"Info Edge Q2 FY 23-24 Results Conference Call"

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MANAGEMENT: **MR. SANJEEV BIKHCHANDANI – FOUNDER & VICE CHAIRMAN, INFO EDGE (INDIA) LIMITED**

MR. HITESH OBEROI-CO-PROMOTER & MANAGING DIRECTOR, INFO EDGE (INDIA) LIMITED

MR. CHINTAN THAKKAR – CHIEF FINANCIAL OFFICER, INFO EDGE (INDIA) LIMITED

Vivek Aggarwal: Hi everyone. Good evening and welcome to Info Edge India Limited Q2 results conference call. As a reminder, all participants' line will be in 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 raise your hand on your screen. Please note that this conference is being recorded.

From the management side, we have Mr. Sanjeev Bikhchandani, Promoter and Vice Chairman, Mr. Hitesh Oberoi, Co-promoter and Managing Director and Mr. Chintan Thakkar, Chief Financial Officer.

Before we begin today, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve some risks and uncertainties. Kindly refer to slide number two of the investor presentation for detailed disclaimer. The audited financial statement and other schedules on segmental, billings, revenue, transcript, etc., along with data sheet have been uploaded on our website www.infoedge.in. Now, I would like to hand over the conference to Mr. Hitesh Oberoi for his opening remarks. Thank you and over to you, Hitesh.

Hitesh Oberoi: Yeah, thank you Vivek and good evening everyone and welcome to our Q2-24 earnings call and as always, we will start with an update on standalone financials, then cover segmental financials along with the business commentary in each business and then we'll have time for Q&A. Starting with Standalone financials for the quarter and for the first half of 2024. On an overall basis, revenues registered moderate growth while Billings which are a lead indicator have grown in low single digits as compared to the same period in the previous year. Revenue for the second quarter of FY24 was at Rs. 593 crores, a year-on-year growth of 11.5%. For the first half of FY24, revenue was at Rs. 1177.3 crores, a year-on-year growth of 13.3%. Billings for the second quarter of FY24 were at Rs. 569 crores, a YOY growth of 4.8%. For the first half of FY24, Billings were at Rs. 1092.1 crores, a YOY growth of 2.3%. If we include acquired businesses Zwayam and Do Select for the quarter in the standalone operating results, the Billings and Revenue were at Rs. 580.9 crores and Rs. 604.9 crores respectively, a year-on-year growth of 3.8% and 10.1%. For the first half of FY24, Billings including the acquired businesses of Zwayam and Do Select were at Rs. 1120 crores, a year-on-year growth of 2.1% and Revenue stood at Rs. 1204.9 crores, a YOY growth of 12.6%. Because of a disciplined approach to marketing spending, the operating expenses have remained in line with the growth in Billings. For the quarter, the operating expenses were at Rs. 374.2 crores, a YOY growth of 4.1%. For the first half of FY24, operating expenses were at Rs. 749.5 crores, a YOY growth of 4.9%. Operating profit for Q2 was at Rs. 218.9 crores, an increase of 26.8% as compared to the same period the previous year. For the first half of FY24, the operating profit grew 31.7% year-on-year to Rs. 427.8 crores from Rs. 324.8 crores reported last year. Operating profit margin for the quarter was at 36.9% compared to 32.4%, a 450-basis point rise as compared to the same period of the previous year. For H1-24, the operating profit margin is at 36% compared to 31%, a jump of 500 basis points. Profit before tax for Q2 stood at Rs. 277.4 crores, a YOY growth of 24.7%. For H1-24, profit before tax stood at Rs. 544.1 crores, a YOY growth of 30.6%. EPS for the quarter was at 16.12, a YOY growth of 24.1%. For H1-24, EPS stood at Rs. 31.55, a YOY growth of 29%. Cash from operations for the quarter was Rs. 250 crores compared to Rs. 219 crores in Q2 of 23, a YOY growth of 13.9%. For H1-24, cash generated from operations was at Rs. 394.7 crores, a YOY growth of 2.8%. Deferred sales revenue at the end of Q2 was Rs. 936.2 crores versus Rs. 840.9 crores as of September 30, 2022, a YOY growth of 11.3%. Cash balance of Infoedge including the wholly owned subsidiaries stand at Rs. 3649 crores as of 30th September 2023. It was at Rs. 3250 crores as of 30th September 2022. Headcount as of 30th September is 5594 up from 5282 as of September 30th , 2022.

Let me walk you through the segmental results in a little more detail starting with the Recruitment solutions business. The continued softness in tech hiring was partially moderated by a reasonable growth on the non-IT hiring front. For the second quarter of FY24, the recruitment solution segment revenue were Rs. 456 crores, a YOY growth of 9.1% and billings were at Rs. 431 crores, a YOY growth of 1.4%. For the first half of FY24, the revenue was 902.4 crores, a YOY growth of 12.1% and billings were at 828.9 crores, a decline of 1.4% compared to first half of FY23. The quarterly operating profit was at 270.1 crores, a YOY growth of 8.8% and the operating margins were almost steady at 59.2%. For H1-24, operating profit was at 533.6 crores, a YOY growth of 12.7% and operating margins remain steady at 59.1%. Cash from operations for the recruitment solution business during the quarter was Rs. 267.9 crores, down from 280.4 crores in Q2 of 23. The business generated Rs. 474 crores of cash from operations in H1-24, down from Rs. 515.8 crores generated in H1-23. Revenue for Naukri India was Rs. 396.4 crores, a growth of 7.7% year-on-year. However, billings for Naukri India for the quarter were steady at Rs. 370.6 crores. The billings for Naukri India for the first half of FY24 were Rs. 716.6 crores, a decline of 3.5% compared to last year. Recruitment segment billings including acquired businesses Zwayam and Doselect for the quarter were Rs. 443.3 crores. For the first half of FY24, Naukri India billings including acquired businesses Doselect and Zwayam were Rs. 856.8 crores. The Naukri jobspeak index for the month of September was up 6.3% sequentially but down 8.6% year-on-year. We witnessed a slight recovery in client retention, renewals, and new customer acquisition in the quarter. However, our IT customer and consultants' business continued to be slow due to declining attrition and slow business growth in this space. Hiring in healthcare, infrastructure, transport, and real estate sectors showed better performance during the quarter. Billing growth in the non-IT segments was in double digits. The billing growth from strategic businesses like IIMJobs, Doselect, etc. was also reasonably encouraging during the quarter. Jobseeker engagement with the platform was intact with 9% growth in active users, 495,000 daily modifications, and 58,000 Android app installs per day. Monthly active users attained a new high with more than 10 million monthly active users on the average in Q2-24. Average monthly job applies were also at an all-time high during the quarter. Our blue-collar job platform Jobhai reported 27% growth of user traffic and 41% growth in jobseeker registrations sequentially over the last quarter. We continued to make investments in platforms like Job Hai, Ambition box, and areas like Data science and machine learning in Naukri. Moving over to the 99Acre segment or to the real estate segment, growth momentum continued in both new home and secondary sales across the country in Q2. Despite increased property prices, end user demand was reasonably robust, and we expect this trend to continue at least for some more time. Billings growth trend continued this quarter. Billings were up 22% year-on-year and stood at Rs. 92.2 crores, while revenue grew from Rs. 69.7 crores in Q2 of 23 to Rs. 87.3 crores in Q2 of 24, a YOY growth of 25.2%. For H1-24, billings were at Rs. 165.6 crores, a YOY growth of 21.1%, while revenues were Rs. 169.9 crores, a YOY growth of 24.9%. The operating loss for the quarter was Rs. 16.5 crores, against a loss of Rs. 32.4 crores reported last year. For H1-24, operating loss in 99Acres was Rs. 39 crores, against a loss of Rs. 70.4 crores in H1 of 23. The 99Acres business reported a cash inflow from operations of Rs. 5.2 crores for the quarter, against a cash loss of Rs. 19.1 crores in the same quarter of the previous year. The cash loss from operations in the first half of FY24 was Rs. 35.3 crores, down by 46%, vis-à-vis a cash loss of Rs. 65.8 crores in the first half of last year. Growth in Q2 billing was primarily led by increased broker and owner spending on the platform. The platform also witnessed an increase in the number of new projects and broker listings in the resale and rental categories. The user activity on the platform also is on an increasing trend with traffic numbers up 24% YOY and 13% quarter-on-quarter. The app daily active user base also grew by 33% year-on-year in Q2 and 13% sequentially. Overall responses from the platform also grew 28% year-on-year in Q2, supported by a healthy demand environment and improved customer experience. The business continues to sort of deploy more machine learning algorithms to improve the platform experience. It continues to focus on improving data quality and creating differentiated content and reducing spam on the platform.

In the education business Shiksha, Q2 billings were Rs. 25.7 crores, YOY growth of 3.7%, while revenue was Rs. 30 crores, a YOY growth of 15.9%. For H1-24, billings were Rs. 59 crores, a YOY growth of 7%, while revenues were Rs. 65.9 crores, a YOY growth of 15.2%. The business incurred an operating loss of Rs. 2.75 crores in the quarter against a loss of Rs. 2.8 crores in Q2 of last year. For H1-24, the business reported an operating loss of 3.7 crores against a profit of Rs. 2.5 crores in H1 of last year. The cash loss from operations for the quarter of Rs. 5.6 crores against a loss of Rs. 1.7 crores in Q2 of last year. For H1-24, cash loss from operations was Rs. 5.3 crores.

Hiring, slowdown, delayed joining dates, and few companies missing out on campus placements has impacted student sentiment. While traffic and student responses on the platform maintain reasonable momentum, domestic clients reported a decline in conversions of student enquiries into applications and admissions.

Despite the current phase of low growth, the Study Abroad business continues to be a business which we are focused on for the long term. We will keep working on strengthening our platform and our ability to deliver counseling services to more students in the Study Abroad business.

Moving on to the matrimony business Jeevansathi, we continued with our strategy to gain traffic share through our free chat offering and when we worked hard and we worked on launching new products to monetize our traffic growth. The new products launched in the last few quarters are now helping us grow our business a little faster. We are trying to basically monetize the traffic a little better. Billings in Q2 grew by 16.7% year-on-year to Rs. 19.7 crores and revenue grew by 8.6% year-on-year to Rs. 19.7 crores. For H1-24, billings were Rs. 38.5 crores, a growth of 11.5% year-on-year, while revenues of Rs. 39 crores, a decline of 4.8% from H1 of last year. Operating losses for the quarter were Rs. 17.5 crores against a loss of Rs. 27.6 crores in Q2 of last year. Operating loss for H1-24 was Rs. 35.6 crores against an operating loss of Rs. 56.3 crores in H1 of last year. Cash loss from operations for the quarter was Rs. 14.4 crores against a cash loss of Rs. 29.8 crores in Q2 of last year. Cash loss for H1 is down 55.4% and stood at Rs. 35.5 crores. Marketing spends in Jeevansathi were down 39.1% year-on-year and 6.1% sequentially.

Moving on to the consolidated financials, at the consolidated level, the net sales for the company stood at Rs. 625.8 crores versus 604.1 crores last year. For the consolidated entity, at the total comprehensive income level, there is an income of Rs. 3399.4 crores versus Rs. 470.7 crores for the corresponding quarter last year. Adjusted for the exceptional items, PBT stood at Rs. 262.3 crores in Q2 versus a profit of Rs. 148.7 crores in Q2 of last year. Thank you and we are now ready to take any questions that you may have.

Vivek Aggarwal: Thanks, Hitesh. We will now begin the Q&A session. Anyone who wishes to ask a question may raise your hand on the screen. We will take your name and announce your turn in the question queue.

Anand Bansal: Thanks, Vivek. So, the first question is from Vivek from Ambit Capital. Vivek, go ahead and ask your question.

Vivek, Ambit Capital: Thank you for giving me this opportunity. First question is if you could give us a bit more color on the IT versus non-IT billing for the quarter, a broad sense of the decline on IT and perhaps a bit more color than double-digit growth on the non-IT would help us understand better. Second question that I have is your jobspeak index, the IT services job postings have been declining since January, but basis your past commentary recruitment billing from IT customers declined only from the June quarter. Why is that so? Is that because of long duration nature of contracts? Here, if you can give us some direction on the duration of contracts, 3, 6, 12 months. The reason for this question is mainly to correlate Jobspeak data with billing trends. Last one is on the non-IT side. To me, it appears that the number of branches that Naukri has increased in the recent months. So, what kind of response are you getting on the non-IT side? Are you signing up more customers? And is that helping you service non-IT customers better through these branch expansions? Any color on how to look at the sustainability of non-IT growth and the investments needed. That would be very helpful. Thank you so much.

Hitesh Oberoi: A very macro level, about half our business comes from IT companies, recruitment firms which work with IT companies. Maybe 55% of our business is IT or IT related, so to speak, and about 45% is non-IT related. Now, overall, our billing growth was flattish for the recruitment business as a whole. And the non-IT business, it's not as if we are able to do a 100% job of segmenting our business between IT and Non IT because there are lots of small customers. We don't really know what percentage of their hiring is IT hiring. But from what we can tell, our non-IT business continued to grow in double digits, so maybe about 14%, 15%, 16% growth in that range, while our IT business must have declined by a similar amount for billings to have remained flattish. Now, because we are seeing growth in non-IT and within non-IT, there are some sectors that are doing quite well, there are others that are not doing as well. We are investing more on the non-IT side of the business right now, so to speak. And what we are seeing in non-IT is a lot more growth in small towns than was the case a few years ago, which is why the focus on opening new branches. Our non-IT customers are not as internet savvy sometimes as our IT customers, and therefore it makes sense to reach them face to face, makes sense to make sales calls on them physically, especially in small towns. So, you will see us opening more branches going forward. We've already opened a few. In the markets we already operate, also we need to improve our coverage, go after the smaller customers a little more than we have been doing in the past. Also, for a long time because of COVID, a lot of our sales guys were operating from home, and now is the time, and therefore our customer interactions were fewer. I think this is the time to sort of go all out and meet customers face to face, so we'll be focusing a lot more on that going forward. As far as correlation with Jobspeak is concerned, Jobspeak is an index of job listings mostly, and we are now trying to incorporate Resdex activity, which is our database hiring activity into job speak, but you must understand that 70% of our revenue is from the database, and that's the primary source of hiring for a lot of companies. A lot of these companies also post jobs, so there is correlation between job speak and billing growth. It's not like a one-to-one correlation because a lot of the hiring happens through the database offering as well. Was I able to answer all your queries?

Vivek, Ambit Capital: Yes, just one follow-up, and thank you so much for the explanation on the non-IT side, helps us understand the strategy better. As far as the IT billing is concerned, I just wanted to get your sense on how much longer you think the slowdown is likely to last, and given that material percentage of your recruitment billing comes from the fourth quarter, is there a real risk that the billing trends in that quarter might reflect some of the pain that the IT companies are facing, and perhaps some of that has not yet manifested in your numbers. Is that a sense you are getting, or am I just reading the situation very wrongly?

Hitesh Oberoi: Well, the genuine answer is we don't know when IT is going to recover. As of now, we are not seeing any recovery on the ground, so things are like they were three months ago. There's not much has changed over the last three months. Anecdotally, what I can tell you is that a lot of companies are going slow. They perhaps over-hired last year, and they are slowly getting rid of the additional headcount on their roles. Now, once they get rid of the additional headcount, and a lot of them are actually postponing campus hiring, they're not going to campus to hire this year, so they're not going to build a bench. Now, once they get rid of the additional extra headcount, and if demand comes back, then of course, IT hiring will come back, and it may come back with a bang, who knows. But when will that happen is hard for us to say. Now, from our standpoint, you're right, Q4 is our biggest quarter, but things have started slowing down by Q4 last year, so it's not as if we had a fantastic Q4 last year. We saw growth in Q4 last year, but it was tepid compared to the growth we saw in Q1, Q2, and Q3. So, the base is high, but things had already started slowing down a little bit by Q4 last year, so the base effect will not be as pronounced as it was perhaps in the first and second quarter of this year. But like I said, we don't know, I mean, how this is going to plan out, time will tell. In the past, of course, we've seen slowdowns seldom lasted for more than four quarters, and business bounced back spectacularly after every slowdown. But each time is different, I don't know what's going to happen this time around, hard for us to say.

Vivek, Ambit Capital: Thank you so much for the elaborate explanation.

Anand: Thank you, Vivek. And the next question is from Nikhil. Nikhil, go ahead and ask your question.

Nikhil: Hey, hi, thanks for the opportunity. Hitesh, my first question is on recruitment business only, basically what Vivek asked, just continuing that. Basically, you delivered positive revenue growth on YOY basis. And that happened despite of we are seeing at least top 10 IT companies reporting headcount decline similar to last quarter. And even Jobspeak is like down about 8-9% percent on YOY. So, what I want to understand is, is there is some element of let's say, even on Q&Q basis, IT had been a bit relatively lower, or maybe non-IT is delivering much more better than, let's say, last quarter's growth.

Hitesh Oberoi: So, non-IT, like I said, certain sectors continue to sort of hire aggressively. And we can see that, I mean, so our IT markets are hit a lot more than our non-IT markets. Sectors like banking, financial services, insurance, travel, tourism, hospitality, construction, real estate, etc., they continue to sort of hire a lot of people. So, that's the good news. And on the IT side also, what we are sensing, what we are seeing on our platform is that salaries have gone up. So, the kind of people which are being hired through the platform are perhaps their salary level is about 10 or 15% higher than what it was last year. Maybe there's a lot less entry-level hiring happening, but there is a little more experienced hire happening. We haven't gone into the details. So, there's some more, so while volumes have actually gone down a little more, because that's what you're perhaps seeing in Jobspeak, salary levels have gone up. So, that still helps us realize, more value from our customers when we negotiate with them. But it's not as if we are seeing any major sort of recovery on the ground on IT as yet.

Nikhil : Sure, Hitesh. Second thing, again, what we are seeing on IT services company, what you mentioned also that initially they hired, or maybe over hired, there as well, the utilization has started to increase, right? And the headcount count, you must all aware that it has declined quite a bit. And what even Chintan mentioned during the CNBC interview, that we expect second half to be better than first half, and even, some benefit from the base effect as well. So, is it fair to say, let's say not recovery, but at least attrition backfilling part can start maybe a Quarter or two? Is it what you see?

Hitesh Oberoi: If attrition rates start going up at IT companies, that is a good sign for us, for our business. So, attrition rates have corrected significantly from 20-22% or whatever they were last year, same time. I know now they're down to 13% or 12%, 13% levels for many companies. A lot of companies are not replacing the people are leaving. So, because they had over hired, like I said, many are postponing campus hiring. So, if for some reason the market comes back and they haven't hired from campus and they will be forced to do a lot of lateral hiring. So, now, I don't know, see, we work with a few thousand companies in the IT space and big and small, all types, but in some clients, we managed to still get upgrades. So, it's not as if all the companies are badly hit. It's not as if every IT company is struggling. Some companies have actually paid us a lot more than what they paid us last year at renewal time. But overall, the mood is what it is. And I don't know whether it'll take them three months to get rid of the bench or another six months to get rid of the bench. It will depend on what policies they adopt. You're right. Once they get rid of the bench and once, they, sort of, then they will be at least forced to backfill. They'll be at least forced to replace the people who start leaving. And if the market starts to look up, then attrition rates will also go up. And if they haven't hired from campus, then they'll be forced to hire just in time, which is good for our business.

Nikhil : Hitesh, just last one from my side. Last time you mentioned about how the July went lower than expected. Any comment on how October shaped up? How was the last month, basically, some cue in for the quarter 3?

Hitesh Oberoi: I would not read too much into October for the simple reason that, what happens in October and November depends a lot on when Diwali is. And this year Diwali is a little delayed.

Nikhil: Sure. Sure. That's it from my side. Thank you.

Anand: Thanks, Nikhil. Vivek is again there. Vivek, do you have a follow-up question? Go ahead and ask your question.

Vivek, Ambit Capital: Anand, maybe you can let other people in. I can come back later also, no problem. So, but since you gave me the chance, I wanted to double-flick on the Naukri India billing trend versus the overall recruitment trend. So, Hitesh, did I hear it correctly that the Naukri India billing was 387.2 crore this quarter?

Hitesh Oberoi: Just one second. Naukri India.... Billing for the quarter?

Vivek, Ambit Capital : Yes.

Vivek Aggarwal: It was 370.6.

Chintan Thakkar: Yeah, that's correct. 370.6.

Vivek, Ambit Capital Okay. So, Naukri India has done better than overall recruitment. Okay, got it. So, I just wanted to understand.

Hitesh Oberoi: Yeah, that's not true. Naukri India, where did I say that?

Vivek, Ambit Capital : So, last year it was 356.2 crore billing, right?

Vivek Aggarwal: Vivek, I will speak to you offline, it includes IIM jobs also now, since the business has gotten consolidated.

Vivek, Ambit Capital: Oh, I see. Okay. Yeah, that's the clarification I needed. I'll circle back with you offline.

Vivek, Ambit Capital: Sure. Sure. Thank you.

Anand Bansal: Okay, the next question is from Srinath V from Bellwether Capital. Srinath, go ahead and ask your question.

Srinath V: Hi guys, I'm just out, so may have some disturbance. So, I wanted to understand in the job speak index, there's a particular segment called recruiters and that number has come off significantly, almost going back to COVID lows. Is that a data anomaly or are we seeing third party recruiters significantly come off their services because they may be the variable part for IT hiring in that sense. So, any views on why that number has come off significantly?

Hitesh Oberoi: Yeah. So, if you're referring to recruitment firms, the recruitment firms are the ones who are hit first, when there is a slowdown. So, it's very likely that business from jobs posted by recruitment firms and business from recruitment firms is down a lot because of what we are seeing in IT. A lot of these recruitment firms actually hire for IT companies, as you know.

Srinath V : Got it. So, it's a real reading that recruitment firms are down 60-70% in terms of business activity.

Hitesh Oberoi,: We'll have to look at the exact numbers and confirm to you, but if the report says recruitment firms, then yeah.

Srinath V: Okay, got it. Sanjeev, I just wanted to, have some understanding from you. The listed technology companies have been, the consumer tech, neo-tech companies have pivoted towards profitability and there's been a significant improvement in contribution margin across the board. how does this, change the whole unlisted space where we largely operate in? Are you seeing a cultural shift in promoters towards unit economics?

Sanjeev Bikhchandani: That's been going on for a year now where everybody has been told by the investors and they realize themselves that listen, the party is over. You've got to move to profit and if you can't, you're in trouble, unless you're very well-funded and have a lot of money in the bank. In which case, you just postpone the trouble. You ultimately have to get a profit.

Srinath V: And is this trend happening across sizes, even in, companies which are saying the seventh, eighth year of their journey, what we see is in the more 10 plus year of their journey?

Sanjeev Bikhchandani: Everybody is conscious of the fact that money is less likely to be as easily available as it was earlier. Therefore, you've got to manage what you have and maybe you can raise some, but you can raise some on the back of very good performance.

Srinath V: Got it. Got it. And I would want to also understand opportunities in deep tech. You had mentioned in an earlier call that you were running some pilots and especially with, generative AI coming in, so on and so forth. And this being a kind of large opportunity where we can

Sanjeev Bikhchandani: Are you talking about pilots within the company? That Hitesh would answer.

Srinath V: No, no. You had spoken about making investments in the deep tech space.

Sanjeev Bikhchandani, Yeah, yeah. So, we have, and we keep on evaluating companies and we've got a separate fund, which is for deep tech AI, tech-ish kind of investments. And we invest from there. But the truth also is in our other fund, almost every company now has a flavor of AI. So, there's a bit of AI going on everywhere.

Srinath V: But as such, do you think, India or the founders that you're meeting have kind of the ability or, the product range to start a company where you basically are multinational from day one, you are having a, unlike most of the, more mature tech companies, again, on the listed space are very India-centric. But could this be a much more global kind of space.

Sanjeev Bikhchandani: So, in theory, yes. In actual practice, getting revenue and business and customers from overseas is not easy, especially from the developed markets of Europe and US. So, that's not easy. So, many people try, but it takes a long, long time to succeed to get business. So, I always believe it's useful to have a home base where you have a home market and that's large enough to sustain you. And then you can foray overseas if you wish.

Srinath V: Got it.

Sanjeev Bikhchandani: But look, there are companies trying, some will succeed.

Srinath V: Got it. Got it. Thanks a lot. I'll get back into the question queue.

Anand Bansal: Thanks, Srinath. The next question is from Abhishek Banerjee from ICICI Securities. Abhishek, go ahead and ask your question.

Abhishek : Hi, thanks for the opportunity. My first question is with regards to 99 acres, the reduction in losses seems to have been actually higher than the improvement in revenue on a quarter-to-quarter basis. So, what exactly is happening there? Are we really looking at say breakeven here in the next two to three quarters?

Hitesh Oberoi: So, see the business has been executing well for the last five, seven quarters now. The market has also been very supportive. We have managed to keep our costs in control and we have managed to up our revenue significantly over last year. We are working on a lot of interesting new initiatives. Now at the same time, the space is hot. There is a lot of competition. It's not a dominant player. 99Acres is not a dominant player like Naukri is as yet. So, we don't have a target to breakeven inside the company, but we are basically just doing what we think makes sense. We are focused on executing. We've identified five, six areas where we think there is scope to execute better and that's what the team is focusing on right now. If we actually start feeling that we are doing well and there is a lot of potential in the market, then we would actually like to spend more money in this space to gain share. But we're going step by step and let's see what happens. So, there's no target to breakeven, but if we continue to do well and the market is supportive, then we would actually want to invest a little more in this vertical going forward.

Abhishek: Understood. But that investment might not necessarily be at the cost of an EBITDA breakeven, right? You could be at the margin of breakeven and then push incremental investments into growth.

Hitesh Oberoi: Yeah, it will depend on whether we're able to get top line growth as well. So, if we are able to grow our top line by let's say 25-30% going forward also, then there's a very high probability that we might sort of do well in the second half. But that's going to be a function of top line growth more than anything else. We are very clear that we have to make certain investments and we don't want to slow down on that front. We don't want to cut corners there. And if the market continues to be supportive and if our sales execution continues to be like it's been for the last few quarters and we are able to get 25-27% growth, then we should broadly be okay.

Abhishek: Understood. In terms of the consolidated numbers, the employee expenses have gone down on a YOY basis. What would be the reason for that? I mean, the standalone has gone up, but overall, the employee expenses have gone down.

Rajesh Aggarwal: So, last year it included 4B numbers also. This year it is not because we fully impaired 4B Network.

Abhishek: Okay. Just that, right? And in terms of the portfolio companies that we have right now, any update on any one or two companies which you could call out, which you are seeing right at an inflection point as of now?

Sanjeev Bikhchandani: No, there's no announcement we've made here. We continue to work with companies and they progress by and by. There's nothing that's really breaking order becoming a rocket ship finally.

Abhishek: Okay. Fair enough. Thanks.

Anand Basal: Thanks Abhishek. The next question is from Vijit Jain from Citi. Vijit, go ahead and ask your question.

Vijit Jain : Thank you, Anand. My question is on the recruitment business. Have GCC hiring trends been more steady through this calendar year versus last year? And if you could give a broad sense of, what GCCs or global capability centers of global companies, their share is in your overall recruitment business. A broad sense there would be helpful. And overall, how do you see that? Does the divergence continue? Do they continue to be steady if they are in fact steady?

Hitesh Oberoi: See, we work with a lot of GCCs. Our sense of the GCC space right now is, and we've only started deep diving into this data, the bigger GCCs are also impacted. So, there are all kinds of GCCs in this country. There are GCCs which employ 25 people and there are others which employ 25,000. So, the bigger ones have also been impacted by this slow down to some extent. On the whole, GCCs are perhaps less impacted than Indian IT services companies. And maybe the smaller GCCs are not at all impacted because they are still growing. The bigger ones are impacted more than the smaller ones. How big are they as far as our business goes? Maybe they are, I don't have the exact numbers. We need to do a better job of our categorizations internally. But I suspect they may not be more than, maybe, I mean, I don't have the exact number. I don't want to sort of hazard a guess, but maybe in the 15-20% of all IT hiring right now. But we'll have to get back to you with the exact numbers. But for that, we need to do a better job of categorizing them internally. I'm just giving you a sense of what I think.

Vijit Jain, Citi: No, that's helpful, Hitesh. Thank you so much. That was my question.

Anand Bansal: Yeah. Thanks, Vijit. The next question is from Pankaj from Renaissance Investment. Pankaj, go ahead and ask your question.

Pankaj : Yeah. Hi. My question, Sanjeev, within both 99Acres and Jeevansathi, we've been active in terms of investing now for quite some time. Clearly, meaning there's competitive intensity in the marketplace. Unlike, and as I think Hitesh was a little bit in the previous question, we don't have dominance there versus what we have in Naukri. And which is obviously delaying the path through profitability. And probably some of those competitors have learned their lessons, right? Meaning last time, Times Job probably did not do as great a job in execution, but they've learned their lessons. They're resourceful. So, how does this whole play out? meaning, and how does one think about both these investments? I understand that you will keep executing, but if none of the players want to relent, then meaning how does this whole shape up from a business perspective in terms of cash flows, profitability for all the players for that matter?

Sanjeev Bikhchandani: You want to know about 99Acres and Jeevansathi, right?

Pankaj : Yeah, that's right.

Sanjeev Bikhchandani: So, I think Hitesh is best positioned to answer that. Hitesh, you want to take that?

Hitesh Oberoi: I guess the question is about, if I understood it correctly, what you're saying is these are two, three player markets and the players have all learned and they may not, they are also executing as well as perhaps we are executing and therefore how will it all end, right? I mean, is that how will any one player get to a dominant position?

Pankaj : Yeah, which looks unlikely. So, and we've been investing in these businesses for now quite some time. So, how does one think about these businesses now?

Hitesh Oberoi: Yeah. So, firstly, I think we must differentiate between the two verticals. In Jeevansathi, we are actually the number three player and while in the real estate business, we think we are a number one player. So, while we may not be dominant, we are a leader and which is not the case in matrimony, right? In matrimony, we are the number three player. We may be the number two player in the Hindi belt and so on in some communities, but overall, we are a number three player. We are one-fourth the size, maybe not actually not even one-fourth. We are today, in terms of revenue, one-sixth the size of the number one player, maybe one-fifth the size or the number two player and so on. So, we are tiny in the grand scheme of things. There, what we tried to do was to disrupt the model. We tried multiple things over the last few years, but every time we did something different, competition was able to catch up within a year or two. So, last time around, we changed the model. We went freemium with chat, being free, and again, let's see what happens. Now, we are trying to cut burn and get to break even. Whether we get there in 6 months or 12, time will tell. So, that's a very different situation, but the goal there is to also try and get to break even or at least reduce the burn significantly over the next 6 to 12 months in Jeevansathi and also try and get the revenue to grow because we went freemium and that resulted in a different revenue, but now we're trying to get our revenue to grow again. We have actually gained traffic share in the last four quarters because we went freemium. So, we are a strong player in the segments we operate. We don't operate in the entire country, but where we operate, we are a strong player. How does it all end? In Matrimony, hard to say. It will all depend. If you're able to get consolidation to happen, then of course, the economics of the category will change. On the other hand, if it continues to be a small three player market and it continues to grow at the pace at which it's growing, which is not a very high pace and it's growing at 10% year on year as a category, then it's not going to be easy for anybody. Real estate is a very different ballgame. One, we are a leader. Number two, the market has started growing rapidly. It was down in the dumps for seven, eight years because of various things which happened to real estate. But after a long time, real estate has bounced back and it's a large market. It's a much larger category than matrimony. Our real competition in real estate is actually not the other portals. It's actually players like Facebook and Google who get a large chunk of the real estate advertising spend. So, if we get our products right, if we are able to execute well, on the one hand, digital will take share away from offline and two, within digital, we can take share away from Facebook and Google if we execute well. So, it's a much bigger opportunity. It's a category in which we are a leader. The last seven, eight years were very bad, but despite that all the players grew. So, I think the real game in real estate is going to be over the next two, three years. So, if the market were to double, for example, over the next three years, and if one of these players were to get their act together and move ahead, then the game can change. So, it's not a stalemate as yet. It's still wide open. And the team which executes well could still surprise others. At the very minimum, the category will grow handsomely over the next few years, unlike matrimony.

Pankaj: So, then you think, I mean, are you saying that real estate now probably we should run a path to breakeven and profitability, irrespective of the market share?

Hitesh Oberoi: Like I said earlier on the call, we don't have a breakeven target. We have a few ideas we're working on. We are trying to execute a lot better than we were executing earlier. For the last five, seven quarters, the market has been supportive and we've grown well. We managed to keep our costs under control. We would not want to lose share in this market. And if that requires us to invest more in the short term, we are prepared to do that. We have a few interesting ideas, but the key is going to be the quality of the execution more than anything else. So, if you are able to execute well and the market continues to grow rapidly, we may breakeven also. Who knows? Let's see what happens.

Sanjeev Bikhchandani: Well, to some extent also an ad, it may depend on competitive behavior.

Hitesh Oberoi: Correct. So, if everybody behaves rationally, then it's easier. But if competitive activity flares up, then of course we'll also be forced to respond.

Pankaj: That's what the point is that and as much as we are willing to relent, I think the competition is also unwilling to relent. So, then that's what we've seen, right? Over so many years. At the same size and scale of revenue, Naukri was far more profitable than where we are in real estate. So, I understand.

Sanjeev Bikhchandani,: Yes, that's because I think it does not have the kind of market leading share, traffic share that Naukri had at that time. And it continues to have. So, it's about market share also.

Pankaj : Okay. So, let me put it the other way around. If one were to step back, which is, from a business perspective, which is the nonlinear growth opportunity in our form of business point of view across our strategic businesses or strategic investments? Where's the nonlinear growth opportunity for a company like ours?

Hitesh Oberoi: Yeah, I don't think we have anything in our portfolio which can grow 100% year on year. We're not, but can be, once the recruitment market bounces back, once IT hiring comes back, can be, the Indian economy starts growing at six, six and a half percent. Can we aim to grow Naukri at more than 20% year on year? We can certainly aspire to do that. If the market in 99Acres remains reasonably good and if we execute well, can we aspire to grow 99Acres at more than 25% per annum? We should attempt to do that. Jeevansathi, we've gone freemium. Now, we are trying to sort of monetize a little better. Can we aim to grow the business at 20%, 25% year on year? We can aspire to that whether we'll be successful or not time in time, right? So, I don't think we have anything in our portfolio which can grow 100% year on year, but can we aim to once the market sort of becomes a little normal, get back to as a company 20% plus revenue growth? I think we should try to do that.

Pankaj : Okay. Thank you.

Hitesh Oberoi: That's the range we're operating. I mean, there's nothing at the smaller. See, we have a lot of tiny businesses in the company, which we have seeded over the last few years, which can grow at 500% and they are tiny. So, they don't really move the needle on the, on our 2,500-crore top line.

Pankaj : Sure, thank you. Thank you.

Anand Basal: Thanks, Pankaj. The next question is from Aditya from UBS. Aditya, go ahead and ask your question.

Aditya : Hi. Just a very quick question from my side. Just wanted to hear your thoughts on your stake in Zomato and Policy Bazaar. I mean, you said in the past that you have no plans to monetize as of now, but just wanted to understand your thought process on how you look at it. Do you think there's more value to be unlocked or what would you consider a trigger to kind of start thinking about trimming the stake there? Is it may be some kind of consolidation opportunities in real estate or in matrimony, or do you think that you just need to hold on to a kind of unlock some more value in these two stakes? Thank you.

Hitesh Oberoi: Sanjeev, you're on mute.

Sanjeev Bikhchandani: No. So, the question is, when do you think we will be willing to trim some stake in Zomato and Policy Bazaar? As of now, our thinking is that if we don't need the money and there's growth left in these two companies, we should hold on. So, there's no announcement to make at the moment, but obviously it comes up every quarter in board meetings just as an update. But as of now, there are no plans.

Aditya : Just to follow up, I know you mentioned that consolidation is probably the endgame in some of these sectors. Are you seeing any signs or indication that that could happen kind of sooner than later or it's still kind of uncertain as of now?

Sanjeev Bikhchandani: You're talking about real estate and matrimony?

Aditya : Real estate and matrimony, yeah.

Sanjeev Bikhchandani: Hitesh, do you want to answer that?

Hitesh Oberoi: So real estate, like I said, see the market has come back after many years and I think everybody's going to take a shot at it for some time. Matrimony is a little more mature as a category and players have been at it for a while and as a category, the category is not taking a lot of money. So, there's a higher probability of some consolidation in matrimony than real estate in the short term at least. But with these things, you never know, so you can never predict what's going to happen.

Aditya : Got it. Thank you.

Anand Bansal: Thanks, Aditya. Vivek is back with the follow up question. Vivek, go ahead and ask your question.

Vivek, Ambit Capital: Thank you so much. So, Sanjeev, it appears that the public market investors are getting interested in internet companies again with the share prices of Zomato, Policy Bazaar and even Mamaearth getting listed. Do you see any of your financial investees, especially names like Business, Shipsy or Shop Kirana getting ready for a listing, say in the medium term. So, that's the first question. Second one is for Hitesh on recruitment margins. So, in the first half, despite revenue growth being only around 12%, the PBT margins have expanded and this is quite at odds with your historic commentary that margins go down if revenue growth is less than 15%. And this year, you've also added branches. So, just wanted to understand, is there any change in the new business investments I remember you mentioned last time, 20-25 crore per quarter being spent on projects that don't generate any revenue like JobHai and Ambition Box.

Hitesh Oberoi: Yeah, Sanjeev, you want to answer your question?

Sanjeev Bikhchandani: Yeah, the first thing, look, is it possible that somebody can go public in three to four years? Answer is yes. But how likely is it? I don't know because it's still early days yet. Now, we encourage companies to go public after, especially in this environment, after they're profitable, after they achieve a certain scale and they still have enough growth left in them. So, these companies, the names you mentioned, are not yet profitable and they're not of the size and scale when they go public. Can they get then three to four years? Maybe, but maybe not. We'll have to wait and watch.

Hitesh Oberoi: See, you're right. We continue to invest 20-25 crores a quarter in some of these verticals, Job Hai, Ambition Box, Big Shift, etc. And most of them are free revenue or we don't actually expect to monetize them in the short term at least. Why have our margins gotten a little better? It's just like some of our competitors, some of our clients, we also perhaps had over-hired last year because attrition rates for us were also very high and we also went all out to acquire talent at that time. And so, we've gone a little slow on hiring this year in Infoedge.

Vivek, Ambit Capital: Okay, that's useful. Just one last comment or rather question from me on recruitment. There are still businesses where you don't hold 100% stake, which are strategic in nature, like Coding Ninjas, and then there are a couple of them where you have 100% shareholding, like Zwayam and DoSelect. So, previously, you had consolidated IIM Jobs and Hirist. Is there any plan to maybe integrate these two 100% owned companies into the standalone operations and get your salespeople to perhaps offer them to your clients? So, that's one. And of course, if you could give us an update on where your thoughts are on Coding Ninjas and how is that useful to your business? Is there any change that has happened in the last quarter or so? Thank you.

Hitesh Oberoi: So, as far as DoSelect and Zwayam go, operationally, they have been integrated. Now, from an accounting standpoint, for various reasons, we may still be reporting them separately. But operationally, the Naukri team is fully involved and they are working very closely with both our sales team and our engineering teams and our product teams. So, that's done. As far as Coding Ninja goes, of course, we are 51% shareholders, but that company is run by the founding team. And there, we have started integrating with Naukri, integrating some parts with Naukri. And early days still, not much to report on that front. That is a startup and their company has a long way to go. And we would want the founding team to run that operation for a long time. The pilots with Naukri have started, we've started seeding some content on Naukri. We're trying to get more leads at them through Naukri. Early days on that front, not much to report right now.

Vivek, Ambit Capital: Okay, thank you and all the best.

Anand Bansal : Thanks, Vivek. The next question is from Bhavik Mehta from JP Morgan. Bhavik, go ahead and ask your question.

Ankur : Hi, this is Ankur. Hey, good evening. I think the first question from my side is on the sequential momentum we've seen in billings and recruitment, right? So, could you elaborate, Hitesh, this trend, is it specific only in the non-IT segment or did you also see IT, begin to bottom out and sequentially grow? And how should we read that?

Hitesh Oberoi: So, see, I would not read too much in, this 2-3% whatever swing that you're seeing. See, IT hiring continues to be slow and it's not easy to get upgrades from IT customers right now and we are, in some cases, we've seen downgrades as well. The situation on the ground continues to be like it was three months ago. Not much to report on that front. Non-IT hiring continues to be reasonably solid and, it's of course not as hard as it was during the period of the great resignation and so on but continues to be solid at least in some sectors. Could have things bottomed out? I hope they have but we will know only after a couple of months.

Ankur: Okay, understood. In terms of the pricing, Hitesh, I mean obviously you guys have taken some price increases including because of adding functionality over the last two or three years. In customer conversation on an average, is that something that comes up that people ask for pricing, discounts as opposed to bringing volumes down from a consumption perspective.

Hitesh Oberoi: Actually, pricing we've managed to, so you see what's happening is efficient rates have gone down. IT companies are hiring a lot less than they were hiring earlier. They are not using the platform as much as they were using one year ago. Volumes have shrunk considerably and that's really, and therefore, we are sort of, many of them are downgrading. That's and the same is happening with recruitment firms because a lot of these recruitment firms hire for IT companies. Pricing is not such a big challenge right now. It's just that, demand has taken a big hit.

Ankur: So, when you say they are downgrading, they're reducing the number of-

Hitesh Oberoi: The licenses they buy, the number of CVs they view, the number of emails they send.

Ankur : Okay. And in terms of, just kind of trying to understand when you do see a beginning of a recovery, what will be the sign of that from your perspective? I mean, obviously billing, but within the billing side, will you start seeing more short duration activity first? I mean, just looking at previous cycles, or would you start seeing people looking for longer duration actually accessing more seats? I mean, generally, what would be the type of sign that you look for number one.

Hitesh Oberoi: Actually, even before billing, we'll see usage go up on the platform, right? And we track usage. So, we'll see more jobs being posted. We'll see more CVs being viewed by companies. We'll see. So, I mean, if that starts to happen, then we know that activity is beginning to, I mean, the same, because it's an annual subscription, the company may renew one year later, six months later, et cetera, et cetera. But if users start to go up, then that's a very good sign.

Sanjeev Bikhchandani: The Jobspeak index would indicate this. That is on job listing activity.

Ankur: Okay. So, we keep tracking that. Okay. Helpful. And a question is on the cost side as well. I mean, given the challenges and, given a lot of global tech companies are also taking very seriously, you think of how they drive efficiency within the platforms. How are you thinking about that? I know you mentioned attrition is going up and you were sort of looking at that as well. So, both maybe from a technology cost perspective, labor cost and AMP cost.

Hitesh Oberoi : So, how are we looking at our costs?

Ankur: Yeah. Your cost base and, how are you thinking, are you rethinking of, the investments you made in the last two or three years? If, this remains slow, let's say for the next 12 to 18 months.

Hitesh Oberoi : Well, there are some areas where we would not want to sort of cut corners. So, for example, we continue to invest very aggressively in our machine learning and AI capabilities across the company. Okay. So, that's not something we want to cut down on. Like I mentioned earlier, we are seeing, opportunities in non-IT. So, we want to expand the number of offices, hire some more sales people, both in Naukri and in 99 Acres. So, we would not want to sort of, unless, demand slows down further, we would not want to sort of compromise on that. In other areas, we can get a little, perhaps get a little more efficient. But it's not, we're not looking to lay off people. We think, see, we also have some attrition. What we will not do is, where we have some extra people, we will not backfill and we'll also go slow on campus hiring, for the next few months in areas like Engineering and QA. We continue to invest in some of our newer verticals like JobHai. They require investment. We are actually hiring as we speak in JobHai. So, some of these long-term investments, which are more strategic in nature, we'll sort of not want to cut corners on. Where there is scope for more efficiencies and, where we think we can get higher productivity by using some, by organizing ourselves better or by focusing ourselves a little more on what matters in the short term and by making our people more productive. There we'll do whatever we can without laying off people.

Ankur: Understood. Quick question on real estate. How is the incremental competitive intensity moving, especially with respect to housing?

Hitesh Oberoi : So it's a competitive market. everybody sees a big opportunity in the medium term in real estate. It's come back after a long time. Everybody is trying. We are also trying. But I think, if you ask me, I think it's a little more rational than it was last year. But you never know how things are going to play out going forward. I mean, some of these things can change at the drop of a hat.

Ankur : Okay, understood. Thank you and best of luck.

Anand Bansal : Thanks, Ankur. Just a small thing. System showed your name is Bhavik Mehta. Just to mention that. Thanks. And Vivek, that's the last question we have.

Vivek: Okay. Thanks. Thanks, everyone. With this, we conclude the call. Thank you.

Anand Bansal: Sorry to interrupt.

Vivek Aggarwal: I think Nitin has a question. Maybe you can take this last one.

Anand Bansal: So, okay. Nitin, go ahead and ask your question.

Nitin : Yeah, thank you for the opportunity. So, just two quick questions. So, in terms of the Naukri portal, I just wanted to understand, what new developments or functionalities or new features you have introduced on the portal in, say, the last two quarters or so, or are you planning to make? And the other question is, given the good amount of cash that we have in the balance sheet and the cash that we are generating every quarter, can we expect, any meaningful change in the payout ratio going forward? Thank you.

Hitesh Oberoi: See, features of Naukri, there's a lot of stuff which we do at the backend, which you would want to see. Like I said, we've been investing very aggressively in our machine learning capabilities. We've been working on our recommendation engines. We've been working on our search. We've introduced some branding products on the platform. So, we made a lot of changes to the app. We are working on our content. We've done some integrations with Coding Ninja. So, there's a bunch of whole lot of things we've done. We are trying to, now working on integrating first Naukri with Naukri. We've been working on JobHai a lot. I mean, that platform is growing very rapidly. We've integrated Ambition Box very deeply with Naukri over the last, year or so. So, I mean, a bunch of them, we can take this offline. I can take you through what we are doing and what we are planning. Similarly, we've been working on iimjobs and hirist as well. So, yeah, I mean, we have a 300 strong team working maybe even more in Naukri, which is constantly, and they have a long product pipeline and there is something which goes live every week or maybe a few things go live every week on Naukri.

Nitin: Okay. And on the payout ratio?

Hitesh Oberoi: Chintan, you want to take that?

Chintan Thakkar Sorry, what was the question? Can you just repeat that?

Nitin : So, it's basically, we have a good amount of cash on the balance sheet and the business also generating, significant amounts of cash every quarter. So, going forward, can we expect any, meaningful change in the payout ratio?

Chintan Thakkar: Yeah, well, today we declared, 10 rupees dividend, interim dividend, which is in line with what we had done it, last year. But it's a constant discussion on the board about, what the cash requirements are and what should we do for the long term. We also look at what the current cash position that we have, compare it against what the deferred revenue we have, which is almost like an advance received from customers. We also look at, the next, 12 to 15 months type of expenses. If something like, like pandemic type of stuff, like an event happens. So, we take all that into consideration and we look at what cash position we have. As such, the dividend policy that we have is like 15 to 40% of adjusted PAT. And that's what we follow as of now. But the policy also has certain, possibilities that in certain situations we can go with some special dividend. So, we'll look into it on a quarter-to-quarter basis.

Nitin: Okay, thank you.

Anand: Thank you Nitin.

Vivek Aggarwal : I think that was the last question. Thank you everyone. With this, we conclude this conference. Thank you and wishing you all a very happy Diwali. You may disconnect your lines now.

Hitesh Oberoi: Thank you everyone. A very happy Diwali to all of you.

Anand Bansal : Thank you so much everyone. Happy Diwali to all of you.