"Info Edge (India) Limited Q3 FY15 Results Conference Call"

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Moderator: Ladies and Gentlemen, Good Day, and Welcome to the Info Edge Limited Q3 FY15 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 participants' line 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hitesh Oberoi. Thank you and over to you, sir.

Hitesh Oberoi: Thank you. Good Evening, everyone and Welcome to our Third Quarter Results Conference Call. We will first take you through the quarterly financial performance of the company, and then we will cover each business in more detail. In the end we will be happy to take questions.

For the standalone company, net sales in Q3 were Rs.146 crores versus Rs.123 crores in the same quarter last year, an increase of 18%. For Q3, operating EBITDA was at 36 crores, a decrease of 14% year-on-year, operating EBITDA margin was at 24% versus 34% in Q3 last year mainly on account of higher people cost and higher spend on advertising especially in the 99Acres business. Other income has jumped since then, as we had mentioned in the Q2 call. We had deployed the QIP funds in the growth option and switched to daily dividend reinvest option in Q3. PAT in Q3 was at 38 crores, up19% year-on-year. Operating PAT was at 20 crores, down 17% year-on-year and operating PAT margin was at 14% versus 20% in the same quarter of last year. Deferred sales revenue has decreased to Rs.143 crores versus Rs.147 crores as of September 30th but is up 20% year-on-year from Rs.119 crores. Cash and cash equivalents from the balance sheet were about Rs.1,245 crores. We disbursed about 184 crores being the investment in Zomato early this month.

The Naukri growth continues to sustain and as the environment improves we expect the growth to improve further. Real-estate though is sluggish with markets like Noida and Gurgaon showing hardly any growth.

Moving on to the performance by vertical:

Please note that all business wise numbers are estimates and are not audited. Recruitment topline in Q3 grew by 19% year-on-year to Rs.108 crores. EBITDA margins in recruitment were up at 49% similar to that in Q3 of last year, in Naukri the EBITDA margin was at 51%. In Naukri in Q3 we added an average of 9,400 fresh CVs every day and the Naukri database drew it over 40 million CVs. The average CV modifications in Naukri were at 124,000 per day. The Naukri Job Speak Index was at 1425 in December 2014 versus 1296 in December 2013. In Q3 we serviced about 31,000 unique customers in Naukri, up from 27,000 in Q3 of last year. In the nine months ended December 31st 2014 we serviced 49,000 unique customers versus 43,000 in the same period last year. Our new products like the Career Site Manager and the Referral Hiring App product continued to do well. The mobile app also has good traction and continues to grow in terms of downloads and engagements.

Moving on to the real estate vertical:

In the 99Acres business net sales grew 20% year-on-year in Q3 to 23 crores. The 99Acres business made an EBITDA loss of about Rs.14.4 crores in Q3, this loss is on account of continued investments in sales expansion, service, product and technology and branding, the cost of which is expensed out every quarter. This loss may increase depending on the kind of investments we incur going forward.

Paid listings in Q3 were at 5.8 lakhs versus 5.4 lakhs in Q3 of last year. Traffic from mobile phone in 99Acres is around 33% of total traffic. Like we mentioned last time we continue to invest aggressively in the business in various areas, we have strengthened the management team and have a new business head in 99Acres, we have expanded verification of listings to more cities, and we are continuously working on improving our data quality, reducing spam. The Map search went live for various cities last quarter, the sales team continues to expand. We will keep updating you on the developments in this business from time to time.

In Jeevansathi net sales grew by 9.5% in Q2 and reached Rs.9.7 crores, there was a slight EBITDA loss in Jeevansathi. In Shiksha, net sales grew by about 6%.

Moving on to our strategic investments:

Our investee companies continue to witness a solid growth. We announced an investment of nearly 184 crores in Zomato which was the disbursed earlier this month. This investment was routed through a wholly owned subsidiary of Info Edge. We believe that given that the amount of investments are increasing and for some so is the market value, it may be prudent to transfer each such investment into a specific SPV and to route further investments through such SPVs, we are studying the various implications of this option. Our investee companies continue to evaluate if they need to raise more funds and we continue to carefully evaluate all investment opportunities mainly in the Indian internet market.

To Summarize:

The job market continues to show signs of picking up. The growth is coming mainly from IT and some other sectors; we expect the other sectors to also pick up with time. We also continue to gain share from other forms of recruiting and from competition. Our competitive position in Naukri continues to be strong and our new product launches will help us tap new sources of revenue. As GDP growth picks up we should benefit phenomenally going forward. Our investments specifically in product development will continue to help us maintain and strengthen our leadership position.

In 99Acres we continue to invest aggressively in various areas like verified listings, better UI and designs, improve products and features on the site, the mobile platform, the platform for new projects, analytics, etc., we expect more such product rollouts in the future. The 99Acres growth in Q3 slowed down due to the uncertain market condition specially in certain markets but we hope to continue to invest in the business and we expect to grow to come back in a couple of quarters. We continue to invest in Jeevansathi and Shiksha as well.

We are now ready for questions that you may have. Thank you so much.

Moderator: Thank you very much Sir. Ladies and Gentlemen, we will now begin with the question-and-answer session. We have first question from the line of Gaurav Malhotra from Citi group. Please go ahead.

Gaurav Malhotra: Hi, thank you for the opportunity, just a couple of questions. In the backdrop that Naukri top line has remained quite strong, any particular reason why the EBITDA margins in the recruitment have gone down by 1% point? That's one. And the second bit is in terms of your cash and equivalents in your balance sheet it is around 1260 crores, so this does not include the impact of the 184 crores in Zomato investment, is that correct? And lastly, if you can also give us some thought process on this whole SPV structure and what it means for the standalone entity? Thank you.

Hitesh Oberoi: Yes, to answer your first question on EBITDA margins in Naukri going down by about a percent, see we don't really target margins on a quarter-on-quarter basis, we have an investment plan in Naukri, and we are investing aggressively in new product development. So sometimes we expect that the growth to be 20% plus going forward, so we should be okay as long as the growth is between in the 15% to 20% range but we really don't target EBITDA margins on a quarterly basis, sometimes we may come over 50% to 52% depending on the advertising spend in a particular quarter or sometimes we would go a little under as well.

Your second question was on this 1245 crores and whether it includes, that this 1245 is after the 184 crores investment plan?

Sudhir Bhargava: Now, that happened in January. So what had happened till December end was 48 crores which was by a way of a loan to Zomato and then in January we disbursed the entire 184 crores and that loan came back.

Gaurav Malhotra: So that's why your short-term loans and advances has gone up?

Sudhir Bhargava: Yes, correct.

Gaurav Malhotra: So this should normalize and 48 crores was in the short-term loans and advances, right?

Sudhir Bhargava: Yes.

Gaurav Malhotra: And the cumulative amount in Zomato is how much?

Sudhir Bhargava: Is around 184 crores in this round. Before this round it was 142.

Gaurav Malhotra: Okay. Sorry, you said before this round was 142?

Sudhir Bhargava: Was 142 or 144 and then you add to that this 184.

Hitesh Oberoi: So total investment in Zomato till date is about 325 crores approximately.

Gaurav Malhotra: Yes. And this SPV, if you can just explain.

Chintan Thakkar: So right now this SPV is a wholly owned subsidiary and we have invested through this wholly owned subsidiary company.

Gaurav Malhotra: No, Hitesh was mentioning something of you trying different options and what it means for further standalone entity, will it be that the SPV will not be fully owned by Info Edge, will have some investments from some other entities as well?

Chintan Thakkar: So we are right now as Hitesh said that we are exploring that and we just thought that we will let you know that we are looking at the implications of the different-different SPVs. But right now all that we have and the current investment that we have made is through a wholly owned subsidiary company.

Moderator: Thank you. We have next question from the line of Srivathsan Ramachandran from Spark Capital. Please go ahead.

Srivathsan Ramachandran: Just wanted to get your thoughts on the competitive scenario we are seeing in real-estate, do you think this will in some form kind of play out on lower growth rates or more pressure on realization. Just wanted to understand because most of them are raising capital, just wanted to understand your thought process?

Hitesh Oberoi: So there are two or three things at play here, one of course is real-estate market is currently very tight, especially in cities like Delhi and Mumbai and Chennai, so that is impacting our realizations to some extent because transactions have gone down year-on-year. Of course, competitive activity has also increased so the cost of lead acquisition has gone up, the market has got a little irrational so this is putting pressure on one, of course top line, and also bottom line. And thirdly we are continuing to make long-term investments in the business which will not have an impact on the top line in the short-term but we will sort of improve the user experience on our site per consumers and will help the business in the medium-term, so those will continue as well. So yes, there could be a period in between where the top line driver where growth in real-estate is sort of impacted to some extent and the expenditure continues to as usual.

Srivathsan Ramachandran: Sure. And on the Jeevansathi business just wanted to understand what would be the medium-term trajectory, we have been making multiple changes but either growth or profitability seems to be alluding in a meaningful manner. So just wanted the management thought process.

Hitesh Oberoi: So actually while the business is not growing rapidly, we are not losing a lot of money in the business any more so this year till date I think we have lost only about 3 crores in the Jeevansathi business and in the last quarter we lost less than a crore. So we are trying to sort of see how we can get closer to breakeven, so while we are not making any big changes we are working aggressively on the mobile platform and that's helping and we are sort of tweaking the site a little bit and improving our marketing efficiencies to see if we can get to breakeven. So we are not there as yet but we are not losing a lot of money anymore.

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

Arya Sen: Firstly if I look on 99Acres the proportion of paid listings is being coming down over the last few quarters so I think it used to be around 80%, this quarter it has come down to around 70%. Any specific reasons for that or if you could discuss that part in a little more detail?

Hitesh Oberoi: Yes, two things, one is of course we are focusing a lot more on owner listings and owner listings are free but they add to the quality of listing on the site and many people want to get in touch with the owners directly so they improve the user experience for the people who visit our site, ownerships are free but they help us get traffic and they genuinely sort of add to the quality of the site. So these, the owner listings have been growing at a fast pace which is why the ratio of paid to total listings has fallen. Secondly, we are not so much focused on getting more and more listings, we have I think enough listings from every part of the country, increasingly our focus is to get better quality, to cut spam, to sort of reduce junk and so this may result in listing sort of moving south also going forward as we tighten the screws on the site.

Arya Sen: Okay. Secondly, the other income, is this a more normalized number given the large amount of cash and investments on your balance sheet, is this sort of range or the percentage will be similar going forward?

Sudhir Bhargava: It could. From the normal 9 or 10 Crore that it used to be it went up to 25 Crore, the 15 Crore increase is because of the QIP funds, but as we mentioned we had put them in growth options so this amount is gross of tax, the 15 Crore. Now we have gone into what is called the dividend reinvest, so it will therefore be net of tax but which means 15 would be down to around 10. So 10 plus 9, possibly 18 to 20 Crore in a quarter, of course, depending on rates and depending on where the corpus moves or if we end up investing in other companies then that amount could be lower.

Arya Sen: Right. Thirdly, you talked about mobile traffic being 33% in 99Acres, what is that number for Naukri and Zomato?

Hitesh Oberoi: So Naukri, it is closer to 40%, the Zomato number I don't have off hand but we will get back to you on that.

Arya Sen: Sure. And lastly if you could just talk a little bit about the UrbanSpoon acquisition, I mean what was the thinking and what it could do for your US business?

Sanjeev Bikhchandani: So, Zomato didn't have US business till now and UrbanSpoon is a clear market leader in Australia, in Canada and it is number two in the US, although in several cities outside of New York and the Bay area it is number one. So I think the acquisition was justified on its own purely because of the Australian and Canada businesses. The fact that it is number two in the US I think makes the deal even sweeter and the logic is, Zomato has entered UK organically and it has been an uphill battle and therefore the better way to enter a developed market like the US would be through an acquisition of a number two player. And Zomato felt that this was a kind of hidden gem to underpriced because they are good asset that have not been leveraged and monetized properly, revenue growth was flat, traffic growth was flat; well traffic growth was flat, revenue growth was not flat but revenue was not anything compared to what it could have been for a kind of asset like this if they put in a field sales force and they modified the product a bit. Zomato has also over the years on its own and through acquisitions in other markets added a couple of new products to its portfolio which would then add to the business model in all markets throughout the world including the US eventually. The rational was, large market, good opportunity, underleveraged asset, got it very cheap, although it was a competitive bid and if it has not been a competitive bid we would have got it even cheaper and therefore they decided to go ahead with it.

Arya Sen: Right. And does UrbanSpoon do reservations as well or is it just a classified thing?

Sanjeev Bikhchandani: UrbanSpoon is a mere restaurant information and discovery kind of site, it does not even have menu cards and the only monetization model is it runs Google ads, it does not have a field sales force and it has got 39 employees only and therefore given the kind of traffic, the Zomato team felt that it was underleveraged in terms of monetization.

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

Dinesh Patil: On 99Acres, can you just talk about the traffic trends in the last few months?

Hitesh Oberoi: Traffic has been healthy, we look at 99Acres as three separate businesses, there is a new home piece, as in homes under construction; there is a resale piece and there is a rental piece. Traffic in 99Acres has been growing year-on-year, if you look at the overall traffic share it has been in the 30% percent if you define competition of the top five or six sort of players in this space, the average for last year may have been around 35% or for the last 9 months would be about 35% or so. But I think increasingly what is happening is that transactions are slowing down and there are therefore limited number of buyers and there is a lot of competition to get those buyers on to the site and it is getting more and more expensive. So irrationality creeps in because people are willing to pay a lot to get those buyers on the platform. So somewhere sort of we have to take a call to what extent are we willing to sort of go to acquire this traffic.

Dinesh Patil: Right. And when you say 30% so this is inclusive of mobile, app, and desktop traffic?

Hitesh Oberoi: When I say 30% this is actually what comScore reports, comScore does not do a very good job of reporting mobile traffic, this traffic also includes rental, resale and new homes, we don't know what the mix is for different players, some players could be more focused on rental traffic which is cheaper and easier to get while other could be more focused on buyer traffic which is harder and more expensive to get. So this is a number which comScore reports, and it is a national number, you don't know breakups by city, nothing and you can easily buy visitors also, but this is one number which is independent, which one could look at. But this is not to say that this is a true and accurate reflection of the real market share in the market.

Dinesh Patil: Okay. What is your internal sense in terms of the app and mobile traffic, you still would be competitive in that metric as well or would other players be more having that traffic more?

Hitesh Oberoi: No, we think we are doing a good job on the mobile phone so we have an Android app, even iPhone app, our mobile traffic is also growing. We believe the mobile site is more sort of conducive for rental traffic because that is sort of a more immediate need and people are on the move. When they buy property on the other hand they take months to decide and they do a lot of research, so of course they use the mobile phone also but a lot of that traffic is from the desktop as well. So again it is different in different categories but we believe that we are reasonably competitive, like I said about a third of our traffic is on the phone and it is growing.

Dinesh Patil: Okay. And how much of that is from the app?

Hitesh Oberoi: About a third of that would be from the app right now.

Dinesh Patil: Okay. And apart from traffic share can you just talk about what are the metrics are you monitoring now that there is going to be hyper competition to make sure that, obviously you have a feel of the market because you have a field force but apart from that is there anything else that you are monitoring that can sort of give us a measurement of how we are featuring versus the competition?

Hitesh Oberoi: Well, we monitory many things, so one of course we like that they monitor traffic by segment so we monitor resale traffic, we monitor traffic of people interested in buying new homes, rentals, then we monitor traffic by city, our market shares could be different in different cities, then of course we look at the number of unique who visit our sites and then the frequency of their visit. We also look at the number of enquiries we are able to generate, the number of unique enquiries we generate, the quality of enquires we generate. So we as an operating team looking at 30-40 different metrics to track business on a daily basis.

Dinesh Patil: Is it possible to add some of those metrics to your data sheet?

Hitesh Oberoi: Well, there is some information we are comfortable sharing which we will definitely share with you, but there are stuff that are just confidential which we would not be in a position to declare.

Moderator: Thank you. Next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri: Firstly, just wanted to understand, Hitesh you mentioned that Shiksha, the sales growth has slowed down to about 6% year-on-year, you earlier had mentioned on the call that you need to kind of reinvent the business model. Can you give some update on what are the initiatives which are being taken and when can we expect it to get back to a higher growth path?

Hitesh Oberoi: One, I just want to say that Shiksha is a very seasonal business so there is a lot of seasonality and Q3 is normally our weakest quarter, so I think one, we should look at Shiksha growth on a full year basis and I think we are going to be around the 20% mark which is what we have done in the first nine months. But I think you are right that we need to sort of like I said in the last call also we need to sort of figure out the business model in a little more detail, while our traffic has been growing, our visitors have been growing. To grow the business beyond a certain size we need to discover new ways to monetize the traffic, we have identified four or five different segments in which we sort of want to operate, MBAs, engineering, private universities who undergrad and study abroad, another one we are exploring is student counseling. So in a couple of these segments we think we can do a lot better than what we are doing right now and we are sort of figuring that out but it might take a couple of quarters for us to figure that out hopefully.

Srinivas Seshadri: Fine. The second question is on the UrbanSpoon acquisition, is there any numbers you can share on the financials? I understand that it has been under monetized but just to give some sense on what basis the valuation was done for this acquisition be really helpful.

Hitesh Oberoi: Well, valuation I think was more on the basis of the traffic they have, like Sanjeev just mentioned they are a leader in many markets in the US in certain cities and so on, they are also leaders in terms of traffic in Canada and Australia. They have some revenue which I don't want to disclose right now but it is not very significant. So I think it is more of the opportunity to sort of leverage this brand and this customer base which UrbanSpoon already has and to combine with some of the things that have been discovered and which Zomato does a very good job of. Basically if they take to this site in these markets they can probably build a very good business and very strong business in times to come.

Srinivas Seshadri: Okay. Or maybe I can ask it in a different way, you have made a couple of acquisitions recently that is through Zomato and you have earlier indicated that you are kind of targeting about 85 crores to 90 crores of revenue run rate for the year. So if you can kind of just update it based on whatever has happened in the last few months, I mean if there is any number to share based on that?

Sanjeev Bikhchandani: So the revenue estimate for the year remains similar, it is in the region of 80 crores to 90 crores, of course we will know as there is still three months to go and so it seems to be ending as a fairly robust year with continuous growth coming in. While today the bulk of the revenue is from two markets, India and UAE, I think the way the some of the other markets are trending where Zomato is a traffic leader, where revenue from the market trending is very-very encouraging, I think next year you might see a slightly different scenario with a significant percentage coming from markets outside of India and UAE. And Zomato team tells us that, look we have no reason to say that even at this base the revenue growth is going to slow down in the next one or two years. Having said that, look it is still early stage, it is still a young company and these things are discovered as we go along and sometimes you meet up with expectations and miss them a bit but I think revenue trends are very-very robust, I think the key is that if you are doing it to track the leadership sometimes you may derail and that we are down a bit, sometimes we may make a couple of mistakes and it maybe six months late but eventually sales do happen. So I think it is looking very good.

Srinivas Seshadri: Sure. And the third question is on the collections trend, so if I look at what has happened in the first half, the collections were growing at about 23-24% and this quarter it has come off to about 17%, so if you can just kind of give some qualitative color of whether the slowdown was entirely driven by 99Acres or is there some kind of a Naukri element as well to this number? And from that perspective do you see further potential slowdown in 99Acres for the rest of the year or in the next two three quarters?

Hitesh Oberoi: Well, the bulk of the slowdown in collections is on account of 99Acres, so you are sure maybe Shiksha would have made a slight difference here and there, Naukri maybe plus or minus 1% but that's about it, the bulk of the slowdown is on account of 99Acres. It is hard to predict what is going to happen in Q4 in 99Acres, if the market starts to recover, if we execute well… like I said we have put a good solid team in place, we have got a new business head, we are confident as we go into this quarter but if the competition continues to be irrational we will have to see how we want to shape this business going forward. So it is very hard to predict what is going to happen in Q4 in 99Acres right now.

Moderator: Thank you. We have next question from the line of Omkar Hadkar from Edelweiss. Please go ahead.

Sandeep: Hi, Sandeep here from Edelweiss. Sir I have couple of questions, first on the UrbanSpoon acquisition, I know you cannot give much details on the financial side but strategically when you say that some of the leverages which we can do with Zomato there, do you mean that we will be trying to add the benefits like putting the menu for urban spoon also, also going by very different kind of review? I know there is a lot of review which is there already but are you planning to make some changes on that look and feel and add some features on that side? And secondly, also as you rightly said that Google ad is the only way to monetize right now, so what are your plans to monetize, will it be a listing kind of thing going forward? And third sir coming back to Jeevansathi, I know you said that you are losing very less money now, but what is the future, how do you see the future business because we are trying to breakeven for long time now, so even after breaking even what will be the growth and all those questions if you can add some light on that?

Sanjeev Bikhchandani: So I will talk about Zomato and then Hitesh will address Jeevansathi question. So on Zomato I think some of these things will become clearer even to us in the coming weeks and months, but in general I think what Zomato has found is a template that has worked in many markets as far as business model and monetization and even content strategy is concerned. And yes, the fact that UrbanSpoon has got a good brand, it has got a lot of good URL, it has got a fair bit of traffic, it has got a lot of listings and it has got a large number of reviews, all these are assets and will sort of help Zomato in the US when it sort of figures out its content strategy there. But what we have observed about Zomato in its other markets is that, look the monetization model in most markets ends up converging to being almost the same although some components in some markets will be added earlier and some of the markets later. So I would imagine and this is right now is just a surmise, we haven't got into a deep dive with the Zomato team yet on this. I would imagine that that would also play out in the US but I guess it will be confirmed in the weeks and months to come.

Sandeep: Okay. And sir just before you mention my Jeevansathi question, just one more question again on UrbanSpoon only. So do you think your initial next few quarters for Zomato team and you will be more to scale up Zomato in those geographies along with kind of integrating the app and probably UrbanSpoon app needs also a lot of changes to align with Zomato or vice-versa. So will that be priority or you are looking immediately to go for monetization strategy?

Sanjeev Bikhchandani: So I think as far as UrbanSpoon is concerned, like I said I think right now the Zomato team is taking stock on how best to integrate, how the data should migrate, what more data needs to be collected, how the app should migrate, if it should migrate. All of those things are yet to be determined, so it is a little early because the acquisition has only just happened.

Sandeep: Okay, thank you. So on Jeevansathi my question.

Hitesh Oberoi: On Jeevansathi right now our focus is on breaking even, on getting as close to breakeven as possible so we are looking at how we can optimize our spending on the marketing side which is the large part of the spend in Jeevansathi, we are looking at how we can improve our realization, we working on how to improve our mobile app to get more engagement from users. Once you sort of get closer to breakeven it will give us more confidence to implement some of the other strategy we have which we are not implementing right now because we want to see the current ones work before we start investing more in business.

Sandeep: And sorry, if I can squeeze one more question there, so if you see in Jeevansathi a number of unique paid customers have gone up quite significantly in this quarter, but average amount realized has also come down. So any specific reason for this kind of movement or it is seasonal?

Hitesh Oberoi: Like I said our focus is on breaking even so we are doing whatever it takes to sort of breakeven. Also a lot depends on competition, sometimes aggressive schemes are run by competition, they discount in the marketplace so we are forced to react to that. Sometimes it is prudent for us to go in for a discounting to get more customers because we believe these ads will help us in the long run. So these are sort of tactics we change from quarter to quarter, so I would not read too much into that at this point in time.

Sandeep: And one last question sir, which business other than Naukri you see to become closer to Naukri going forward, which is the second in the run? That is the way I would put.

Hitesh Oberoi: Of course, like we discussed Zomato, Zomato is doing very well and that may continue to execute brilliantly. Inside the company, 99Acres is the focus, it is a large category as we all know, the real-estate spend in offline media even portals like Google, etc., are huge and we know that a lot of this spend is going to migrate online and onto the real-estate portals with time. It is an exciting category, there are many strong and big real-estate companies in other parts of the world, we are a leader in this category, we have like we have said our sort of about traffic share in 30s and we are a leader, but also it is also a very competitive category. So a lot of money has been invested in various companies in this category. So for a while there could be ups and downs in this category but the long-term story is intact and we believe that if we execute well this can become a business which is as big as Naukri if not bigger over a five, seven year period. So we are confident and we continue to focus on this business inside the company.

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

Prince Poddar: Just a few questions on 99Acres. Firstly, sir you did mention the sales and EBITDA number for 99Acres, if you can please repeat that.

Hitesh Oberoi: Yes, so sales, top line grew by 20% to about 23 crores and EBITDA losses were 14.4 crores for the quarter.

Prince Poddar: So basically sir my question was pertaining to paid transactions which saw a very healthy growth during the quarter for 99Acres at 37%. Firstly, what is driving this higher paid transactions, is it the paid transactions by the customers or who?

Hitesh Oberoi: These are paid transactions, so these are not number of paid customers these are… you mean paid listings or paid transactions?

Prince Poddar: Transactions.

Sudhir Bhargava: Paid transactions is invoices issued by the business during the quarter, it is just an indicator of how busy the business is if that could be a way to look at it.

Prince Poddar: Okay. So basically sir even with 37% increase in paid transactions the losses have widened, so is it because of the extra expenses the company is having on 99Acres?

Hitesh Oberoi: Yes, so like I mentioned we are investing aggressively in a few areas which are not going to yield revenue growth in the short-term so our expenses on branding and, you know we released a new ad film, we were on television last quarter, we are on television again this quarter, so expenses on marketing and branding have gone up, number one. Number two, we are investing aggressively in our product development efforts so we have doubled the size of the tech team, we have doubled the size of the product development team to launch new features and functionalities which are not going to yield immediate sort of benefit but it will help the business in long run. We have launched a lot of effort to improve the data quality, so like as I said we have a verification team which sort of goes to houses of customers and takes photographs. This team does not generate any revenue but it will improve the user experience on the site. We have about (+300) working in that division so that's a cost that we are incurring right now. So likewise we are investing in many areas which will hopefully sort of help us build a better product and improve the user experience and once the market starts to recover will benefit our business immensely in terms of top line as well.

Prince Poddar: So sir basically I am assuming that the personnel cost which has gone up by about 320 basis points that is also primarily due to 99Acres, is that correct?

Hitesh Oberoi: Some because of Naukri as well, yes, but they have gone up disproportionately in 99Acres.

Moderator: Thank you. We have next question from the line of Ashwin Mehta from Nomura. Please go ahead.

Ashwin Mehta: In terms of Zomato, like if you look at your current cash balance that's after the Zomato investment would be around 1050 crores and you have set aside 750 crores for the 99Acres business, so if Zomato decides to raise more funds as is being talked by the news reports, would you look at retaining your 50% stake or possibly there is also a chance that you let it dilute or sell some of it?

Sanjeev Bikhchandani: This is up in the air right now, this is I believe a little speculative. I think there have been no meeting or discussion in the Zomato Board for the fund raise. As and when we sort of come to that juncture we would take a call. We haven't really discussed about in right now.

Hitesh Oberoi: But you know clearly, Zomato is a business that we are very-very optimistic about and the company is doing well and the current investors, all of us remain very-very bullish about it and we will do what it takes to support it.

Ashwin Mehta: Okay. My question was you would possibly have just about 300-odd crores in terms of surplus cash ex of what you require for 99Acres, so given the scale of business of the scale of investments that Zomato might require do you think there is a possibility of further fund raise as well?

Hitesh Oberoi: Well, we don't know yet, we will have to take a call on that as we go forward, but Zomato has really not reached out to us for a further fund raise just yet.

Moderator: Thank you. We have the next question from the line of Rohit Gajare from UTI Asset Management. Please go ahead.

Rohit Gagre: Earlier in the comments it was mentioned that for 99Acres there is some cost pressure, you mentioned about acquisition cost is higher in 99Acres because of irrationality in marketplace. Can you elaborate on what you mean by that?

Hitesh Oberoi: So, we are in the business generating response for our customers and we spend a lot of money on marketing to sort of get traffic to the site. A lot of this money is spent on acquiring leads for our customers so we spend on Google, we spend on other platforms to get traffic and therefore there is a cost per lead which we sort of pay to get people on to our platform, not all people because some people come direct, some come through SEO, and some come through paid traffic. What I meant was that the cost of this acquisition is going up because of increasing competition.

Rohit Gagre: So the acquired traffic would typically be the retail, the consumer, either the home buyer?

Hitesh Oberoi: Yes, yes, people who are looking to search for property. So now up to a point it does still make sense to acquire this traffic, beyond a point it does not. Now what happens of course is that if we stop acquiring a lot of this traffic then we are not able to deliver adequate responses to our advertisers, in which case our yield and our realization from the advertiser suffers as well. So that was really the point.

Rohit Gagre: So if you do not invest over here then your pricing power from your client will in turn get affected, so you have to I mean the client would be the broker?

Hitesh Oberoi: Our realizations get impacted because ultimately clients look at what are the number of leads in traffic that we generated for them and that we delivered to them.

Rohit Gagre: Okay. Another question I have is, as I understand 99Acres model works on collaborating with the existing real-estate ecosystem, meaning the developers and the brokers or those kind of individuals where we work towards to improve their efficiency in some sense, but what I know is that the some of the newer players are trying to disintermediate them. So when I say this disintermediation I mean they would try to offer service that a broker would normally provide to the consumer. Do you feel that we will have to relook at our model or do you feel that the current model in which we work in that current ecosystem is fine?

Hitesh Oberoi: There are various models at play out there, there are brokers, so there are let's say a couple of hundred thousand brokers in the country today we work very closely with at least about 15,000 to 20,000 of them. There are developers who sell online themselves. There are developers who have their own sales team, they want leads. There are developers who work with brokers. There are people who go directly to owners and do the transaction. So there are all kinds of model that play out there, it's a very large market. So far our model is to work closely with builders, with developers, with brokers, and to generate more and more leads and more and more traffic for them which they convert themselves. The conversion process is a very intensive process, you have to hand hold the buyer, you have to sort of help them with the negotiation, help them with their paper work, etc. We believe it is currently done best by brokers and it is best left to them, we are not in their space. We are focused more on delivering marketing solutions to our clients and generating more leads for them right now.

Rohit Gagre: Okay. You mentioned that UrbanSpoon is #2 in US, do you have some metric to figure out how big is the market share vis-à-vis #1 player?

Sanjeev Bikhchandani: We don't actually, but other than public sources like Alexa and similar web which don't always give completely accurate data but other than that there are not any sources. But I think the Zomato team has done its due diligence, they have looked at their Google Analytics numbers and they have figured out that they are #2.

Rohit Gagre: Okay. It is probably a very poor number two, if it's the right thing to…..

Hitesh Oberoi: But actually it is actually pretty strong in markets outside New York, outside Bay area, it is actually pretty strong.

Rohit Gagre: And one final question is, to have the investments into Zomato are they already via the SPV or that is something that we are working on?

Hitesh Oberoi: No, no, so this last round was through our wholly-owned subsidiary Naukri Internet Services Private Limited.

Rohit Gagre: Okay. And the earlier investments are still through the standalone entity?

Hitesh Oberoi: Yes.

Moderator: Thank you. The next question is from the line of Ankit Kedia from Centrum Broking. Please go ahead.

Ankit Kedia: Sir my first question is on the recruitment business, what gives us confidence that the recruitment business would grow 18% to 20% for next year given that on low base this year the recruitment business has grown by around 19% to 19%?

Hitesh Oberoi No, like we have been saying in the past the recruitment business is indexed to GDP growth to a large extent. The IT part of the business is more indexed to the world economy not to the Indian economy and that is being growing healthily this year, while the domestic part of the business is more indexed to the GDP growth in India. In the past what we have seen is that every time GDP growth looks up, we get a disproportionate increase in our business in recruitment. So when we say that we are hopeful that we can grow the business by 18% to 20% next year or even higher than that, we are basically banking on the fact that the economy will continue to improve quarter-on-quarter more than anything else. So if the economy slows down and goes back to 4.5% growth, I don't think we will be able to deliver 20% growth. But on the other hand if the economy starts growing at 5.5% to 6.5% year-on-year then our growth rates could also improve going forward. So really that is what we are sort of talking about.

Ankit Kedia: What could be the incremental growth from career site manager and hiring app, because those were the new products launched in the last six months?

Hitesh Oberoi: So the early signs are encouraging, but for these products to make a big impact to our top line will take a two or three years even if they succeed. What however happens as a result of these products is that we get some strategic benefits, we get more lock-in, we increase the dependence the customers have on us, we get some benefits on the product side as well, we get more listings, and we get to first look at what customers are posting on their site. So there are benefits which are strategic in nature, in terms of revenue the benefits will take two or three years to sort of start flowing in seriously, but the early signs are encouraging.

Ankit Kedia: Sure. My second question is on Zomato, Sanjeev if we look at Dependar's blog, he shared some data on UrbanSpoon and in most of the parameters UrbanSpoon is probably double than Zomato in terms of restaurants, reviews, mobile app usage or visits; then why is that this asset was available so cheap or the flipside is why the Zomato valuations are so high which we are paying?

Sanjeev Bikhchandani: Okay. I think in the last couple of rounds the Zomato valuation was led by external investors, because we came to a stage where we felt that on our own we were unable to pay that kind of valuation unless there was an external validation. And you know as far as private companies are concerned the valuations are always negotiable, negotiated, discussable, and therefore we were unable to justify to ourselves paying those valuations unless there was external validation. Once the external validation we felt confident, okay for this is the valuation. So I wanted to tell you that in last couple of rounds Zomato, the valuations to an external party may seem high but in the round that Sequoia came in Zomato had four term sheets and roughly similar valuations and they went to Sequoia. So that was pretty serious external validation, in the last round Zomato had two competitive term sheet in the same valuation and they went with an external investor VY Capital. Now, as far as why is UrbanSpoon so cheap, we don't know but there are obviously some hypotheses. Now even here I must tell you this is a contested deal, there were two or three other bidders and therefore when Zomato went into negotiation they had got a lower price in mind but eventually they were bid up to this price. And I think people value businesses depending on what they perceive the future of that business on a static basis as to what happens with this current management, UrbanSpoon was seeing declining traffic, UrbanSpoon was seeing low revenue, UrbanSpoon did not have a robust sort of business model, and the only business model was Google Ad Sense. They did not have a field sales force, UrbanSpoon essentially it was not market leader in all markets, I think the original founder had left couple of years ago and it was now being run by professional managers. So therefore it looked like the business was not headed places which is why possibly the seller wanted to sell it also. The belief is that under Zomato management and Zomato ownership this business can, will, and should go places and that is why Zomato bought it.

Ankit Kedia: Sure, that's helpful. And just one more thing, can we have an interaction with the Zomato management at least once a year given that the scale of our investments in Zomato is now very serious?

Sanjeev Bikhchandani: Yes, so we would like to be as transparent as possible and have given investors as much access as possible to all of our key investee companies. Having said that, it is a private company and the management team while they are helpful and open and accessible they also believe they have work to do. But having said that, yes, we will look at it and we will get back to you.

Moderator: Thank you. The next question is from the line of Nikhil Pahwa from MediaNama. Please go ahead.

Nikhil Pahwa: I was just wondering, Sanjeev you had mentioned earlier in the call that Zomato has acquired certain products along the way with all its acquisitions that can be leveraged in other markets, what products are these?

Sanjeev Bikhchandani: One example is the product that came with the acquisition in Czech in the Czech Republic. In the Czeh Republic in Prague the site they acquired is called LunchTime and essentially it focused on lunch time menus of restaurants in Prague and these restaurants had a fixed a menu but the most popular sort of menu was the daily menu which essentially was blackboard and chalk outside the restaurant, so you could not aggregate that menu and then keep it current for three months or six months the way it is done in Zomato currently. So this company had built a system where restaurants would update their own menus daily on the site, and they were in the habit of doing it. So it is not rocket science technology but it is just a product idea and it was a well-thought product in terms of design, UI and navigation and that product has been launched in India and in UAE and the UK and will be extended to other markets in the future where restaurants are given charge of their own page on Zomato and they keep making changes and it need not just be menu of the day, it could be a whole lot of other things like deals, discounts, anything content they want to put up. And this is a monthly subscription product and it is priced at around $50 a month and it seems to be getting a lot of traction from restaurants in India and in the UAE, couple of thousand have been sold already.

Nikhil Pahwa: Okay. So the thing was that the acquisitions that Zomato has been making, have they been for stock or cash and how does it impact your ownership structure?

Sanjeev Bikhchandani: Well, thus far they have been all cash.

Nikhil Pahwa: Okay. Including UrbanSpoon?

Sanjeev Bikhchandani: Yes.

Nikhil Pahwa: So Zomato looks like it is going to be a cash hungry business, like the rate at which it is expanding and scaling and it is evident that they will have to raise more money, how are you placed to keep your majority shareholding in the company?

Sanjeev Bikhchandani: So this is something we will evaluate as we go along and as the need for money arises by Zomato, and like I said we have not had a Zomato board meeting since UrbanSpoon acquisition. I guess future plans, future funding needs will be discussed, and we will take a call then.

Nikhil Pahwa: Okay. No, but in terms of the funds that you raised, recently you said that that's entirely for 99Acres but is there a chance that some of that might be apportioned to Zomato as well?

Sanjeev Bikhchandani: No, we would like to keep to the commitment we have made in the past when raising the money, so it is unlikely we will spend that money on any of our investee companies. And I also said that look, over two three years if we discover that it is not required in 99Acres we could look at other use for it but that's not right now.

Nikhil Pahwa: Okay, yes, I was coming from that context. The other thing was, could you give us sense of where Jeevansathi is going to go because it seems to be pretty stagnant for many years now, has the market stagnated and what do you think it is going to take for it to grow because the population of the country is growing and I would assume that the listings should also be increasing?

Hitesh Oberoi: Well, a challenge in Jeevansathi is that we a number three player in that category, in certain markets in North, and West we maybe number two but overall we are number three. So it is not easy to gain share when you are the number three player, we are focused more right now on profitability, on getting closer to breakeven so that we don't have to burn too much in the business till we discover something which can help us take our business to the next level. So that's really the focus, the focus is not on growing the business because growing the business will take a lot of capital which is something the Management and the Board is not very comfortable with at this point in time, so we are focused more on getting to breakeven and we are almost there, we are sort of in the first nine months of this year, we have lost about 3 crores in that business, in the last quarter we lost less than a crore I think. So that's really the focus for the short-term. Once we sort of get to that milestone then we will figure out what to do with the business.

Nikhil Pahwa: Okay. In the past Hitesh you have said that you are spending money to grow the business, so in that context wouldn't it be profitable now if you are just trying to maintain it at a particular level?

Hitesh Oberoi: So we are not trying to not grow the business, we are trying to sort of get to breakeven which would mean maybe trying to grow the business a little bit and sort of optimizing on our spending a little bit. So the point is that the focus is to get to profitability without compromising on the long-term sort of prospect of the business, so we are not skimming it and cutting it down, we are sort of trying to grow it a little bit and at the same time not lose too much money so it is a balancing act.

Nikhil Pahwa: Okay. Just going back to investments, Sanjeev, do you feel that your debts have now been placed in the market in the sense would you be looking at further investments in new businesses or is this the set that you will be focusing on?

Sanjeev Bikhchandani: So, we will keep looking at new companies but the truth is we have not invested in a new company in the last couple of years. Two reasons for that, one is of course as we see more and more companies, by now we have seen sort of 400 to 500 in order to invest in 9, we'd like to believe we get better at judging good from bad, of course that's debatable. Our bar moves higher and also given the fact where valuations have gone we understand that a successful company or succeeding company could require a couple of 100 crores, 300 crores, 500 crores, Zomato has raised much more in order to breakeven in scale and all of those things. But when we started investing in 2007, 2008 our belief was in 40 crores or 50 crores a company can hit breakeven. Now given this fact that sums of money have got much larger when a company begins to succeed, the valuations bid up and series B, C, and D can be fairly-fairly high valuations, we have been a little conservative and I think we shall continue to stay conservative but having said that we do look at other investments. But look, we are not likely to double our portfolio in two years' time, we can add one, two, or three companies maybe.

Nikhil Pahwa: Okay. Just going back to one of your investee companies – Mydala, how is that doing and it had announced some plans to launch international operations about a year and a half ago, has it raised more money or is it looking to raise more money, what is the situation there?

Sanjeev Bikhchandani: So on Mydala we don't have any announcements to make on fund raising right now, but the company is scaling up top line nicely and it has got to EBITDA positive and the truth is that they have not asked us for more money in last two or three years so obviously they are managing in the current money which means they are cash positive. So I think that the company has pivoted business model nicely over the last four or five years. It has not the same model they started out with. The mobile piece is sort of scaling up nicely. So I think there are some good bits there which leads us to believe that this could become a valuable company.

Nikhil Pahwa: Okay. And another company we haven't heard much of is a company called Canvera, what is the situation there?

Sanjeev Bikhchandani: Canvera, it's a market leader, it is a best-in-class product, and it is a good management team. It is a decent margin profile 45-50% margin profile company, it is growing between 30-35% top-line every year, so some good signs there as well.

Nikhil Pahwa: Okay, but I mean again it has been an investment that has been made over a subsequent amount of time, I am just looking at the rate at which Zomato has scaled and the way it is expanding across multiple markets and I am just wondering about the other companies in your portfolio and where they stand?

Sanjeev Bikhchandani: Well, look clearly Zomato is scaling up very nicely both in terms of traffic and top line and that is a very good news. But I guess each of our companies will sort of move in its own trajectory and its own pace, but I would say we are satisfied right now with all our investments.

Nikhil Pahwa: Okay. What are the regulatory situation with respect to Policybazaar, any clarity on the foreign investment norms in insurance there?

Sanjeev Bikhchandani: Well, I think the regulatory is pretty clear that same norms that apply to insurance will apply to insurance aggregators. And with this ordinance coming in of 49% which hopefully will ratified by parliament next session, I think that clarifies things a fair bit.

Nikhil Pahwa: So as of now it does not meet the foreign investment norms in the sense it has more foreign investment then as would have been allowed?

Sanjeev Bikhchandani: No, I think we are compliant.

Nikhil Pahwa: Okay. And how is that doing as a business?

Sanjeev Bikhchandani: It is growing quite nicely and it is I think traffic leader by a mile and that is good news. So I think it is a likely eventual winner in that category.

Moderator: Thank you. The next question is from the line of Pinku Pappan from Nomura. Please go ahead.

Pinku Pappan: I have a question on that point you made about irrationality in the 99Acres business where you mentioned that the cost to acquire leads are actually getting irrational. My question is on the realization per yield, do you see a scenario there because of the competition the realization also suffer, I am saying independent of the cost to acquire the leads, do you see players are trying to disrupt the market and or do you see a race to the bottom in terms of realization?

Hitesh Oberoi: It is hard to say, see if the cost of lead acquisition is increasing for portals it is also increasing for builders and developers. Like I said transactions have slowed down, it is harder to sell a property then it was maybe two years ago. So costs are increasing for everybody, whether we can pass on the cost increases in the form of higher prices and higher realization from customers remains to be seen, a lot will depend on what happens to pricing as a result of competition. So it is very hard for me to say what others are going to do but technically actually because it is becoming expensive to acquire leads even for our customer, we should be able to charge more. But whether we can actually pass on increases will depend on what others do.

Pinku Pappan: Okay. But so far in the competition have you seen anyone trying to kind of bring prices or realizations down?

Hitesh Oberoi: Well, it is not a strategy which somebody is following as such but yes, off and on there could be deal here and there which people sort of do people discount to get the deal. But I don't think it is a strategy which any particular competitor is following at the moment unless we sort of price ourselves low and get share. But things could change going forward, who knows.

Pinku Pappan: Okay. And on advertising, do you think the current levels are enough or do you envisage some bit of increases there in terms of your spend?

Hitesh Oberoi: Again it would depend on what competition does, so if all our competitors decide to double or triple our spends it will be hard for us to not match them because we would want to sort of retain and defend our share. On the other hand if people are more realistic then their current levels or even slightly lower levels maybe more than enough. So a lot of this is going to be competition driven at least for a while.

Pinku Pappan: Okay. And on 99Acres can you give us a sense of the increase in the sales force that has been added maybe over nine months?

Hitesh Oberoi: Yes, so I cannot tell you how many people we added in sales but our total headcount in 99Acres has doubled in the last one year.

Pinku Pappan: Okay. And how much would that be?

Hitesh Oberoi: So we have about 1300 odd people working in the 99Acres business at this point in time.

Pinku Pappan: Okay. And lastly, in Zomato do you think they are closer to potential listing now than before or is there any talk within the Zomato team about listing in the near future?

Sanjeev Bikhchandani: I don't think that is their priority at all, I think they have access to more private capital than they need, although they keep on raising for their activities but there are enough investors who want to invest more and more. So I think shortage of capital is not going to be a problem that Zomato is going to face and I don't think the management team wants the distraction of a public market sort of listing right now, they just want to build out and do their business and capture traffic share wherever they go as much as possible.

Moderator: Thank you. We have the next question from the line of Ashish Chopra from Motilal Oswal Securities. Please go ahead.

Ashish Chopra: I had a couple of questions on Zomato and then just a follow-up on 99Acres. Firstly, I think Zomato is now pretty much competing in the developed markets as well, would it be possible for you to just share the progress that it has witnessed in UK over the past year and a half or a couple of year?

Sanjeev Bikhchandani: So in the UK it has been an uphill climb for I think as far as the restaurant discovery space is concerned they have got their act together and they have made very good progress. But UK market is also a big table booking market, it is a big home delivery market and those are places where I think Zomato sort of needs to expand and grow. And that again is going to be a challenge they are going to face over the next couple of years.

Ashish Chopra: Okay. But any data in terms of the traffic share that you maybe monitoring for Zomato in that?

Sanjeev Bikhchandani: So I don't have the data with me right now but I think on restaurant discovery they are either number one or close to number one but restaurant discovery is a small segment of the market, the bigger market is table booking and food delivery, and online ordering.

Ashish Chopra: Okay. And Zomato is in those segments as well?

Sanjeev Bikhchandani: It has just launched a table booking sort of service or is in the process of launching and it is in the process of launching online ordering. It is going to enter those segments slowly over the next year or so but let's see how it pans out.

Ashish Chopra: Okay, that's helpful. And secondly, as you said that the monetization models across regions are kind of converging, so what would be your sense on the gestation period as we understand that a couple of regions, your major regions are already profitable for Zomato but would the gestation period for a breakeven in other regions also hence be similar or it would actually vary across?

Sanjeev Bikhchandani: So it depends on how fast they are going to get to traffic leadership and then subsequently how quickly they are able to execute on sales. The management team is more bothered about getting to traffic leadership because they say sales monetization will happen, even if it lags by three-six months it does not really matter because eventually they will do it. But it is very hard to monetize sales profitably unless you have traffic leadership in a particular city and therefore the big priority is traffic leadership and then sales modernization will follow, if it happens (+/-6) months it does not matter.

Pinku Pappan: Okay. And lastly on 99Acres, while you already addressed it but just to confirm, the revenue growth over the past couple of quarters while it has slowed down it would not be attributable to any kind of a change in realization, would that be the right understanding, it would largely be because of the market activity, because market activity had been low for quite some time now but the revenue is taking a hit in the recent quarters.

Hitesh Oberoi: No, so partly it is the market because which has corrected very sharply in cities like Delhi, Mumbai and Chennai and partly it is kind of a restructuring at our end which will take another two-three months to complete and partly like I said is on account of the massive competition for customers in the market which tends to become irrational at times.

Moderator: Thank you. We have the next question from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri: Just three questions. Firstly Sanjeev, can you share some consolidated data on the performance of the startup companies like you have done in the past or nine month comparison versus how they have done last year?

Sanjeev Bikhchandani: So we do not have it just yet, we will be getting it over the next couple of months and be able to sort of figure out in more granular manner as to what kind of top line and bottom line there will be in the investee company.

Srinivas Seshadri: Okay, sure. And just a few questions for Chintan, firstly, the SG&A cost was down a bit quarter-on-quarter so just wanted to understand the reason for the variation?

Chintan Thakkar: See, we have multiple businesses and different businesses have different sort of spending plans and they vary quarter-to-quarter depending on there could be seasonality in some business in some quarter, some businesses want to go on television in that particular quarter which may not have happened in the previous quarter or in the same quarter last year. So these are hard to predict and they are lumpy and they could change from quarter-to-quarter there.

Srinivas Seshadri: Okay. Actually I was referring not to the advertising but more on the administration and the other cost.

Rajesh Khetarpal: So in that basically we used to bear the service tax cost in terms of the negative list sales, so with effect from 1st October onwards the tax has been done away with so our proportion of sales which were towards negative list, that kind of cost has come down. So that is why in totality the admin cost is coming down.

Srinivas Seshadri: Okay. So there is a less tax provisioning as far as service tax is concerned?

Rajesh Khetarpal: Yes.

Srinivas Seshadri: Okay. So think number is kind of a normalized number what we see in the current quarter.

Rajesh Khetarpal: Yes. So the effect more or less has happened in this quarter.

Srinivas Seshadri: Okay, understood. And secondly, again a question on the expenses side, just one is if I look at the kind of IFRS impact of employee stock option, etc., it seems to have gone quite a bit year-on-year obviously partly due to stock performance. So just wanted to understand when does the IFRS become compulsory for you in terms of reporting as we know it from Indian GAAP?

Rajesh Khetarpal: So the Indian Accounting Standards would become applicable from 1st April, 2016, for us but whether the ESOP cost or the other impacts will flow into it that is yet to be clarified.

Srinivas Seshadri: Okay. So we don't know yet whether it will be part of the expense line?

Rajesh Khetarpal: Not fully because the complete standards are yet to be announced by the Institute fully.

Srinivas Seshadri: Okay, fair enough. And a related question to that is on the ESOPs, just wanted some guidance on typically how much of your fresh ESOP issuance is likely to happen over the next two or three years on an annual basis and likely pricing if there is some clarity on that?

Hitesh Oberoi: So right now we haven't reviewed our ESOP plan, but we will I think do it over the next few months and get back to you on this.

Srinivas Seshadri: Okay. So as of now we should assume it be more in line with what has happened in the past?

Hitesh Oberoi: In line with past years.

Moderator: Thank you. We have the next question from the line of Miten Lathia from HDFC. Please go ahead.

Miten Lathia: Could you a ballpark number as to how much an ad film would cost and do you have a policy to write it off 100% in the quarter to shoot it?

Hitesh Oberoi: Yes, so an ad film on an average, the kind of films we do cost about 75 to 80 lakhs to make and then maybe sometimes we spend a little more on editing and producing sort of more versions and yes we write it off in the quarter which we produce.

Moderator: Thank you. As there are no further questions from the participants, I will now like to hand over the floor back to Mr. Hitest Oberoi for his closing remarks, over to you sir.

Hitesh Oberoi: Well, thank you so much for being on the call and have a great evening.

Moderator: Thank you very much sir. Ladies and Gentlemen, on behalf of Info Edge (India) Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.