"Info Edge (India) Limited Q1 FY2019-20 Results Conference Call"

August 13, 2019

MANAGEMENT: MR. SANJEEV BIKHCHANDANI – FOUNDER & EX-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 Limited Q1 FY2019-2020 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. 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 FY19-20 First Quarter Results Conference Call. We will first take you through the quarterly financial performance of the company. Here I would like to mention about the implementation of IndAS 116 from the current financial year.

As you must be aware, effective April 1st, 2019, there is a change in accounting for lease as mandated by IndAS 116. Accordingly, we have recognized the right-to-use assets and lease liability. We have also charged depreciation and interest on the same instead of expensing the rentals. Consequently, EBITDA is higher but PAT is lower, as we have mentioned in the publication. As we have opted for modified retrospective approach as per IndAS, comparatives for previous quarters are not separately available in our published results. To enable comparison, we would be announcing EBITDA for each segment with carved out impact of IndAS. We will, of course, after that cover each business in more detail, and in the end, we will be happy to take questions.

The audited financial statements file has been uploaded on our website Info Edge.in. We have also provided segmental billing, revenue, profit before taxes, and DSR movement in our data sheet on our website.

Let's start with the standalone financials. Billings in Q1 were Rs. 336.3 crores, up 18.7% year-on-year. Revenue in Q1 was Rs. 312.8 crores, up 20.5% year-on-year. Operating expenses, excluding depreciation for the quarter was Rs. 211.8 crores, up 20.8%. Operating expenses readjusted for IndAS 116 stood at Rs. 217.8 crores, up 24.26%.

Operating EBITDA stood at Rs. 101 crores versus Rs. 84.3 crores last year, an increase of 19.8% year-on-year. And operating EBITDA readjusted for IndAS 116 stood at Rs. 94.98 crores, up 12.7% year-on-year. Operating EBITDA margin for the quarter stood at 32.3%. Operating EBITDA readjusted for IndAS 116 stood at 30.37%, down from 32.5% last year. And EBITDA readjusted for ESOP non-cash charges and IndAS 116 stood at Rs. 100.2 crores versus Rs. 88.1 crores in Q1 of last financial year. And EBITDA margin readjusted for ESOP and IndAS 116 for the quarter stood at 32%. Cash EBITDA for the quarter stood at Rs. 123.5 crores, up 10.3% year-on-year.

Deferred sales revenue stood at Rs. 495.3 crores as of June 30th, 2019, versus Rs. 419.8 crores as of June 30th, 2018, a growth of 18% year-on-year. And the cash balance in IEIL and all its subsidiaries, 100% of its subsidiaries, stands at Rs. 1,543 crores as of June 30th, 2019. This was at Rs. 1,980 crores as of June 30th, 2018.

The recruitment business and the real-estate business, of course… Before I move onto the businesses, let me also cover the consolidated financial highlights. At the consolidated level of net sales for the company stood at Rs. 319.7 crores versus Rs. 277 crores from corresponding quarter of 2018. For the consolidated entity, at the PAT level there is a loss of Rs. 192.1 crores versus a loss of Rs. 22 crores from the corresponding quarter of last year. And adjusted for exceptional items, PAT stood at a loss of Rs. 189 crores in the quarter ended June 2019, versus a loss of Rs. 22 crores in the corresponding quarter last year.

The recruitment business and the real-estate business continue to drive the growth for Info Edge in the last quarter. We increased our spend on marketing substantially in all our businesses, specifically in Naukri and Jeevansathi. Our overall spend on the marketing for the quarter was around Rs. 55 crores, which was up 46% year-on-year. We continue to sort of invest aggressively in product, technology, data science and engineering in all our verticals. We have also sort of piloted a couple of new projects and investments in these areas will continue in subsequent quarters as well.

Now let's move on to the recruitment business. In Q1, the recruitment segment billing was at Rs. 251.75 crores, up 19.8% year-on-year, while revenues were at Rs. 219.5 crores, a growth of 19.2% year-on-year. Operating EBITDA stood at Rs. 114.9 crores, up 9.9% year-on-year. Margins were at 52.4%, versus 56.8% in Q1 of last year. EBITDA readjusted for IndAS 116 stood at Rs. 111.8 crores at a margin of 50.9%. And EBITDA readjusted for ESOP non-cash charges and IndAS 116 stood at Rs. 117.37 crores at 52%, versus 57.8% in the same quarter last year. And cash EBITDA for recruitment during the quarter stood at Rs. 146.5 crores, up 10.6% year-on-year.

In Naukri, in Q1 we added an average of 19,000 fresh CVs every day, and the Naukri database grew to over 64 million CVs. Average CV modifications are at 360,000 CV mods per day. Our traffic share in the traditional job board space continues to grow and is now at over 85% without Indeed, and at about 67% including Indeed. We continue to invest in our recruitment tools and systems business as we sort of experience more adoption of our offering in the market. We continue to invest aggressively in data science and AI and machine learning to improve the user experience of both recruiters and job seekers on our platform. The IT and ITeS segment continues to drive the growth for Naukri in the last quarter. Southern markets did phenomenally well compared to markets in the West and North.

We have also invested aggressively in marketing, especially television, brand building, and outdoor campaigns in the last quarter. All our metrics sort of indicate to us that these campaigns were very well received in the market and the impact on our business has been positive, and our brand has got a boost as a result of these campaigns. As you also know, we also completed the acquisition of iimjobs during the quarter. iimjobs reported a billing of Rs. 5.7 crores for Q1 of

2020. This is a growth of 22% from Q1 from the same quarter last year. The business operates at a near-breakeven level.

Now let's move on to the other verticals. In the real-estate business, in 99acres billings in Q1 grew 18% year-on-year to Rs. 48.4 crores, while revenue grew 34.6% to Rs. 56.4 crores. EBITDA for the quarter stood at Rs. 24 lakhs. EBITDA adjusted for IndAS 116 stood at a loss of Rs. 1.62 crores, against a loss of Rs. 11.48 crores in Q1 of last year. EBITDA adjusted for ESOP and IndAS 116 expenses stood at a loss of Rs. 97 lakhs versus a loss of Rs. 10.73 crores last year. Cash EBITDA loss for 99acres during the quarter stood at Rs. 8.99 crores against the loss of Rs. 11.73 crores last year.

Our traffic share amongst the real-estate portals continues to be around 50%, based on time spent as per SimilarWeb. The broker segment continues to see strong growth with almost 20,000 brokers now active on the platform. And like we have indicated in the past, the key focus and investment areas for 99acres will continue to be sort of market brand building and investment in product and technology and data quality to improve the quality of experience for our users on our platform.

Moving on to the Jeevansathi business. Billings in Jeevansathi grew 10.3% year-on-year in Q1 to Rs. 20.11 crores. And revenue grew 9.4% year-on-year to Rs. 19.92 crores. The operating EBITDA loss in Jeevansathi stood at the Rs. 8.83 crores in Q1 of FY20, up from a loss of Rs. 5.6 crores last year. EBITDA adjusted for IndAS 116 stood at a loss of Rs. 9.49 crores. EBITDA readjusted for ESOP and IndAS 116 stood at a loss of Rs. 9.3 crores for Q1 versus a loss of Rs. 5.46 crores last year. Cash loss for Jeevansathi during the quarter stood at Rs. 9.13 crores. Higher marketing spends on Jeevansathi during the quarter led to an increase in traffic as well as number of users registering on the platform. We will continue to see positive, sort of, benefits of increased marketing spend, which leads to higher traffic growth on the platform as we move into the second quarter of FY19-20.

In the Shiksha business. In the education business in Shiksha, in Q1 billings grew by 13.9% year-on-year to Rs. 16 crores, while revenue grew 10.7% year-on-year to Rs. 16.93 crores. In the Shiksha business, we made an EBITDA profit of Rs. 4.26 crores in Q1. EBITDA adjusted for IndAS 116 stood at Rs. 3.73 crores versus an EBITDA of Rs. 3.06 crores last year. And EBITDA adjusted for ESOP and IndAS 116 for the quarter stood at Rs. 3.95 crores versus an EBITDA of Rs. 3.32 crores last year. Cash EBITDA for the quarter stood at Rs. 3.09 crores versus a cash EBITDA profit of Rs. 2.1 crores last year. We sort of continue to put in a lot of effort to upgrade the quality of content on the Shiksha platform.

Then moving on to our strategic investments. Zomato continues to witness very strong overall growth across all their businesses, including the food delivery business. They are now operating in many Tier 3 towns as well. Their focus is not only to grow, but grow efficiently and so that they can reduce the burn overtime.

Policybazaar and Paisabazaar both continue to maintain a healthy growth rate. The revenue growth in the last two financial years has been more than 60%, and we also continue to evaluate new investment opportunities.

That's all from me right now. And thank you. And we are now ready to take any questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the questions-and-answer session. We have our first question from the line of Jai Nandwani from Perfect Research Firms.

Jai Nandwani: I have a few questions, I would ask it in a single order. What competition do you foresee from players like Indeed, Google Jobs and Monster, which was recently acquired by Quess Corp? Like our global peers, are we planning to conduct screening tests to check aptitude, psychometric tests, so as to better filter out candidate as a major help to employers? Can you throw more light on recent investments in ShoeKonnect, Gramophone, and iimjobs? Global players like speak.com, Recruit and 51jobs are growing at more than 15% revenue growth, with such a large base can also grew at the same numbers?

Hitesh Oberoi: Okay. As far as competition from the likes of Indeed, Google Jobs and Monster goes, Indeed has of course been very active in India for the last few years, its been maybe more than five, seven years now. For a while in between they were very strongly, they were spending a lot of money on marketing and advertising as well. And they were very active on the performance marketing side, too. We haven't really encountered them much on the customer side, but they were very aggressively sort of trying to attract more job seekers to their platform. And that continues to be the case with Indeed. They sort of have been a little out of media for the last three or four months, but they could come back any time.

As far as Google Jobs is concerned, Google Jobs is not really trying to monetize the platform right now. They are basically, I think their goal seems to be to improve the experience for job seekers who search in Google for jobs. We have not been giving them our jobs till now, but we will continue to revisit our position from time to time.

Monster. We haven't seen any activity from Monster in the market for the last few years now. Yes, they have been acquired by Quess. But I think, on traffic and on many other parameters, they still have a long way to go. Our traffic share in the job portal space, if you look at our traditional companies like Shine, Monster, TimesJobs, was actually higher than 85% or maybe also 88% in some months last quarter.

As for as screening tests and psychometric tests go, what tends to happen is that companies use platforms like ours for shortlisting candidates, and only on the shortlisted candidates they run psychometric and screening tests. So, as a part of our effort to sort of build recruitment tools and solutions for our clients, we may sort of overtime integrate with some assessment companies. We already sort of allow companies when they post jobs on Naukri to ask a few questions which can sort of help them filter out the right candidates while posting the job itself on naukri.com, so that continues. But we don't really have a big effort right now in Naukri to sort of provide screening and psychometric sort of services to our clients. In our "First Naukri business" it is a very small part of what we do. We sort of have a tie-up with an psycho assessment company and we sort of provide these services to companies who want to hire job seekers from campus, but not in the main Naukri business at the moment.

As far as you mentioned 15% revenue growth. I mean, the Naukri business for the last few quarters has been growing at more than 20%. And of course, we are working on a lot of interesting new ideas. If some of those work out, then of course things could change. Also a lot depends on the economy, if growth rate picks up in the economy than the growth rate in Naukri could pick up.

Iimjobs, we acquired very recently for a consideration of around Rs. 80 crores. Company has got a very strong brand and a very good product in the space in which it operates, which is like right now a huge space. We think sort of using our Naukri sales and distribution muscle we will be able to take not just iimjobs but also some of the other offerings which are slowly becoming popular, like hirist.com and bunch of others, to a lot of customers because we work with close to 75,000 customers, as you know, while they currently have maybe just 700 to 800 customers.

Sanjeev Bikhchandani: On ShoeKonnect and Gramophone, what's the question? I couldn't make out the question on ShoeKonnect and Gramaphone. Could you repeat the question on ShoeKonnect and gramophone?

Jai Nandwani: I just wanted to know a little about the investment? Linkages in three of these.

Sanjeev Bikhchandani: Well, actually, there is no linkage among the three of them, but they are independent investments. And ShoeKonnect essentially is a B2B kind of player which connects shoe manufacturers to shoe retailers, underserved retailers and the small manufacturer. And it's a fragmented industry. And it does logistics and ordering. It's showing good traction, and it's getting inbound interest from other investors. Gramophone has already raised a round one from external investor after we went in. And Gramophone is working in parts of Madhya Pradesh with farmers on advisory and selling them inputs.

Moderator: Thank you. We have next question from the line of Manish Adukia from Goldman Sachs. Please go ahead

Manish Adukia: A couple of questions. You mentioned that Indeed has been a big absent from the media in the recent months in terms of advertising and marketing, while your spend has grown up in the recent quarters. And you also indicated in your opening remarks that you have seen some positive trends coming out of that. So, can you just throw some light on how has this increased advertisement spend helped you in terms of ramping up your customer base or your revenue? That's one.

And couple of quick questions on the real-estate. Again, if you can just provide a quick update on what the competitive scenario there is like at this point? And what the underlying real-estate market at this point in time looks like? I mean, there has been some weakness in the underlying real-estate market, but what's your sense, how does it look like over the next three, six, nine months in terms of the underlying market? Thank you.

Hitesh Oberoi: So, Indeed has been around for a long time now and they have been advertising aggressively for the last few quarters. They were out of media for the last two or three months. And when I say media, I mean sort of media like television and outdoors, they have been aggressive on the performance marketing side. So, they continue to aggressively advertise online. And we have been doing a little bit of advertising, but not that much for a long time now. We were out of media. We made a new ad film and went back on TV a few months back. And the results have been very encouraging. You see, the advertising we do is more directed at consumers and job seekers. And it's unlikely to impact our corporate revenue in the short-run. But in the long run if we get our brand moves to the next level and we are able to attract more job seekers to the platform and more people join the platform, download our app and become more active, then overtime it will sort of translate into increased revenue from our customers as well. That's the idea behind these marketing campaigns.

As far as the real-estate business is concerned, the real-estate market continues to be in very bad shape. In fact, in our business also while billing growth has actually slowed down this quarter, and while we grew at 18%, there were sort of different markets behave differently. In some markets we grew at 25%, 27%, and some markets we grew in single-digits. So, I guess the impact has been different in different cities. But definitely what we are hearing from our customers is that there is a problem with financing, both for builders and for buyers of new homes. And as a result and the new launches are likely to be hit. So, not enough builders will probably launch new project now, and that impacts our business. Having said so, it’s still a market where we are a tiny part of the market. The real-estate market has been through hell for the last five years, you had RERA, demonization, GST, all kinds of issues, but we have been growing every year. In fact, this quarter we sort of broke even in this business. So, if the market continues to grow even moderately, we should be fine. We should be at some point in time be able to pick up on our growth rate. But yes, if there is a big crash in the market, then who knows.

As far as competitive position is concerned, like I mentioned, we continue to sort of have close to a 50% traffic share in the market as per SimilarWeb. In some cities, we believe we are fairly strong and we have a close to 60% share. In some other markets we have close to 40% share. On the whole, we believe we have a close to 45% to 50% share of market at this point in time.

Manish Adukia: Sure, Hitesh. Just a quick follow-up on the matrimony business. Again, in that business ad spends have been quite high. How is the competitive scenario there in that space? What are we seeing?

Hitesh Oberoi: So, that space is very competitive. It's a three-player market. In the North and West where we are a strong player, it's a two-player market mostly between us and Shaadi. And what has happened really in the last three of four years is that we have managed to create a play for ourselves in this market. From a virtual nobody we are now a business which is doing about Rs. 20 crores a quarter in terms of collections. Of course, there is an aggressive sort of price war in this market at this point in time, all the three companies are spending a lot of money on advertising also, and therefore cost of customer acquisition is going up. And that's why our losses have gone up. But we believe this is the right strategy for us at this point in time, and if we continue with this strategy for the next couple of years, we will be able to sort of become a strong player in one part of the market.

Moderator: Thank you. We have that question from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead

Vivekanand Subbaraman: So, this customer addition trend that we are seeing in Naukri, can you throw some more light on this? What's going right for you there and can you give a bit more color on the recruitment market growth that you have seen?

My second question pertains to your investments. So, over the last year or so you have been making a lot more B2B investments. So, can you give some color on the valuations in the B2B space compared to the B2C space? And how do you see it in the context of the addressable opportunity in the B2B markets versus B2C? Thank you.

Hitesh Oberoi: Yes. So, the recruitment market as a whole is very sectoral, I mean, some sectors continue to do well, like I mentioned IT. Our IT business grew at more than 20%, in fact, last quarter. So, IT companies, especially the companies based out of Bangalore and Chennai and Hyderabad seem to be doing well and they seem to be hiring large numbers. And that's a positive for us. Sectors like health care, education, services in general, except for now NBFCs and telecom services which have been hit, I mean, were hiring has been hit to some extent, continue to do well. The infrastructure for sectors like construction, real-estate, high-end heavy metals, engineering, they continue to be sort of in trouble. Our revenue share, for example, from the so-called or what we call the infra sectors, has over a period of last 10 years declined from a high of 25% to maybe now 15%, 16%. So, these sectors continue to be in trouble from a hiring standpoint. And in general, the SME space for us continues to do well. So, we have been more to get more SMEs to list on Naukri, which is where a lot of new customers growth comes from.

But all in all, you see in a good economy what tends to happen is that companies have high attrition and therefore, they hire more people to even stay at the same number. They are more aggressive and bullish on the future and therefore they hire more people where the headcount although tends to go up. Many new companies set up shop because of they see new and more opportunity. And while in the slow market, the exact opposite happens.

So, some sectors have been slow, some sectors are okay. Overall, things seemed to be under control right now, but of course, a lot will depend on what happens. The auto sector is another sector which is now in trouble when it comes to hiring, they are not hiring. And all this is also very well captured in our JobSpeak Index, which we release every month. So, for July, I think, the JobSpeak Index was up 14%, while the IT index within the JobSpeak index was up more than 25%. Sectors like banking and auto were negative in the JobSpeak index. So, that should give you a very good sense of what's happening in the market.

Sanjeev Bikhchandani: On the B2B space, look, we evaluated opportunities and we have invested in two B2B companies amongst the last five companies we have invested that we announced. One is a company called ShoeKonnect that we discussed a little while back. The other is a company called ShopKirana, which essentially is in last mile distribution of FMCG products to the small retailer. It's operating right now out of Indore and Jaipur and Bhopal. And they are doing a fairly good job. Good news about both these companies is that they have got a lot of inbound investor interest and from other investors, so it looks like they have likes. As far as valuations are concerned, right now in private markets the phenomenon we are seeing is that if the company is showing traction, it is getting chased by number of investors. And whether it is B2B or B2C, evaluations get better. Of course, B2C will be higher. So, B2C will be higher, but B2B is also not cheap.

Vivekanand Subbaraman: Okay. Just a couple of follow-ups. Hitesh, you have mentioned that in a good economic scenario, you have a lot more companies set up and a lot more attrition. So, notwithstanding the GDP slowdown, how is that we have managed to kind of sustain the billing growth and revenue growth compared to say previous occasions when GDP growth used to slowdown, our billing growth also would taper down. What is it that is working for us this time compared to prior occasions?

Hitesh Oberoi: Broadly what you are saying is right, GDP growth does impact our billing growth. But you know there are two, three things I want to say. One is, of course, I don't know whether IT hiring is more indexed to India GDP growth or maybe it is more indexed to how the US is doing and how the rest of the world is sort of looking at. So, that is one. And two, even within India there is a slowdown in certain sectors for sure, like I mentioned in the NBFC sector, the auto sector, telecom, these sectors seem to have been impacted. But there are other sectors which continue to do well. So, there is no slowdown in those sectors as far as we are concerned, sectors like travel, tourism, hospitality, education, and health care, jobs from these companies continue to grow on our platform. So, one doesn't really know whether it is, I mean, I am not the best person to comment, but it doesn't seem like it's a slowdown like we saw in 2008 or 2009 when the entire economy hiring came to a standstill. Enough companies are still hiring, but yes, certain sectors seem to be slow.

Moderator: Thank you. We have our next question from the line of Arya Sen from Jefferies. Please go ahead

Arya Sen: Firstly, if you could repeat the Jeevansathi revenue? I missed that.

Hitesh Oberoi: Jeevansathi, so billing grew 10% to Rs. 20.11 crores and revenue grew 9.4% to Rs. 19.92 crores.

Arya Sen: Rs. 19.92 crores, right?

Hitesh Oberoi: Yes.

Arya Sen: Secondly, the Naukri margin seems to have come off a bit more than usual this quarter. So, you talked about brand campaign and ad spend. So, how do we look at it going forward? I mean was there a bit of one-off in this quarter, and should it improve going ahead, or does that continue for the rest of the year?

Hitesh Oberoi: There are two or three type of investments we are making in the recruitment business. One is, of course, this quarter as in Q1 we spent a lot of money on marketing. As we speak right now also we are airing on TV. So, this is going to be at least a two-quarter thing, we will see what to do in Q3 and Q4, we haven't made up our mind as yet as far as marking expenditure goes. The other investments which are taking place are in, one, we are beefing up our product and technology and data science and design capability. So, we have hired a lot of good people in that area and we are working on a bunch of things. The impact of which will not be seen tomorrow, but maybe over a period of time. So, these investments will continue and these investments may only probably increase with time.

The third thing, we are also now doing a couple of new experiments. I mean we have set up teams to look at the blue-collar space, we have set up a team to look at how we could disrupt the premium hiring market using AI and machine learning. So, there are some investment which is going to go into these themes. These themes will not be generating revenue for quite some time, in fact. So, this is something which we are not capitalizing on these investments, we are charging them to our P&L. So, these investments will only also increase over time.

Arya Sen: Right. And lastly, in your consolidate the share of net losses of JVs, that seems pretty high, so that is mainly Zomato and Paisabazaar, right?

Chintan Thakkar: Yes, I think, the main contributor would be these two companies. So, you are right.

Arya Sen: And how much would be Zomato within that, and what is sort of happening there in terms of the cash burn?

Sanjeev Bikhchandani: So, burn, they are bringing it down. I think they have a plan to bring it down substantially, and they have begun to act on it over the last three, four months and it's already showing results. We have not seen any numbers just yet, but they are progressing on that path.

Arya Sen: Right. But I mean just to sort of clarify, the contribution to loss this quarter seems to be like Rs. 253 crores versus Rs. 310 crores for the whole of last year. There is no accounting thing in that, right, that is the loss?

Chintan Thakkar: Last year, Zomato had sold one of its overseas business.

Hitesh Oberoi: So, they did a transaction in the Middle East with Delivery Hero and that gave it a revenue boost.

Chintan Thakkar: So, last year there was a one-off, this year it is normal.

Arya Sen: Right. Last year, there was one-off, so adjusted for that the loss would have been higher for the full year?

Hitesh Oberoi: That's right.

Chintan Thakkar: That's correct.

Arya Sen: Okay. And how much would that number has been?

Chintan Thakkar: Number for the sale that they did?

Arya Sen: So, the Rs. 310 crores for the full year, if I adjust for that sale of the Middle Eastern business, that's what you are referring to, right? How much would that be?

Chintan Thakkar: Right now, I don't know the exact numbers. We will get back to you.

Sanjeev Bikhchandani: But it was announced, so it will be there.

Moderator: Thank you. We have next question from the line of Shaleen Kumar from UBS Securities. Please go ahead

Shaleen Kumar: I have two question, one related Naukri and other related to 99Acres. So, in Naukri, we could see that your marketing spend has gone up sharply. Just wanted to know how has your spend gone up on Google Ads spend or Google Adwords? And what percentage of traffic come to you from Google?

Hitesh Oberoi: See, we don't really share this kind of data. We advertise on multiple platforms. Google is, of course, one of them.

Shaleen Kumar: So, Hitesh, the thing is, the reason I am asking, earlier when somebody used to search jobs, let's say, software job in Bangalore, you will get some links, maybe yours, maybe Shine jobs, maybe TimesJobs, right. But right now, what somebody will get is a list of jobs, which is provided by Google. Now that's what I am understanding, will the pricing power shift to Google at that point of time? Because now Google can ask you, if you want your ad to be above mine you may have to pay premium, right? So, in that case, is the marketing spend going to go up?

Hitesh Oberoi: See, that was the case earlier also. And if we want, actually we can give our jobs to Google. They will be happy to take our jobs and feature them in their search. It's just that we are not doing it right now. And earlier also, this has been Google's model from day one that if you want to appear on top, you have to advertise, right, otherwise they can show anything on top, it doesn't necessarily have to be your link.

Shaleen Kumar: Yes. The only point is that had it increased after this Google Jobs or is it the same?

Hitesh Oberoi: What has increased?

Shaleen Kumar: The pricing, the amount which Google is charging?

Hitesh Oberoi: I really don't have the numbers. But what you must have to understand is that Google is one of the platform we advertise on. We, advertise on Facebook, we advertise of YouTube, we advertise on Google, we advertise on the networks, we do app marketing campaigns, we are on television, everywhere. So, Google is a very small part of our advertising mix.

Shaleen Kumar: Fine. Good enough. On the second bit on 99acres, as you have also pointed out, we have been seeing a growth of 30% plus in this segment and in this quarter the billing growth was a little lower, around 18%, while the revenue growth was around 35%. So, we were coming out of RERA and there was some kind of pent-up demand. And there was a market shift, organized players were better placed, and probably we were able to garner that the demand at that point of time. Are you seeing that even 18% growth is very good, but do you think that from a very high growth we are kind of reaching to a steady growth or robust growth kind of a scenario?

Hitesh Oberoi: It's difficult to say. Because like I mentioned earlier on the call, even in this quarter, we saw a very robust growth in some markets. So, in some markets we hit even 27%, 28%. In some markets our growth was down to single-digits. Yes, our growth has slowdown in the last one or two quarters, but we are not sort of calling it a slowdown as yet. We are still hopeful that if we sort of do a few things right we could sort of up our growth rate. But having said so, like real-estate, I don't want to comment on because, like I said, the last three years we have been through RERA, we have been through demonetization, we have been through GST, and now there's an NBFC crisis which has hit both builders and buyers, right. So, hard to predict what's going to happen in the market. It's not as if transactions have gone up over the last year, transactions are where they were. It's not as if the number of homes being sold has gone up. And the situation is different in different market. So, we will have to wait and see what happens. I mean hard for me to predict.

Shaleen Kumar: Yes, because if underlying industry is in trouble, there is only a limit to which you can also grow?

Hitesh Oberoi: Not really. Because overall market is still, we estimate that the ad market for real-estate is at least Rs. 3,000 crores, if not more. And 10 years ago actually this market was more like Rs. 6,000 crores. So, the market has actually declined, the ad market over the last 10 years. And in this market, we are doing what, we are doing Rs. 200 crores. So, it's not as if we are 20% of the market or 30% of the market. And in a declining market over the last five years we have sort of managed to more than double or triple our revenue. So, we believe that there is still opportunity for us to grow. Of course, we have to execute well, we have to do a lot of things at our end to make that growth happen. But even in a slow market we can continue to grow for a long time.

Shaleen Kumar: Right. And now how has our deferred revenue growth in real-estate and where it stand right now?

Hitesh Oberoi: See, overall deferred revenue I think is up 18% over last year.

Shaleen Kumar: Yes, but do you have the 99acres number?

Chintan Thakkar: So, it would be in line with, because we have billing growth is about 18%, revenue growth was about 34%, right. So, revenue growth is kind of coming down because it is coming from the previous quarter. So, it would be in line with what the current billing growth would be. I mean, we will have to make the adjustment, but roughly you can say that.

Moderator: Thank you. We have next question from the line of Pranav Kshatriya from Edelweiss Capital. Please go ahead

Pranav Kshatriya: I have only one question. Regarding Jeevansathi, how do you see your incremental market share in your targeted North and the West market? You think you are closer to 40% to 50% market share there and what is aspiration in terms of the market share in that market?

Hitesh Oberoi: So, we are stronger in the North than we are in the West. West is still three-player market, while the North is most largely now two-player market. I don't really have an exact sort of sense of what share, maybe we are in the 30s, not in the 40s, I think, at this point in time. In terms of transactions, we may have slightly higher share because you know we sort of tend to sell at lower prices than some of our competitors. Our long-term goal is to sort of keep increasing our volume share and then, of course, our value share over time. We want to be a player in this market, and we are focused on the North and West. In terms of population, the North and West are close to 50%, 60% of the country. They are have been slower to get onto the internet because PC penetration was, of course, very low in these markets, at least in the North. And thanks to smartphones penetration going up, these geographies, these areas are also getting online. So, in the long run we believe that the North plus West will end up being between 50%, 60% of the market. And if we can get to 50% share in these regions over time, then at least we have a play.

Moderator: Thank you. We have our next question from the line of Parag Gupta from Morgan Stanley. Please go ahead

Parag Gupta: Hitesh, you seem to have seen a significant increase in your recruitment traffic or action in your market share, I think about 70% in the previous quarter to 85% this quarter. So, what's really happened out there?

Hitesh Oberoi: Right. We have been advertising aggressively for the last three, four months, that must have had an impact for sure. And yes, I mean, of course, we continue to work on improving our product and improving our experience, that may have had some impact as well. But I think it's largely because of our media presence at this point in time.

Parag Gupta: And in your view who probably has been the largest market share donor in the quarter?

Hitesh Oberoi: I mean this 87%, 88% is when you take the market to be just TimesJobs plus Monster plus Shine, which are our traditional competitors. So, in my sense, all of them must have lost shares in the quarter. I haven't really looked at the individual numbers.

Sanjeev Bikhchandani: See, what happens in a slowdown and we have seen that in the past, that our competition begins to cut back a lot on investments, right, for everyone. Because simply financially that doesn't make sense for them because they are already probably loss-making. And I think we on the other hand, as Hitesh has said, we want to invest in, it's probably been a double whammy for them.

Parag Gupta: And Sanjeev, do you think that it's also because you have kind of exposure across segments, while some of your other competitors may not be, let's say, in IT sector, is that also a reason for that or do you think competitors are also spread across most of the segments?

Sanjeev Bikhchandani: See, pretty much everyone does everything. So, it's not as if they are focused on a few segments only.

Parag Gupta: Okay. And your acquisition of iimjobs, I don't think that's showing up in your Q1 numbers. So, is that something that will only start coming through in Q2?

Chintan Thakkar: Probably, it will come from next year, because right now we are holding 100%, but we may go for formal merger. And once that is done then it will become part of standalone. So, that may not be there. And like Hitesh in his scripted remarks he said that the growth in the billing is about 22% and it's kind of EBITDA breakeven. If you don't take certain exceptional cost which are related to acquisition, if you don't take that into account, then it's kind of a breakeven number.

Parag Gupta: But Chintan, wouldn't iimjobs start coming in your consolidated numbers from Q2?

Chintan Thakkar: No, consolidated numbers in that sense, yes. But as a standalone, it will not come unless and until there is either a formal merger or a business transfer or any other sector involved.

Parag Gupta: Okay. And in this quarter your tax rate was pretty high in the standalone. So, is that the number going forward or do you think this will normalize through the year?

Chintan Thakkar: It should be normalized through the year. I think there could be, I am not sure if there is some IndAS impact or maybe some effect on that, but yes.

Moderator: Thank you. We have the next question from the line of Manish Poddar from Reliance AIF. Please go ahead

Manish Poddar: I just had one question. Wanted to understand the thought process behind this RMS tool for Naukri. So, what is opportunity that's there for a SaaS tool like this? And what is the thought process behind it?

Hitesh Oberoi: See our thought process is very simple. We work with 75,000 companies of all shapes and sizes. Some of them a very small, some of them are very large. The large ones, of course, have access to the best tools out there in the market, many of them go for international tools, some high-end domestic players as well who sort of cater to that market. But there are a bunch of companies in the middle and some of the smaller ones as well who don't use anything at this point in time or they have tools that are very, very outdated. So, the idea is to sort of see if you can get some of these companies to use our tool. There are many benefits, of course, one gets some incremental revenue; two, if you get a lot of good clients to spend a lot of the time on the platform, there is greater lock-in over time. So, that's really the thought process. Still early days and it's a new business for us. We are still trying to figure out the SaaS space. We did not a SaaS company to start with, if you no. But yes, we are making good progress and we will continue down this path.

Manish Poddar: All right. Just wanted to understand, is it open source right now? So, can the employer plug in the other players or its just only Naukri which...

Hitesh Oberoi: There are different versions. So, there are versions of where you can, sort of, plug in other players as well. But a lot of it is work in process. So, it's not as if it's all 100% baked out. There's still a lot of work going on, on the offering.

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

Prince Poddar: Just two, three questions from my side. Firstly, bookkeeping question. IndAS EBITDA margin comparable last year reported numbers and similarly 99acres EBITDA comparable as an IndAS adjusted?

Chintan Thakkar: So, the thing is, overall employee's margin was about 2% lower if you kind of do the IndAS adjustment.

Prince Poddar: Okay. Recruitment comparable margin basically?

Chintan Thakkar: I will give you, one second. I think, Hitesh called out earlier. The recruitment, I think, is north of both.

Hitesh Oberoi: Okay. So, I will just read out everything, okay. So, operating EBITDA for recruitments stood at Rs. 114.91 crores. Margins of 52.8%, that's 4% versus 56.8% last year. EBITDA readjusted for IndAS 116 stood at Rs. 111.8 crores at a margin of 50.9%. Does that answer your question?

Prince Poddar: Yes, that does. 50.9% is what I was looking for. And similarly, in 99acres, there is a comparable EBITDA. I think there was Rs. 24 lakhs...

Hitesh Oberoi: Rs. 24 lakhs versus a loss of Rs. 1.62 crores if you take adjusted for IndAS 116.

Prince Poddar: Okay. Got it. And the second thing, sir, I was looking at Naukri job stake. For the last two months especially, the job did grew by 6% and 14%, while there were strong growth in IT of 26% and 31% IT software. Sir I don't understand, if the IT lease are the biggest component of job or basically biggest component of Naukri, is growing so well, what is causing this overall JobSpeak Index to come down? I mean is that because of other sectors?

Hitesh Oberoi: Yes, some sectors, like I mentioned earlier on the call, are in trouble. Sectors like the financial services sector, sectors like auto, sectors like telecom, sectors like the infra sector, construction, real-estate, they continue to sort of either de-grow or grow in very, very low single-digits.

Prince Poddar: Okay. And so because of these JobSpeak is pulling down, okay. And sir, the last question is on essentially 99acres. So, in the last one or two quarters, even on a normal base, I mean on a normal adjusted base, we are growing by 30-odd percent. And this quarter, it has come off a bit at 18% billing growth. Do you think this is to continue for a while if the underlying market remains as it is, because if we remember correctly 30-odd percent growth was coming on a higher base which was adjusted last year? And this has come off a bit. So, this is a new normal going forward or do you think this can improve, this might be a one quarter thing?

Hitesh Oberoi: Well, it's really hard for me to say because there's so much happening in that market. There are all kind of trends, in some geographies we are doing well and in some geographies we are not doing so well. I think we have to sort of wait and watch for one more quarter before we sort of come to conclusion on what should be the new normal for us going forward.

Prince Poddar: And just addition to this question, how is the builder market versus the agents marketing doing in this? Still the agents market providing the better revenue growth?

Hitesh Oberoi: Yes, the agent business continues to do well. The Delhi market, for example, is largely an agent market, while the markets in the South are largely builder lead. So, like I said in this quarter we saw a strong growth in some markets, weak growth in others. Now by and large of course the agent sort of piece continues to grow well for us. But if South is doing well for example, there are no agents in the South that means in that particular quarter the builder market sort of may do better than the agent market. But yes, but trend wise, I think the business over time will move more and more towards agents.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Hitesh Oberoi for closing comments. Sir, over to you.

Hitesh Oberoi: Yes. Thank you so much for staying back till late for this call. We have got a little late today because of our AGM and that's why the call was kept late. So, have a great evening and happy Independence Day to everybody.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Info Edge Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.