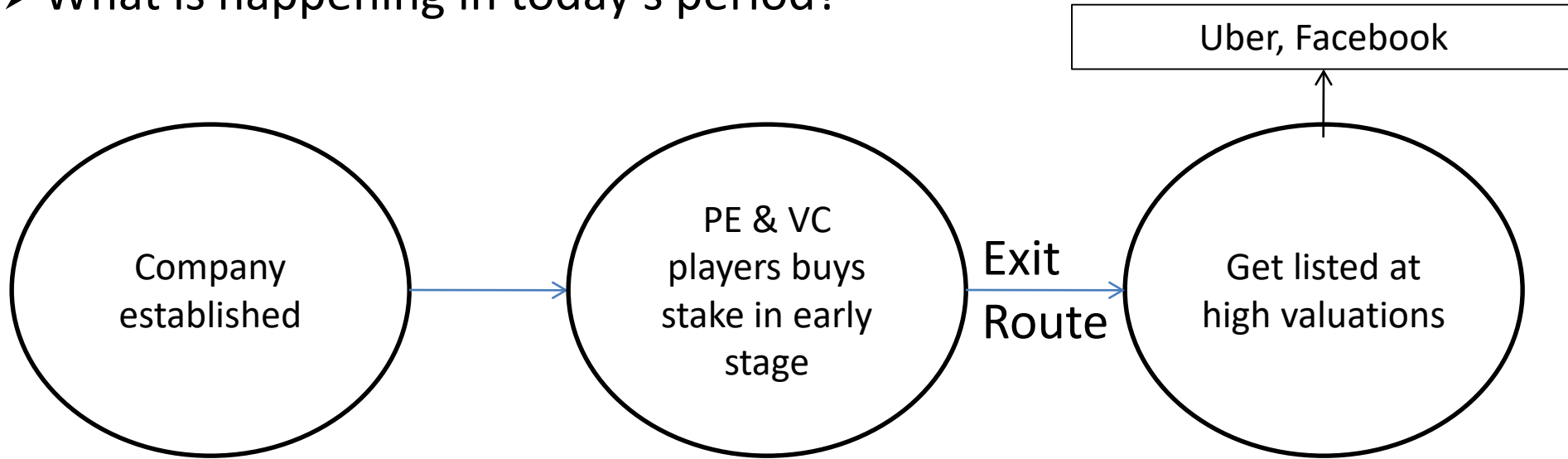


Wealth creation

Company	Established	Listed	Current	Price CAGR	Actual return
Amazon	1994	1997 at \$400 Mn	Sept 2018 at \$1 trillion	45%	2500X
Microsoft	1975	1986 at \$640 Mn	Nov 2019 at \$1.2 trillion	26%	1800X

❖ Potential of InfoEdge

➤ What is happening in today's period?



➤ In today's time the IPO's are coming at very high valuations just because PE and VC players had entered in the company in early stages and one of the exit route for these players is to sell the stake when the company gets listed so this is forcing the company to list at high valuations.

❖ Potential of InfoEdge

Just 5.7X since listing

Company	Established	Listed	Current	Price CAGR (yearly)	Actual return
Facebook	2004	2012 at \$100 billion	Nov 2019 at \$570 billion	28%	5.7X
Uber	2009	2019 at \$82 billion	Nov 2019 at \$50 trillion	-	-

Will these companies grow 1000X from here??



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**Where can we get such
opportunity
in today's world?**

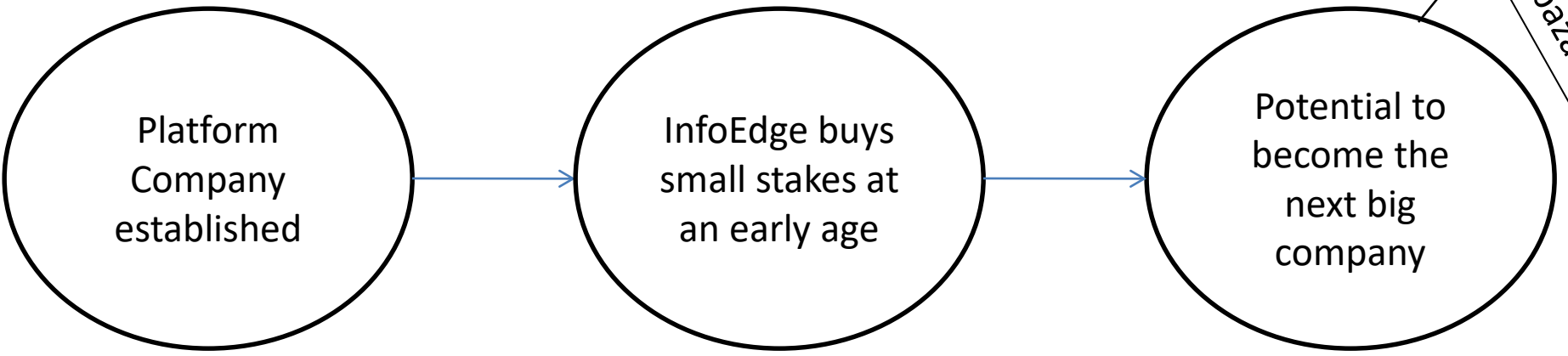
❖ Potential of InfoEdge

➤ In case of listed space, InfoEdge is acquiring the companies at very initial phase and at that too in different segments.



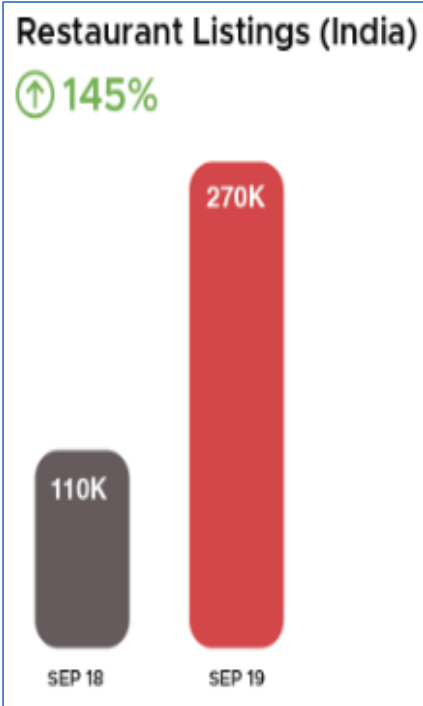
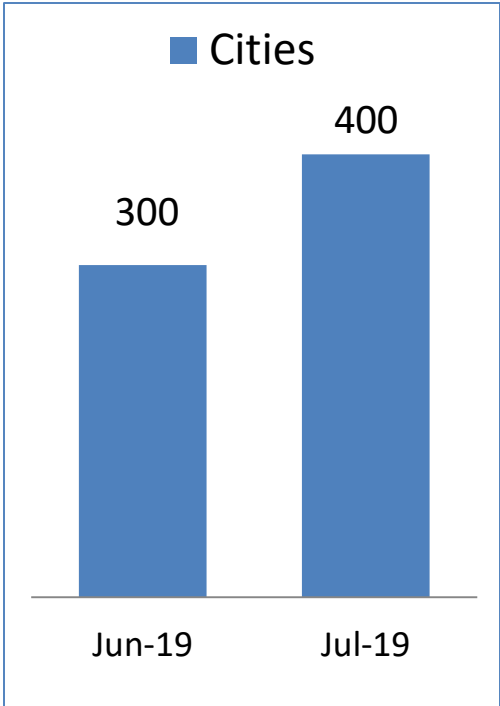
➤ InfoEdge gives an Edge for the investors to invest in these platform companies in such a initial phase, which have the potential to become the next Microsoft or Amazon or Apple.

Zomato, Policybazaar

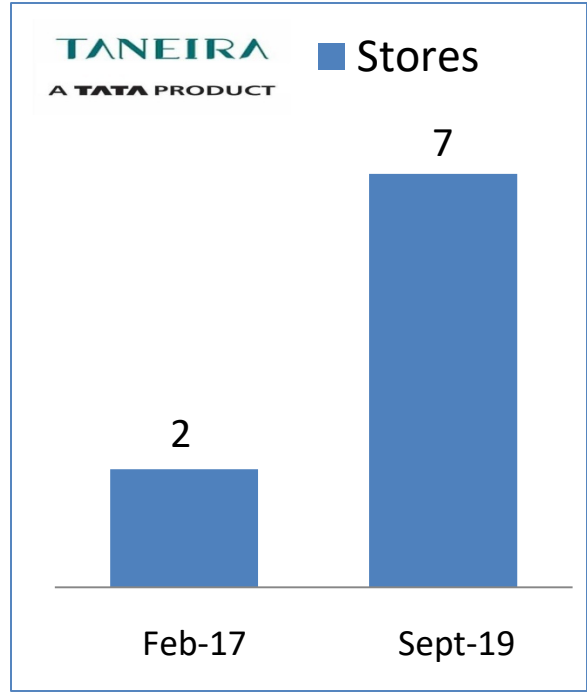


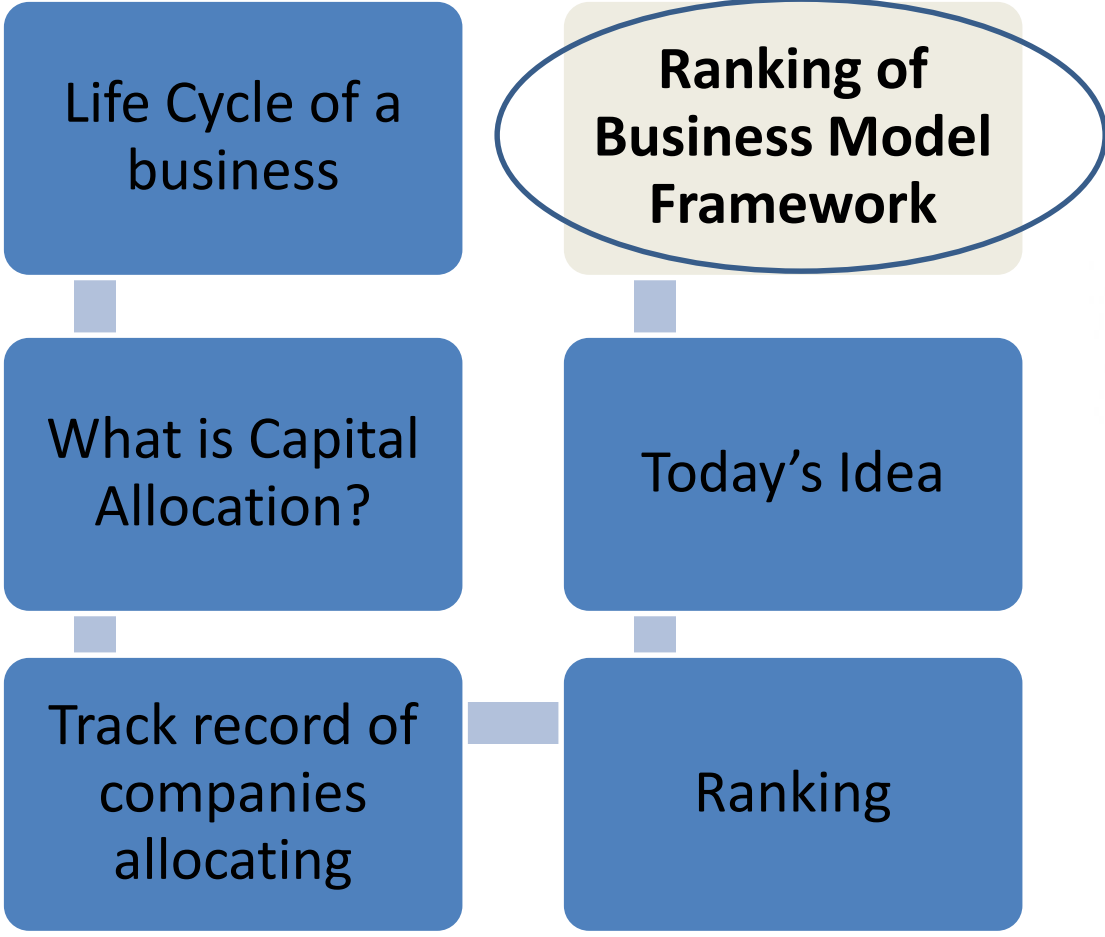
❖ Platform Companies VS Traditional Companies

➤ As seen below Titan cannot expand in such a scale in very short period of time as platform companies are able to achieve due to low cost models of Platform companies



VS





❖ Our checklist for Ranking the Business

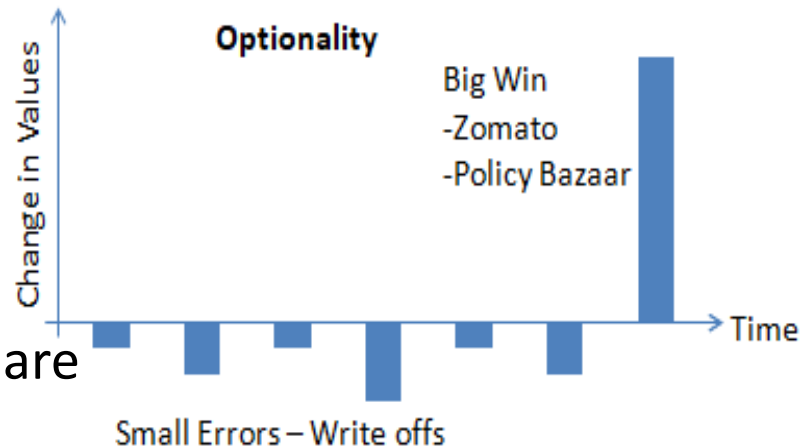
Key Essentials to look for in a company

- ✓ Buffett Management Check – Energy, Intelligence and Integrity
- ✓ Scalability – Market Size
- ✓ Longevity - Moats
- ✓ Favorable Industry Structure – Ltd Players
- ✓ Reasonable Valuations

$$FV = PV(1+r)^n$$

Desirable Competitive advantages we look at in a business:

- ✓ Annuity Revenues
- ✓ High Switching cost / Pricing Power
- ✓ Tailwinds
- ✓ Sidecar Investing
- ✓ Optionalities
- ✓ Ability to capture dominant market share
- ✓ Anti-fragile



Disclosure (SEBI RA Regulation)

- | | | |
|-----|---|--------|
| 1. | Whether the research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest. | 1. Yes |
| 2. | Whether the research analyst or research entity or its associates or relatives have actual/beneficial ownership of one percent or more securities of the subject company (at the end of the month immediately preceding the date of publication of the research report or date of the public appearance). | 2. No |
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- Disclosure regarding ownership of stock(s) discussed – Invested .
- Facts regarding the business and management actions, environment or other factors keep changing and hence our view on the business could also change, we may or may not be able to update our revised views in the public.

❖ Do you have any Questions, comments or concerns?



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