"Info Edge Q3 FY 19-20 Results Conference Call"

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MANAGEMENT: MR. SANJEEV BIKHCHANDANI -- VICE CHAIRMAN, INFO EDGE (INDIA) LIMITED
MR. HITESH OBEROI -- MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, INFO EDGE (INDIA) LIMITED
MR. CHINTAN THAKKAR – CHIEF FINANCIAL OFFICER, INFO EDGE (INDIA) LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Info Edge Q3 FY'19-20 Results Conference Call. Joining us on the call today are Mr. Hitesh Oberoi -- Managing Director and CEO; Mr. Chintan Thakkar -- CFO; and Mr. Sanjeev Bikhchandani -- Vice Chairman. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hitesh Oberoi. Thank you, and over to you, sir.

Hitesh Oberoi: Thank you. Good evening, everyone and welcome to our Third Quarter FY '19-20 Results Conference Call. Like in the past, we will start with the Overall Financials and then cover each business in more details, followed by Q&A.

As you would recall, we briefed you about the application of IND AS 116 to our financials in our last quarter results call. For the sake of comparison with our last year's financials, we would also be calling out the respective numbers without adjusting for IND AS impact in this call.

The audited financial statements filed and other schedules on segmental billing, revenues, etc., along with the data sheet have been uploaded on our website, infoedge.in.

Moving on to the "Standalone Financials." Billings in Q3 were Rs.299.5 crores, up 10.3% YoY. Revenue in Q3 was Rs.320.5 crores, up 14% YoY. Operating expenses excluding depreciation for the quarter were Rs.214.6 crores, up 8.5% YoY and operating expenses readjusted for IND AS 116 stood at Rs.221.3 crores, up 11.9% YoY. Operating EBITDA stood at Rs.105.9 crores Vs Rs.83.3 crores last year, an increase of 27.2% YoY and operating EBITDA readjusted for IND AS 116 stood at Rs.99.2 crores, up 19% YoY and operating EBITDA margins for the quarter stood at 33%, operating EBITDA margins readjusted for IND AS 116 stood at 31%. Cash EBITDA for the quarter was Rs.85 crores, up 8% YoY. Deferred sales revenue stood at Rs.457 crores as of December 31st 2019 versus Rs.404.5 crores as of December 31, 2018, a growth of 13% YoY. The cash balance in IEIL and all its 100% subsidiaries stands at Rs.1,514 crores as of December 31st 2019. This was Rs.1,869 crores as of December 31st 2018.

The slowing economy has had an impact on our business growth across different verticals especially in 99acres and Naukri. As stated in our earlier call, we continue to invest behind product-led brands and data science inside the organization. We also continue to invest behind our strategy of building our Jeevansathi brand as reflected in high marketing spend in this vertical and we also continue to invest aggressively in adjacent businesses and market places.

Moving on to the "Consolidated Financial Highlights" At the consolidated level, the net sales of the company stood at Rs.335.06 crores versus Rs.290 crores in December 2018. For the consolidated entity at the PAT level, there is a loss of Rs.62.12 crores versus a gain of Rs.330 crores in the corresponding quarter of December 2018. Adjusted for exceptional items, PAT stood at a loss of Rs.62 crores in quarter-ended December '19 versus a loss of Rs.93.11 crores in the corresponding quarter last year.

Now, let us move on to the "Recruitment Segment." In Q3 '19-20, Recruitment segment's billing were Rs.210 crores, up 8.5% YoY while revenues were Rs.230.3 crores, a growth of 13.1% YoY. Operating EBITDA stood at Rs.134.1 crores, up 20.4% from last year. Margins were at 58.3% Vs 54.7% in Q3 of FY'19. EBITDA readjusted for IND AS 116 stood at Rs.130.8 crores at a margin of 56.8%. Cash EBITDA for the Recruitment segment during the quarter stood at Rs.113.8 crores, up 10.2% YoY.

In our last quarter call, we had shared our concerns about several sort of sectors in the non-IT market slowing down, sectors like auto, manufacturing, real estate and BFSI. This continued in Q3 as well and we actually saw the slowdown spreading to other non-IT sectors like FMCG, travel and retailing as well. In Q2, the key driver for Naukri is growth. The IT and ITES segment was unaffected by the current slowdown and that helped us, but we are now witnessing a slight slowdown in our IT and ITES business as well which is about 40% of our total revenue and this impacted growth in Q3. However, on the jobseeker side, on the user front and on engagement on the platform, we continue to do well, we saw strong metrics during the quarter, we had about 12,000 new CVs being added to the platform on a daily basis, number of mods went up to 390,000 a day, and we have more than half a million active postings on the platform.

We reduced our marketing spend in Q3 given the tight sort of market. We spent Rs.6 crores as against Rs.10.5 crores last year in Q3. Even in Q4, we do not see our marketing spend going up significantly.

SimilarWeb in the month of December '19 has updated their app estimation methodology. This change in estimation has been applied retrospectively from June 2017 onwards. As per SimilarWeb, they have done this to improve reliability of their app data, and their app data is now at least 10% more accurate versus previous estimation where the app was underrepresented. This change has impacted our app time share for both Naukri and 99acres. In the case of Naukri, the Timeshare trends has remained the same over last year; however, the base has changed from 64% to 94%.

Iimjobs which is a business we had acquired a few quarters back reported a billing of Rs.4.87 crores for Q3 of '19-20. This is a growth of only 10% from Q3 of 2019. The business operated at a breakeven level during the quarter. Going forward, we have decided that the Naukri sales team will also sell Iimjobs products to its customers.

Let us move to the other verticals now. In 99acres which is our real estate vertical, billings in Q3 grew 10.9% YoY to Rs.54.3 crores while revenue grew 15.3% to Rs.58.2 crores. EBITDA for the quarter stood at Rs.1.7 crores. EBITDA adjusted for IND AS 116 stands at a nominal loss of Rs.0.2 crores against the loss of Rs.3.2 crores reported in Q3 of last year. Cash loss of 99acres during the quarter stood at Rs.2.9 crores against a cash loss of Rs.3.8 crores last year. Overall collections in 99acres grew 11% in Q3 while expenses grew around 5%. All business verticals of new home, resell and rental registered growth. Resell and rental grew faster than new homes in Q3 on a smaller base. Number of clients continue to show a healthy growth in both the builder and developer segment. The average billing per client however saw some pressure in new home clients. Some of our builder clients continue to face pressure due to the twin factors of lack of liquidity/financing triggered by NBFC's own funding woes and tepid and end unit sales in new home. While nobody can say precisely when the market will sort of bounce back, we feel it may be a while before it recovers.

Live listings on the platform continue to increase and crossed the 1 million mark for the first time. Both broker and owner listings grew sequentially quarter-on-quarter. We continue to invest and focus on improving the platform experience in the business and drive more inquiry generation and repeat usage from our customers.

Moving on to the "Matrimony Business." In Jeevansathi, billings grew 27.4% YoY in Q3 to Rs.22.4 crores and revenue grew 20.7% YoY to Rs.21.4 crores. Operating EBITDA loss for Jeevansathi stood at Rs.19.1 crores in Q3 FY'20, up from a loss of Rs.15.2 crores in Q3 of last year. EBITDA readjusted for IND AS 116 stood at a loss of Rs.19.9 crores. The cash loss for Jeevansathi during the quarter stood at Rs.18.5 crores. Most of this additional sort of loss was on account of higher marketing spends in the category which helped us gain share.

Moving on to the "Education Vertical." In Shiksha in Q3 billings grew by 11.4% YoY to Rs.13.3 crores while revenue grew 15.8% YoY to Rs.10.7 crores. We made an EBITDA loss of Rs.1.7 crores in Q3. EBITDA adjusted for IND AS 116 stood at a loss of Rs.2.2 crores versus a loss of Rs.2.5 crores in Q3 of '19. Cash profit for the quarter stood at Rs.83 lakhs. We continue to sort of put more efforts into getting more and more high quality content on the platform.

Moving on to our "Strategic Investments." Zomato announced additional funding commitment of up to US$150 million from Ant Financial. They also announced the acquisition of Uber Eats. With this, Zomato is now a market leader in food delivery. Zomato continues to drive efficiency across the organization. Early signs show that the acquisition is panning out well. Losses have been on a downward trend in Zomato for the last few months now.

During the quarter, we also announced the sale of our stake in Meritnation for Rs.50 crores and return of all outstanding loans amounting to Rs.27.5 crores. Post signing formalities are in process. Recently, we announced the setting up of an alternate investment fund named Info Edge Venture Fund. The fund has been established with an initial commitment of Rs.150 crores. We continue to invest in new investment opportunities in start-ups through this fund.

That is all from us this evening. Thank you and we are now ready to take any questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Sachin from Perfect Research Equity Fund. Please go ahead.

Sachin: I have a few questions, listing them together. #1, how big is the size of the opportunity for Naukri.com in India? How much can be the overall market grow from here in the long-term? Next one, what thought process do we have in purchasing small stakes in investee companies as even if they perform they may not give a meaningful return in the long run due to a small stake, for example, 5.33% stake in Qyuki Digital Media recently? Given massive increase in the addressable internet population due to Jio, do we see a massive jump in our addressable market in the future?

Hitesh Oberoi: I think the first question was, "What is the opportunity for Naukri in India?" It depends on how we define our market in the segment we currently operate, which is a white collar sort of active job seeker hiring space. We already work with 80,000 companies. In the Indian market as the economy grows more people get hired, more companies set up shops and our business will grow with the economy. Of course, we can grow at a faster rate if we are able to help companies hire more people through us, #1. #2, if we are able to launch new products and services and get a higher share of their wallet. #3, if we can enter new segments or adjacent segments to the ones we operate in. We are still a very small part of the total recruitment sort of spend of company. Nobody has the exact number. For example, 8,000 or maybe even 9,000 recruitment firms we work with which are sort of paid by companies. There are referral programs which companies run, there are advertising campaigns they carry out. So, the amount of money spent on recruitment is huge, maybe a few billion dollars a year. We are still very tiny in the entire scheme of things. So the opportunity is huge. It depends on how you define the market and what strategy you choose to follow going forward. Second question was around why do we pick up small stakes in investee companies?

Sanjeev Bikhchandani: So you gave the example of Qyuki. So look, that specific company, we have gotten at a slightly later stage than we normally do and therefore the valuation is at a certain place. The issue is not how much percentage we own. The issue is how much X we will get from here and how much money are we putting in. So, we are putting in about 3.5 million and another 1.5 million is convertible in the next round valuation, total is 3.5 million. Really it is a question of where the company goes from here in terms of valuation. And if you are getting into a slightly later stage company, then in terms of your return expectations do adjustment for lower risk and therefore obviously you cannot expect the same X in a later-stage company as you would in a earlier stage company.

Hitesh Oberoi: If I remember right, your third question was "Around the size of the addressable market growing because internet penetration is growing?" You are absolutely right, as more and more people get on to the internet and as they sort of spend more and more time on the internet, the addressable market for many of our sort of products and services will grow, for example, already lot of our growth in Jeevansathi coming from Tier-2 and Tier-3 cities. So we are experimenting with the blue color sort of platform, we are sort of toying with the idea of launching one at some point in time. If we were to do that, a lot of our users will be sort of people who just got on to the internet in the last one or two years. Of course, the fact that there are more and more people now on the internet and you are spending more and more time on the internet, will in the long run sort of expand the opportunity set for our products and services.

Moderator: Thank you. The next question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: Hitesh, just wanted to focus a bit on the Naukri business. We know that you have been talking for last few months about overall macro slowdown kind of impacting growth. But the billing growth was weaker than I think probably what you were also expecting at the start of the quarter. Is that a correct assessment? And given that you are seeing weakness in the IT space as well, how should we look at near-term billing growth -- will it stay in single-digit or do you think this was more of aberration?

Hitesh Oberoi: Well, the truth is I do not know. It is very hard for me to say what is going to happen going forward. What we said in the last call is that we were taken a little bit surprised by what we saw in September; we were expecting higher growth in the quarter, but then September was slower than expected and the last quarter also turned out to be a slow quarter. Up till Q2, at least IT was holding. Last quarter, we saw IT services companies also slowed down their hiring. Now this may be an aberration, this may be a temporary phenomena, IT companies may bounce back. At the end of the day, they are not indexed with the Indian economy, they are indexed to what happens in the rest of the world. But I do not know. What we certainly saw was that non-IT markets have slowed down even further in Q3. So markets like Bombay, markets like Delhi, these markets were lower than growth in Q2 and these are primarily non-IT markets. “Going forward is the slowdown going to get worse?” “Are things going to get better?” Only time will tell. A lot of our business sort of comes up for renewal at quarter-end. So we cannot even go by what we are seeing in January. We will have a better sense of what is going to happen only in a couple of months from now.

Mukul Garg: On the margin side, there was very material improvement in the EBITDA margin during the quarter. Do you think there is more scope to kind of squeeze cost through ad reduction if the billing growth remains weak or do you think you will kind of start seeing pressure on profitability if billing does not recover or revenue growth does not recover?

Hitesh Oberoi: We are not slogging our advertising. Our ad spend decreased last quarter and that may be the case this quarter as well unless competition becomes very aggressive. However, we do not want to slow down or reduce our investments in some of the newer products that we are building or the newer technologies that we are investing behind, so those investments will continue. And yes, if revenue growth continues to be single-digit for a while, then our margins will get hit in my view.

Mukul Garg: Just wanted to clarify the SimilarWeb number. If you can just repeat the market share including and excluding Indeed?

Hitesh Oberoi: See, what is basically happening here is that a lot of these third-party traffic sort of measurement companies, they basically keep tweaking their methodology. Every time they tweak their methodology, the numbers in the report change dramatically. So going forward, I would not read too much into what these guys are reporting because they sort of keep tinkering with their algorithms. Now, for example, what they are reporting for Naukri is 94% share which till some time back was more like 65%. Now, do we really believe these numbers? Frankly, I do not know whether we should trust them anymore. Our traffic is growing, our metrics are fine. So we do not have a problem, but it is not as if we have suddenly gained 30% share. It is just that they have changed their methodology. In 99acres, our share may have declined a little bit, but it is not as if we are getting hit in the market, it is just that they have changed their methodology. Now they may change their methodology again in the next six months and we will see a different number. So, I would take some of these numbers now with a pinch of salt. Basically what is happening is that a lot of the traffic is moving to the mobile devices and to the apps, and many of these sort of companies do not have a very good handle on how to count this traffic, and maybe this is what is leading to these periodic revisions from time-to-time in their methodology. So they claim that they get better with every change, but we do not know how far they still have to go.

Moderator: Thank you. The next question is from the line of Aman Jain as an individual investor. Please go ahead.

Aman Jain: My question is currently we have a few businesses in our umbrella which require good amount of management experience. So can you please explain why we are going and acquiring new businesses when our existing businesses need a fair amount of nurturing at this place?

Hitesh Oberoi: When we invest, we do not run those verticals. We have an investment team which manages the investments. From an acquisition standpoint, we have not really acquired any new business. We have just acquired Iimjobs sometime back which is a small business, and there are massive synergies with the current Naukri operations on that front. So we believe that we can grow that business substantially given our distribution sort of muscle. As far as the internal businesses goes, we have a business unit structure, we have business heads in place for all our verticals, and they are fairly seasoned sort of people, they have been around for a while and they focus only on the business which they run and nothing else.

Aman Jain: My second question was like referring to the last concall where you have mentioned that your funding start-up in its early stage. By virtue of you used to get a substantial amount with a very little capital coming in. But if we look at the last few acquisitions we have made, we are committing more capital and getting a relatively less compared to what we invested before. So, I need to know like what changes can be attributed to?

Hitesh Oberoi: Your voice is muffled, but if I heard you correctly, what you are saying is, why are we investing more money at higher valuation in start-ups? Firstly, the valuation is higher, if you are investing, you will get a lower stake. But really the issue is you assess the business, you see the stage is set, if it is a second or third round with the raising capital, and you are already doing about Rs.60 crores, Rs.80 crores, Rs.100 crores of revenue, the valuation will be higher, but the risk also will be lower, right? We take these calls, we get some right, some wrong. The ones we get right will be more than the ones we get wrong and that is why spend on, that is a quality investment. So we do not believe we are overinvested. We believe we are doing fine, and we will continue on that strategy.

Aman Jain: These changes like mainly attributed to the valuation or like in which stage we are and nothing apart from that?

Hitesh Oberoi: The valuation would depend on the prospects of the company, the state of the company, how much revenue it is doing, is it building IP, quality of team, is it a market leader, is it getting natural traction style of opportunity. We look at maybe 10 or 15 or 20 things before we invest. And yes, each business will have different valuation in our estimation.

Moderator: Thank you. The next question is from the line of Prince Poddar from JM Financial. Please go ahead.

Prince Poddar: Sir, three questions actually. One, on the marketing spends, I think most of the marketing spend was decreased from Jeevansathi. Still, we have seen a very strong growth in the top line of Jeevansathi. Can you explain a bit what led to this growth?

Hitesh Oberoi: Actually, we did not reduce spend in Jeevansathi. We upped our spend in Jeevansathi by over 25% this quarter and as a result of which you got more profile and as a result of which you got more revenue growth. So we decreased our spending in 99acres and Naukri, but upped our spending in Jeevansathi last quarter.

Prince Poddar: The second question is on the blue collar space where we are trying to do something. What are the challenges if any we are facing in the blue collar space and what are we doing to kind of crack that space, is there anything specific we have been working towards?

Hitesh Oberoi: It is very-very early days for us. We have just built a small product, then we are going to test market the product in one or two markets. And depending on that response, we will sort of go back to the drawing board and make changes if required. So, it is very-very early days. We are looking at the blue collar sort of play as a very long-term play. Maybe we will have something to report in about a year from now.

Prince Poddar: Last one which is very critical to understanding, does this creation of AIF change anything, because we have seen in the last few weeks, there has been an increase in pace of investments. So, I understand that we invest mostly as the companies come to us and if we find a good opportunity, but somehow it feels like after the creation of the AIF, the pace of investments has increased. Does creation of AIF change anything?

Sanjeev Bikchandani: No, the pace of investment has not increased. The point is, it took four, five months to float the AIF. And while that was happening, there were deals that we were talking to and keeping them warm and parking them. And the moment the AIF happened; those deals came in for investment. So, it is actually backlog of deals that have come in suddenly. It is not that the pace of investment has gone up. As far as the strategy is concerned in the AIF, nothing really changes. We are still focused in the same sectors, same sort of deals. The AIF was done for multiple reasons -- First, it infuses more discipline in the investing activity, it also puts some prudence and discipline in how much exposure we will take in a single company, it also keeps one eye on exits as much financial investments are concerned, it is more entrepreneur-friendly from angel tax perspective, and it helps us to attract retain really high quality talent in the investing activity. That is what…

Prince Poddar: And we can assume that all the investments and follow-on investments still happen through this AIF going forward?

Hitesh Oberoi: So as was said earlier in a press release that the follow-on investments in the earlier companies will happen from Info Edge subsidiaries. Fresh companies will be invested in financial investments, not strategic. Financial investments will happen through the AIF, and the follow-on rounds in them will also happen through the AIF. There is a separate team now for strategic investments which is going to look at start-ups, investments and acquisitions in strategic areas which are recruitment, real estate, matrimony and education, classifieds.

Prince Poddar: The last quarter we have been saying that most of the money raised in QIP was staying, and we had not been using that money for 99acres. But this time around I see a big amount of money seems to have been already used which is about Rs.350 crores out of that Rs.750 crores. Can you just clarify what all this investment has gone into in 99acres?

Chintan Thakkar: I am not sure whether you have the facts correct. I do not think there is any Rs.350 crores investment in 99acres. I am not sure there is something around capital reduction that has happened. And if you are kind of Rs.350 crores if you are confusing with that?

Prince Poddar: Okay, in the utilization of funds up to December 31 I am referring to that. So I am not sure if that is...

Chintan Thakkar: There is a reporting requirement that has changed and which require us to kind of present all the investment that would have happened up till date. This is a new requirement from SEBI to disclose from QIP funds what you have in. This is the first time that we are disclosing that. It is a cumulative amount that you might be referring to.

Prince Poddar: Yes-yes, that...

Chintan Thakkar: Five years investment that you are referring to. There is nothing that one quarter. We are just saying that is a cumulative amount for all the five quarters and there was no such requirement earlier. So I think that is why probably...

Moderator: Thank you. The next question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: Sanjeev, just wanted to quickly check on the Zomato side. I think you guys are saying that the migration from Uber Eats was quite smooth. Can you just help us what is the methodology you guys are following to measure how many people have successfully migrated and have started ordering via Zomato app and if you can just update us on the burn rate as well?

Sanjeev Bikhchandani: So look, burn remains where it was a couple of months ago. So it has not increased materially since the Uber acquisition, #1. #2 is when you say migration is successful, the company is not revealing specific numbers; however, it means that a large percent of people who came to the Uber app in fact use it. So large percentage of them downloaded the Zomato app and ordered. But the company is not revealing specific numbers on this. What we are saying is that we are now #1 in orders and we are also more efficient.

Mukul Garg: But in case of ordering on the Zomato app for Uber Eats users, you guys have some data in terms of what percentage has actually placed an order versus how much they were kind of doing on Uber Eats, anything you can share there?

Sanjeev Bikhchandani: The company is not revealing the data for competitive reasons.

Moderator: Thank you. The next question is from the line of Srinath V from Bellwether Capital. Please go ahead.

Srinath V: I just wanted to find out what would be the traffic growth in 99acres and Naukri, if you could kind of share some percentage growth numbers? Also wanted to find out in the AIF structure, are we looking to raise outside money and create a fund structure out of it or is the AIF going to be completely a captive operation?

Chintan T: Let me take this AIF investment. So right now we have the approval from SEBI and we have kind of registered ourselves. As we said that, we have kind of done the initial commitment of Rs.150 crores, and as we go forward, we will look in what more commitment is required. Just to kind of clarify, it is just that because the AIF is a more tax efficient and in many other ways, it is a more kind of investor-friendly in a vehicle that we have adopted it. Earlier we used to invest through subsidiary companies. Other than that, as Sanjeev also earlier explained that in terms of the philosophy, in terms of how we operate and all that, I think it is more or less same. As we go along, we can take a call if we wish to that, do we need to kind of get money from outside. But right now we do not think that we have any intention to go out in market and raise money for AIF.

Srinath V: So it is just a structure change, but nothing else changes, it is the same?

Sanjeev B: In the last three years, we invested close to Rs.800 crores from our own balance sheet or from our subsidiary balance sheets. We see no reason to change that pace of investment in the next three, four years going forward. Now, we have no announcements to make as of now on raising capital from outside. And as of now we have capitalized it. But as we go along we will take a call.

Srinath V: If you could share some percentage growth numbers for 99acres and Naukri, just to kind of given the slowdown, is it affecting traffic or is it largely only affecting the monetization, just wanted some clarity on that?

Hitesh Oberoi: Traffic is still growing both in 99acres and Naukri, but for competitive reasons, we do not give our growth numbers year-on-year.

Moderator: Thank you. The next question is from the line of Ashish Das from Sharekhan Limited. Please go ahead.

Ashish Das: So question is on 99acres. I can see that number of paid listing has bounced back, the growth actually, but our revenue growth is moderated. So, could you just indicate our realization has declined there or number of paid listing volume is not converted much?

Hitesh Oberoi: You are right, number of listings on the platform has grown, but we saw a dip in realizations in our new home business which is not really a listing business, where a lot of the spends on marketing solutions on the platform, so we saw a dip in that and that is why revenue growth is not in line with listing growth.

Ashish Das: Can you give us some outlook on this business like we have seen the increase in the number of listing, but how are the markets and how do you see in coming quarters?

Hitesh Oberoi: The market for real estate continues to be very-very sort of tough. We have seen a lot in this sort of space over the last few years, starting with demonetization and then RERA and GST and now the NBFC crisis which is hurting both developers and is making it harder for people to get loans and stuff. So in pockets there is activity and there is action, but on the whole, the real estate market continues to be tight, there are not too many buyers in the market, so new launches have taken a beating over the last few quarters. And there is some sort of movement on cleaning up old inventory, government is trying to do a few things to ensure that projects that are stuck for a long time see the light of day, but it is a long sort of call. At our end, we continue to focus on improving the experience of users on our platform. We are sort of investing more in our content quality. We are investing more in our algorithms or trying to improve our user experience, we are trying to get more supply onto the platform. So we continue to work in all these areas. But it is going to be a while before the business starts growing at a very healthy rate once again.

Ashish Das: On Jeevansathi, like you highlighted that a lot of investments on branding side or marketing expenses has done and I believe you must have gained some market share because lot of listing has come on your platform. So, is it sustainable or how is the competition you see in the matrimony segment?

Hitesh Oberoi: So there is a lot of competition in this space. There are three players -- us, Matrimony and Shaadi. In the North and West, we compete mostly with Shaadi. In the South, we do not really have a big presence. Ad spend of all the three players have gone through the roof in the last couple of years, at the same time all of us have been discounting heavily in the market to acquire customers. So, on the one hand, there is pricing pressure, on the other hand customer acquisition cost have gone up. We have upped our spending in this space. As a result of which we have gained share. The number of registrations we get on a day-to-day basis is up over last year. We have made inroads in certain markets where we were very weak. But if we have to continue to do well, we will have to continue to invest and we are prepared to do that.

Ashish Das: So, are you doing branding activities in other segments where you are actually weak in the southern and western side?

Hitesh Oberoi: No, we are focused on a few markets, we do not want to spread ourselves. We are not very active in the South. Most of our marketing activity is in the north and western parts of the country.

Moderator: Thank you. The next question is from the line of Manish Poddar from Nippon India AIF. Please go ahead.

Manish Poddar: Just wanted to get a sense that the two investments namely Zomato and Policybazaar, you had done them generally at the end of the down cycle last time and this time across given the outlook which you are giving for Naukri, you are doing a lot of investments right now. So are you trying to insist that the downcycle is done and this is the right time to invest or how is that?

Sanjeev B: There is no strategy like that, there is no thinking of that nature that when we invest more or invest less. We invest when we believe that it is a good company, it is a right valuation, right deal, right market, right opportunity and then we invest. And just to correct you, we invested in Policybazaar in 2008. That was not at the end of the down cycle, that was actually boom time, and it was just before the Lehman crash when the market was really high. We invested in Zomato in June 2010. I mean the market had tanked and was coming back a bit, but it was not as if the economy was doing well. But the market had come back in 2010 after a very bad year in 2009. So none of those were downcycles. And we do not time investments whether the market is up, market is down. In start-ups, we do not do that. In start-ups, we invest behind good start-ups, there are good people pursuing good ideas and you evaluate on several criteria and then you invest.

Moderator: Thank you. The next question is from the line of Aditya Padhai from Opportune Wealth Advisors. Please go ahead.

Aditya Padhai: I wanted to ask one question about the AIF. I just wanted to know that is this new AIF rolled up in your consolidated statements, going forward how will it go?

Chintan Thakkar: So we will look at what the accounting requirements are and I believe that SEBI has also come out with some new guidelines very recently around how to go about the NAV and how to disclose it and all that, so we will look into it and if it is required, obviously we will consolidate.

Moderator: Thank you. The next follow up question is from the line of Srinath from Bellwether Capital. Please go ahead.

Srinath: I just wanted to find out the broker contribution in 99acres has significantly increased over the past say, 2, 2.5-years. So just wanted to understand what specific actions have we taken in that particular market to kind of see a significant mix change? And also, as of last quarter, we have about 20,000 brokers that we bill. What kind of market penetration, is there any way that thing out of X number of registered brokers, we would have 20% share, 30% share or is there any kind of indication on market penetration you could give on the broker side, that will be nice.

Hitesh Oberoi: So it is not as if we have gone after broker or we have a very active program in place to get more brokers on board. We have expanded the sales team a little bit and that us helped us get more customers on the ground or more brokers on the ground. But maybe because of nature of the market maybe the market is moving towards more brokers in certain cities. Like Delhi has always been a broker-heavy city, but the southern markets had very few brokers till some time back, maybe that is changing a little bit as time passes. The number of brokers may have gone up, but it is not as if the percentage of business we get from brokers has gone up significantly. Just the number of brokers because of our sales expansion may have gone up over the years. What was the other question you asked?

Srinath: So we have listed that we have number of customers about 20,000 broker customers, which has actually gone up from 15,000 to 20,000, it has seen a significant growth over the last two years given the current market situation. It is a difficult question where there is a lot of unregistered brokers and so on. But if could you give us a feel on what would be the penetration that we would have in that particular market?

Hitesh Oberoi: Very hard to say because you do not have to register to become a broker in India. So there is no data available on this. So brokerages are different from agents. So the number of brokerages or sort of firms which employ more than let us say X number of people in the broking business, I do not think that number is very-very large, and we have reasonable penetration in that set. But the number of people freelancing, agents, people sort of working on their own out of their own houses and doing sort of such activity is very large. And we have no way of knowing how big that market is.

Srinath V: Even post RERA, there is no, I am…

Hitesh Oberoi: RERA is mostly for new homes. Only people who are selling channel partners who sell new homes are the ones who need to register with the RERA authorities. So, there are lots of brokers who do resale, rental, commercial property, small deal here and there, there are brokers and there are sub-brokers, there are agents and sub-agents. So, a very large number of people who are employed in the industry. The number of brokerages or sort of companies or firms which employ at least five people is not very large, and there our penetration rates will be very high.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Mr. Hitesh Oberoi for closing comments. Thank you and over to you sir.

Hitesh Oberoi: Thank you, everyone, for being on the call and have a great evening. Thanks.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Info Edge (India) Limited that concludes today's conference. Thank you all for joining us and you may now disconnect your lines.