



# “Info Edge (India) Limited Q1FY12 Earnings conference”

**July 21, 2011**



**MODERATORS**      **MR. SANJEEV BIKHCHANDANI – VICE  
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PRESIDENT, FINANCE, INFO EDGE INDIA  
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**Moderator**

Ladies and gentlemen good evening and welcome to the Q1 results conference call of Info Edge India Limited. We have with us today Mr. Hitesh Oberoi M.D. and CEO, Mr. Sanjeev Bikhchandani, Vice Chairman and Founder and Mr. Ambarish Raghuvanshi, Group President Finance. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing \* and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Hitesh Oberoi. Thank you and over to sir.

**Hitesh Oberoi**

Thank you. Good evening and welcome to our 1<sup>st</sup> Quarter results conference call. We will first talk about the quarterly financial highlights of the company, after that we will get it into the different business units and cover them in a little more detail. Finally we will have a Q&A session as always.

For the company as a whole, net sales in Q1 were Rs 86 crores versus Rs 66 crores in the same quarter last year and increase of 31.5% on a standalone basis. Sequentially, we grew by 6% over the last quarter. For Q1, operating EBITDA was at 31.6 crores which is up by 55% year-on-year and 11% Quarter-on-Quarter. Operating EBITDA margin was at 36.5% versus 31% in Q1 last year. Other income also increased on account of better returns of financial investments, as a result of higher interest rates. PAT was 25.6 crores versus 17.3 crores last year which is an increase of about 48%. Operating PAT was up by 52.7% to 19 crores and operating PAT margins went up to 22% versus 19% in the same quarter last year. Clearly the operating leverage is playing out as growth continues to be good. Deferred sales revenues continued to grow and reached 95 crores, which is up by 55% year-on-year and 6% quarter-on-quarter.

Moving onto performance by business unit, in Q1 of this year recruitment top line grew by 28% to Rs 70 crores. Naukri corporate sales top line grew by about 35%. Quadrangle sales declined by about 12%. EBITDA margin in recruitments in this year and this quarter were at 49% versus 42% in Q1 of last year. In Naukri, the EBITDA margin was at an all-time high of 55% up from 45% in Q1 last year. I just want to add that the businesswise numbers being

given out our management estimates and are not audited. On the operating side Naukri continued to add about 12.5 thousand new CVs every day and the Naukri database grew to about 26 million CVs. The number of CV modifications grew to 79,000 per day. The Naukri Job Seekers index raised 1129 in June. It has been over 1000 since February 2000, indicating sustained demand for hiring.

Moving on to the 99 Acres business. 99 Acres top line grew by 52% year-on-year in Q1. Again in this quarter 99acres turned in a small profit. This may however change in the subsequent quarters as we plan to advertise 99acres on TV heavily going forward. The real estate business however seems to have been impacted a little bit because of higher interest rates and recent court decisions, which have impacted sales of property and new projects in the Delhi NCR region. Our broking business Allcheckdeals has also been impacted as a result. However, our traffic share in 99acres continues to be robust and continues to average in the 45% range and if interest rates sort of stop going up, we are confident that this business will do well going forward.

In Jeevansaathi net sales grew by 27% in Q1 year-on-year and Siksha net sales grew by 127% on a small base though. Our investing companies also continue to witness good growth. During Q1 of this year, we committed an additional investment of Rs 10 Crores in eTechAces, an investment of 15.7 Crores in 99Lables and investment of 9 Crores in MyDala. Some of the investee companies may require additional funding during the year which we will consider on a case to case basis. We continue to evaluate other investment opportunities also in the Indian internet market.

To summarize growth continues to be encouraging, though it seems to be coming off in some areas due to macroeconomic concerns, such as interest rates, inflation and higher commodity prices. We continue to be cautiously optimistic about this year. Margins in recruitment including Naukri have shown healthy operating leverage. 99acres continues to witness growth and made a small profit in Q1. However the real estate market sales are being impacted because of the rising interest rates and because of court decisions in the Delhi NCR region. Our ad spends on TV advertising, we expect to grow significantly this year, especially in businesses like Naukri and 99acres. Our deferred sales

revenue has continued to climb healthily and it's now at 95 Crores, an increase of 55% year on year and 6% quarter on quarter. We are now ready to take any questions that you may have. Thank you.

**Moderator** Thank you very much sir. We will now begin the question and answers session. The first question is from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

**Miten Lathia** Just to understand from the data perspective. What is the significance of unique customers vis-à-vis traffic shares as we look at it and do they matter at all or unique visitors to your site or that is not a metric that is irrelevant?

**Hitesh Oberoi** So that is one of several metric we track. However, what we consider as traffic share is the number of page views we get on the site vis-à-vis total number of page views in the category. So it is not about just unique visitors, it is about how engaged they are at the site. How much time is spent on the site, how much page views they viewed on the site. Often when you advertise for examples on Google and some internet properties, you get a lot of visitors but they bounce off without spending time on the site and these visitors don't really count. So what matters more according to us is the amount of time and the amount which the visitor spends on the site, which is reflected in page views. So our definition of traffic share is actually equal to number of unique visitors into page use per visitors divided by the total for the category as a whole.

**Sanjeev Bhikchandani** So one important metric to look at while looking at unique visitors, is also simultaneously to look at the bounce rate. Now the bounce rate is how many people came to the site but went away after seeing the first page they landed on, which means that what they found did not really interest them. So if we run a sort of creative campaign on Google, which sort of makes all sorts of, or the wrong keywords or make some wild promises and what they see on the landing page does not live up to what the promise was, visitors will go away immediately after seeing one page. So unique visitors and then the bounce you look at anywhere a better measure and then you look at average page views for the visitors, you have even better measure and then you multiply unique visitor by average page use then you get the real measure.

- Miten Lathia** So if Time Jobs unique visitors are almost the same as yours, that is no indication of sort of revenue movements that could be happen in any sense, in terms of virtual circle working for someone or something that sort?
- Hitesh Oberoi** For that just one metric you look at like I said, you also look engagement, you also look at the quality of the visitor.
- Sanjeev Bhikchandani** One of fifteen metric but let me put it this way, it had to be put in perspective. our traffic share is 55% or upwards. Number two is, monster is in the mid-20% range and when I last looked Time Jobs on 14% or 15%, so they are number three in the market place right now.
- Miten Lathia** Okay, on traffic shares.
- Hitesh Oberoi** That is right.
- Moderator** Thank you. The next question is from the line of Rishi Maheshwari from Enam Asset Management. Please go ahead.
- Rishi Maheshwari** My question was last related to your adaptability, in case the scenario doesn't work out as you had planned probably at the beginning of the year. So with relation to this staff cost and the advertisement cost, is there a flexibility model over there where you can scale back your advertisement and staff cost, to maintain your margins if in case the growth projections do not get aligned to your anticipation?
- Hitesh Oberoi** Well we can if required but however our sense is that even if there is a slowdown, it may be a temporary slowdown and not a big correction like last time. If that is the understanding, than we would like to continue to invest in people and adverteng and not curtail it this year.
- Rishi Maheshwari** Sir, this point in time your call is that this slowdown if any will be temporary, hence you mentioned about the advertisement, higher expenditure advertisement that you were looking at?
- Hitesh Oberoi** Yes, we would be spending heavily on advertising in Q2 for sure.

**Rishi Maheshwari** Does that anyway impact the margins of Q2, given that you may have a buoyant Q2 in terms of revenue too?

**Hitesh Oberoi** Well if revenues are good then we do not expect the problem on margins but if for some reason like you said the economy slows down and we are not able to collect that much of money as you think we will, then it could impact margins.

**Sanjeev Bhikchandani** Just to add to that you should look at adverting expenditure as a medium-term sort of investment and not quarter to quarter. Quarters will be lumpy and you don't look where traffic share moves, you got to look at where market share moves and that effects the medium-term investment in advertising, typically advertisement does not pay of in the same quarter that you invested, in terms of earning it all back to increase revenue that quarter.

**Rishi Maheshwari** Your any balance sheet reflects investments and equity shares subsidiary which is reduced from 29 crores to 10 crores. I just wanted an explanation that?

**Sanjeev Bhikchandani** So that is because Policy Bazaar was classified as a subsidiary in the last quarter. This quarter it is no longer subsidiary because Intel has come in a co-investor and therefore it is not classified as a subsidiary any longer, that is all.

**Ambarish Raghuvanshi** It has classified as an associate company.

**Sanjeev Bhikchandani** That's a technical accounting sort of change.. It is not that the value of the share we own in other companies has gone down.

**Rishi Maheshwari** Is it possible for you to give us some scenario in terms of what are the other properties now you are looking at? What is the kind of investments that you want to cap and the new properties that you look at and what is the metric that they are looking at as your full-time focus goes on to investments in new properties?

**Sanjeev Bhikchandani** We have got six investments as of date, we continue to look at more and more and we also continue to look at further rounds in the current companies that we have already invested in. While there isn't any sort of cap on the amount of money sort of we'll invest, neither there is a floor or target. Increasingly, we are going to ensure that the bar is set higher and higher new investments rather than being desperate about it because the truth is that we can't really sort of

manage more than 6 to 10 investments given our bandwidth. So we rather pick and choose our bets very very carefully. Having said that, there is a lot of cash in the balance sheet but we would be careful but we don't have a target or a floor or a timeframe event, that by this date you have to invest so much.

**Rishi Maheshwari** Okay, has all the wage hike kicked in, in this quarter?

**Hitesh Oberoi** Yes, we gave about 18% to 20% wage hike in this quarter, its kicked in.

**Rishi Maheshwari** So it did not reflect, I fail to reconcile that item was 31 crores last quarter and it is about 32.7 crores this quarter?

**Hitesh Oberoi** I think that is because of two reasons, one incentive payouts, payments were very high last quarter because it was the last quarter of the year. They are not as high as the last quarter in this quarter.

**Moderator** Thank you. The next question is from the line of Viju George from JP Morgan. Please go ahead.

**Viju George** I am just looking at your cash flow statement and I think your entire operating cash flow for the quarter almost entirely of it has been actually off set by acquisitions of strategic investments, the kind of investments you are making and I also understand that what you spend in this quarter on such investments, is in this quarter alone is more than what is spent in the whole of last year. So it digs the question what is the cap on this and are we going to see the core of the business fund this going forward?

**Sanjeev Bhikchandani** So like I said, answering the last question there is no sort of cap, there is no floor, there is no target that we have to invest so much by this date but yes there are number of opportunities out there, we keep on evaluating companies but increasing like I said, we are conscious of the fact that if you done 6, you can't do too many more. You can't run a portfolio 20 investing companies and therefore we're getting more and more discerning about what we are investing and more over careful but yes, we will evaluate further rounds in the current companies as well. But there is no sort of numbers or target I can give you at the moment.

**Ambrish Raghuvansh** These investments into a investee company tend to be lumpy. So it just so happened that, two of them have fructified or have been closed in this quarter and therefore disbursal they have gone out. for Policy Bazaar and for the first round in 99 labels and in Mydala. So I think it is just a question of timing, to extrapolate that similar numbers will happen every quarter may not be correct way to look at it. It is just a question of timing that it happened in the first quarter.

**Sanjeev Bhikchandani** And to some extent, we are opportunistic also depending on opportunity we see, we like or we really believe in and only then we will back them. So if we see nothing for six months, which we really believe in, there will be no investments in six months but there could be further rounds and so on so forth. And typically a second round and a third round in a company tends to be larger than the first-round. So as we get into the second rounds in these companies, there would be larger bets in the same companies, the ones that you really believe in.

**Viju George** One question I am trying to get an answer to is, is there some sort of comfort factor saying of operating cash flow, that we generate on an yearly basis. We ideally would not want to save more than 15% to 20% of that invest in such ventures because last year you probably put it about 15%-16% of your operating cash flow into these ventures, but in this quarter almost all of it has gone, so want to understand if there is a comfort factor that you want to increase just for the sake of our comfort?

**Hitesh Oberoi** What you have said in the past is that you know, there is some deferred sale revenues in the balance sheet. This is money which we don't own; this money belongs to customers. so this should sort of be with us as cash. In addition to this, we should maintain about 15 months of cost as cash on the balance sheet. So this is the number we are comfortable in with in terms of cash. Beyond this we are free to invest, if we get the right opportunities.

**Sanjeev Bhikchandani** We have got 450 crores with us, 470 crores, I think. We don't link to this year's operating cash flows to the amount we have invested this year. It is more with the treasury we have that's what we link it to.

**Viju George** The other question I had was related to the operating leverage to the business now. Naukri's EBITDA margins I think are at 55%, all-time high. Now that also partially reflects the fact that the promotion, advertising realizing kicked in so far here and what should be a steady-state EBITDA margins going forward, question one ? Question two, really is that, if this was the kick to say 100 crores of quarter business, right now I think 70 crores. Do you think, do you have a feel for what your operating margins would be at that scale?

**Hitesh Oberoi** In the case of Naukri, what we have seen is that if we are able to grow our top line by more than 20% year on year, we are able to maintain margin. If we are able to grow the top line much faster then margins improves and if like it happened to slow down, if a top line sort of grows at a very small rate or declines then margins tend to fall. So what we are hopeful of is that, if we are able to grow the Naukri business more than 20%-25% year on year, the margins should remain steady and in fact even improve as growth sort of goes more than that.

**Ambarish Raghuvanshi** So, it is really a function of two factors, one is what Hitesh is saying, which is the top line growth and second is the competitive position. So if the competitive position remains intact and growth drivers are there, I think the operating leverage will continue to expand. Yes, there is probably a point beyond which can it continue to grow, that has to be tested but if we continue to see growth and competitive position remains robust or intact, I think we will continue to see margin expansion.

**Moderator** Thank you. The next question is from the line of Srinivas Sheshadari from RBS. Please go ahead.

**Srinivas Sheshadari** My first question is pertaining to your collections. If I look at the numbers it looks like you ended up with collection, in this quarter, which are probably up by about 25% year on year and compared to that probably the previous quarter somewhat close to 39%. So the question from that obviously is that, are we seeing any kind of slow down on any impact particularly in the recruitment business and secondly, from a macro perspective and given the fact that you recently launched some limited usage plans for licenses in Naukri. Have you seen the kind of good uptake or is there some resistance because of which some revenue would have got impacted?

- Hitesh Oberoi** So you are right, collection growth in Q1 was much lower than what it was in Q4 last financial year. Like I said in my call, growth seems to be encouraging, though it seems to be coming off in certain areas because of the macroeconomic concerns. We are still waiting and watching to see what Q2 will be like. It is possible that because of a very good Q4, collection growth got impacted in Q1, what happened in the last quarter of any year is that because there are attractive incentive schemes and there are contests etc. which we run. some sales tend to get pulled in, in to Q4, which would have ideally sort of come in Q1. So we are still waiting, watching to see what Q2 will be like and which is why we have cautiously optimistic about this year.
- Srinivas Sheshadari** Right and the second part of the question was on your limited usage plans in Naukri. How customers have responded to that, is there a lot of resistance or have they kind of taken it up well?
- Hitesh Oberoi** So the limited usage plans in Naukri impacts about 10% to our customers, in fact less than 10% to our customers. They mostly impact heavy users. There has been some resistance for sure because in many cases the bill size has gone up phenomenally. However, we are working with these customers to figure things out and we did not see any impact of this in Q4. Going forward because some customers have come back and complained about the quota being more stringent than required, we are working on ways to make it easier for them.
- Srinivas Sheshadari** So that's not really reflected on the numbers in terms of any?
- Hitesh Oberoi** Not in this quarter.
- Srinivas Sheshadari** So could there be some kind of retrospective adjustment in next quarter because of this?
- Hitesh Oberoi** No, not really.
- Hitesh Oberoi** In terms of the revenues, no, the revenue numbers are final.
- Srinivas Sheshadari** But the collections could be to that extent impacted, if there is increase in the quota , is it or that may not really impact?

**Ambarish Raghuvanshi** We don't see any impact of that on collections, either in the current quarter or in future quarters.

**Srinivas Sheshadari** And the second question is again following up on the employee cost. I was looking at the numbers more from an year on year basis. So if you look at the staff cost, it has gone up by 22% year on year, while at the same time you added about 24% to your headcount and again you talked about the 18% to 20% sort of salary hike. So really unable to re-concile these metrics on an year on year basis. So was there any kind of one off either in the previous year or in the current year?

**Ambarish Raghuvanshi** No, there is no one off items in the last year or anything as Hitesh has mentioned in response to previous question. The sales incentives of the variable payout in the first quarter was slightly lower than that accounted for the major change. And there is a much more aggressive sales target based on the high collection growth last year in this year and it takes a quarter or two before that, to really be made up and for the sales people to begin to achieve those targets. As we mentioned the first quarter in terms of collection growth is not being fantastic, so clearly that reflected in the slightly lower variable payout.

**Srinivas Sheshadari** Do you have any kind of employee target in mind by the year-end? How much you want to add? Is there any kind of planning around that numbers you can share?

**Hitesh Oberoi** We normally tend to go quarter by quarter based on the requirements you get from various businesses. If things are looking up, we add people, if things start slowing down, we could say, okay, let us not add more people going forward. At the beginning of year we said, we will add about 200-250 people this year but it all depends how collections move going forward.

**Srinivas Sheshadari** Okay and then one question on the Jeevansaathi business. I didn't quite catch the growth rate. How much was it on my year on year basis?

**Hitesh Oberoi** This quarter it was 27%.

- Srinivas Sheshadari** That appears to be quite a substantial number compared to what you have done in the past. So could you maybe throw light, either is there any market share change or the marketplace itself seeing more activity than before?
- Hitesh Oberoi** No, ideally would like to sort of repeat it performance before you talk about it because it is possible that because of certain schemes, certain campaigns which are in the quarter that sales revenue could go up by about 5%-7% here or there.
- Srinivas Sheshadari** Could you share the breakup of revenue of 99acres, Jeevansaathi and also the EBITDA for those two?
- Sudhir Bhargava** We typically give this number out at the year-end for the full year.
- Srinivas Sheshadari** Okay but you did mention some growth rate, could you mention that?
- Hitesh Oberoi** Yeah, 99acres what I said was grew by 52% year on year and Shiksha grew by 127%.
- Srinivas Sheshadari** Okay, and Jeevansaathi 27%.
- Hitesh Oberoi** Correct.
- Moderator** Thank you. The next question is from the line of Ankit Kedia from Centrum Broking. Please go ahead.
- Ankit Kedia** Just want to know, what is driving this growth? Is it also for the industry or is it only for us? And two, are we gaining in market share. Is the industry getting market share from print and consultants and how is the industry getting shaped up from that perspective?
- Hitesh Oberoi** Our numbers are public but we don't have numbers of competition, so it is very difficult to say whether it is the industry growing or whether it is just us growing. However, what we do expect to happen in all other categories is, that we expect shares to move from prints and other media to the Internet over a period of time because the Internet is just the better way of doing some of these things and it is cheaper and more efficient and it's faster as well. So, trend wise, clearly recruitment, matrimonial, real estate, education, some of the spend will move from print to online over a period of time. whether it is us gaining shares

is difficult to say but yes, I'm sure the recruiters, the real estate agents and education consultants see a lot of value in our services and we expect them to keep up their spend on our services year on year.

**Ankit Kedia** Second question is regarding admin and other expenditures, for the last three years that cost has remained flat and we have seen significant cost inflation in probably all the expenses. So, what different are we doing to keep this cost so constant for the last three years?

**Hitesh Oberoi** Actually admin expenses are linked to headcount and if you look at our headcount, while it was we are about the same number as we were about two or three years ago and admin expenses have been going up by about 5% to 6% every year, I think.

**Ambarish Raghuvanshi** Last year our main corporate office was on a lease basis and we bought it out in October last year. So there would be some reduction in rental payout because that was one of our largest offices. So there is some correction because of that and in any case during the downturn, we did reduce a lot of the admin expenses and that is sort of sustaining. Basically, we are looking at maybe a 10% or 12% increase in the admin expenses because of inflation and because of headcount increases, that's what is planned for right now.

**Moderator** Thank you. Our next question from the line of Nikhil Pahwa from Medianama. Please go ahead.

**Nikhil Pahwa** I was just curious about how Shiksha has been doing in terms of top line, how much are you investing in quarter-on-quarter, how many clients are there?

**Sanjeev Bhikchandani** We do not give these numbers quarter-on-quarter, but as I have said Siksha has been doing very well, it has improved by more than 120% in the first quarter of this year year-on-year, although on a small base. We have been constantly adding customers, we just released our ad campaign on television and we got a very good response. We are getting repeat business. Education, like I said earlier is the largest category in print advertising, where an estimated more than 1000 crores is spend on print advertising by education every year. And hopefully some of this business will move online over the next few years.

**Nikhil Pahwa** I was curious about how many clients you have there and how things are shaping up, any sort of operating figures that you can share with us?

**Sanjeev Bhikchandani** What I can tell you is that, we have more than 1000 paying customers in Shiksha right now.

**Hitesh Oberoi** All the data we give out is given in the datasheet on all these metrics. And the specific number is not there on Shiksha, so we do not really reveal it for competitive reasons.

**Nikhil Pahwa** The other thing was would it be possible to give us a broad overview of what is the plan going forward for 99acres, just from a customer perspective, how is it doing in comparison with competitors like MagicBricks and Makaan and are you seeing any increase in the competitive activity on ground?

**Hitesh Oberoi** To understand the 99acres business, what we have to appreciate is that there are really two parts of the business. One is the part of the business which comes from new project launches and the other is, the business is where dealers do not just work on new projects but also on rentals and secondary sales. The first part of the business is very linked to what happens in the macroeconomic environment. So if the interest rates go up, new home sales fall. If there is a court order, like we had in the case of Noida, it impacts sales in that particular geography. If the government changes it makes a difference, so that part of the business is hard to predict.

What we have focused on growing is the second piece, which is the revenue that we get from dealers and people who are in the business on a regular basis. However, this part of the business is still very small. In the long run for this business to do well, we need to add more and more customers, we need to add more and more dealers. We need to increase the client base dramatically. Right now, we are I think at about 6000 or so customers, this number has to be tens of thousands for this business to become big. And the problem we have out there, however, is that a lot of the dealers are not very tech savvy. Many of them do not have computers, they don't have access to the internet so fair amount of time is spent on educating them on how to use the internet, on helping them buy an internet connection. And therefore while this business will scale in the long run, it will scale slowly. Till then, we are little cautious about

99 acres because it is possible that the growth to be very high in one quarter because there are lots of launches, there is a lot activity in the marketplace and it could slow down considerably in the next quarter if the macroeconomic situation changes or a local situation changes and impacts a location or city.

**Nikhil Pahwa** Just curious about your presence in the real estate market across the country? Are there specific geographies that you are focusing on or are you present all across the country?

**Hitesh Oberoi** So we have offices in more than 10 cities. Lot of our business comes from Delhi, Mumbai and Bangalore, followed by places like Chennai, Hyderabad and Pune. We will continue to focus on these markets. We are not looking to expand beyond the top 10 or 12 cities at the moment. We will continue to build our brand. We will continue to ensure that we get more and more customers like I said, more and more dealers on the site. Yes, there is a competitive activity in the market place, there are at least 4 to 5 players and they are all spending money but we are uniquely placed, we have close to 45% share of traffic, and we are getting a lot of renewals. We believe that we are leaders right now not just in terms of traffic share but also online revenue and we would want to continue to maintain this lead.

**Nikhil Pahwa** In terms of competition are there specific geographies in which your competitors are stronger and from that you are stronger, any information of that sort because I remember for Jeevansaathi you mentioned that you are strong in the north and the western markets and others are strong in other markets?

**Hitesh Oberoi** Because competition does not reveal its numbers by geography. it is very difficult to say but our sense is that, we are probably number one player in every market right now.

**Nikhil Pahwa** Just curious about what kind of mobile investments you are looking at and what type of mobile businesses are you looking to target?

**Sanjeev Bhikchandani** We are not looking at any external investment in a mobile startup. Our charter is to look at the consumer Internet in India and that is what we are sticking to. So any mobile work that we do is largely inside the company. Sure, if somebody has produced something which is relevant for mobile and jobs, right

now we may look at it. But because it is jobs and we will not invest in any sort of mobile startup that is not very closely related to one of our current internal businesses.

**Nikhil Pahwa** I remember that last couple of quarters you have mentioned that you have launched the mobile initiative as you spoke in the last quarter that you have launched a mobile site and you have launched mobile applications?

**Sanjeev Bhikchandani** Right, they are not externals.

**Nikhil Pahwa** I was just curious about, what are the trends that you are seeing on the mobile on your applications and on your site, what sort of user patterns or if it all?

**Hitesh Oberoi** The Naukri WAP website is getting some traffic and that traffic is increasing month-on-month. The applications have not been so successful till now but that is because we do not have an android asset yet and android is the largest operating system on the smart phone. We are developing one and that should be out quickly. Medium-to-long term, we are very bullish about the kind of traffic we can get from the mobile phone especially the smart phones. And like Sanjeev mentioned, we are working on putting all our sites up on the mobile phone.

**Sanjeev Bhikchandani** If you're asking have we hit a home run on a mobile yet, we have not hit any home runs yet on the mobile but we continue to work with and engage and let us see what happens as we go forward.

**Nikhil Pahwa** Any plans for tie-ups with the mobile operators of any kind because of this is a source of monetization typically on the mobile?

**Sanjeev Bhikchandani** Right now, we are not looking at the mobile so much for monetization. But more as an additional source of traffic and more from our usage point of view. Often Naukri is blocked in offices and people are not able to access the site. What we expect to happen is that initially through the mobile phones is that people who do not have access to Naukri because either they don't have a computer or they do not have access to the net in office, are able to log on more often and that is what we are working on.

**Moderator** Thank you. The next question is a follow-up from the line of Rishi Maheshwari from Enam Asset Management. Please go ahead.

**Rishi Maheshwari** I just wanted to understand if there is a range within, which you can estimate the losses from the current subsidiaries at the EBITDA level. is it possible for you to give us even a broad range is okay?

**Sanjeev Bikhchandani** We have been examining this issue internally. It is very hard to predict first of all because each business is in early-stage, while they do have budgets which have been to given us, the fact of the matter is that at least out of six maybe two will not meet the budgets. It always happens in the early stages of companies. Somebody will be a year late, somebody will be a year and a half late. At the same time we are looking at accounting norms and policies, where in somebody a clause may get triggered and make it a subsidiary at some point of time in the year in which case we consolidate more. We may invest for the round of investment in which case, it might change things. We make a few investments. At this stage all we are saying is that, look it will be more than last year not less because we have invested more.

**Moderator** Thank you. The next question is from the line of Arti Mishra from CLSA. Please go ahead.

**Arti Mishra** Just wanted to check with you on your investee companies. For example investments in MyDala, PolicyBazaar, etc. as you have seen Jeevansaathi, if an Internet property is not already in the top two or top three; it becomes that much more difficult to break into the ad revenue pool. So what are your plans going forward for your investments in MyDala and 99labels and Zomato,, etc.?

**Hitesh Oberoi** I think it will be wrong to say they are number two or number three or number four players in their category, because the category is still very young. I think we can reach this conclusion after we have been in the market for a few years. So I would say that, they have as good a chance of making it and making it very big as the others in that category right now.

**Arti Mishra** Like for example Snapdeal, etc. already have reached a certain level of maturity in terms of presence and model, which was not the exact space like in MyDala or talking about Zomato you have, etc., a lot of other internet

properties that have slightly more stable and a more decided business model. So what is your optimism for these models going forward? And secondly also, will we see a lot more of this in terms of acquisition of very young companies ,where we are not really certain about a break into the top three property bracket?

**Sanjeev Bikhchandani** My sense is that if you look at both of these 99Labels and MyDala are in the top two or three already but like we have said, it is still early in the market so things could change, they could move up or they could move down, we recognize the risk. What gives us confidence is, the teams we think are really smart. The entrepreneurs are really good. Number three is, very clearly both of these companies when we speak to them, they talk more of a differentiated strategy vis-à-vis any competition rather than raising truckloads of money and trying to blast the opposition out of the water. So we love entrepreneurs who value capital efficiency, at the same time we recognize that given the amount of money that the competition has raised you cannot do it the kind of money you could do it in 10 years ago. So there is naturally money going into these businesses but we believe these entrepreneurs are good and they have a good chance of making it happen. If you ask me what is the number one factor which gives me optimism, it is the team in both these cases.

**Moderator** Thank you. The next question is from the line of Shreenivas Sheshadri a follow-up. Please go ahead.

**Shreenivas Sheshadri** Can you please repeat the growth rate in Naukri as well as Quadrangle?

**Sanjeev Bhikchandani** So in Q1 of this year, Naukri corporate sales grew by 35% and Quadrangle declined by 12% compared to last year.

**Shreenivas Sheshadri** What about candidate sales in Naukri?

**Sanjeev Bhikchandani** That was up about slightly a little around 5%.

**Shreenivas Sheshadri** It was interesting to note that Quadrangle had declined and to my understanding the lateral hiring at least as far as the IT sector is concerned is going pretty well even now. So is it more to do with the other sectors or is there any client specific issue there?

**Sanjeev Bhikchandani** In the case of the Quadrangle, I think it is a client specific issue because a lot of business used to come from one large customer in the IT space and that business has dried up to some extent. Hoping we will make it up from other customers going forward.

**Shreenivas Sheshadri** There is to some extent some permanent kind of hit in terms of business from an existing account?

**Sudhir Bhargava** No it is not permanent. It is just that, in that quarter that client could have had an issue and in future servicing that particular client and that client could come back.

**Shreenivas Sheshadri** So there is not too much to read into it?

**Sanjeev Bhikchandani** There is no relationship problem there. The issue really is that you had an excessive dependency on one client and when that client slows down a bit in terms of briefing or hiring your overall revenues takes a hit. This is something that we have been working hard at in the last two or three quarters for the Quadrangle team to diversify that risk and get other clients. So they have got other clients. It is just that, they are not hiring in as many numbers as this large client was.

**Hitesh Oberoi** It takes time to deploy these people on other accounts, but that is happening slowly as we speak.

**Shreenivas Sheshadri** Is there any way you can break up the deferred revenue into say Naukri or say recruitment business separately?

**Hitesh Oberoi** It is mostly Naukri because in Naukri we collect an advance and we recognize it over quarters. A small sum of this could be from Shiksha and a little bit from 99acres but it is mostly Naukri.

**Sanjeev Bikhchandani** Typically if Naukri has 12 month subscription, and 99acres and Shiksha will have shorter duration of business as the brands get established, they will get a longer duration of business.

**Shreenivas Sheshadri** Any trends you can share as far as AllcheckDeals is concerned for the quarter?

**Hitesh Oberoi** We give out the numbers on an annual basis but like I mentioned a lot of the business of AllcheckDeals does come from the Noida belt and that business has been impacted because of the recent High Court ruling.

**Shreenivas Sheshadri** Given the fact that, even now there is a lot of ambiguity and probably some more Supreme Court intervention happening could this kind of sustain over the next couple of quarters?

**Hitesh Oberoi** Yes, business has been impacted in the Noida belt.

**Moderator** Thank you. The next question is from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

**Miten Lathia** Just to clarify you mentioned that new business losses as in the investments that you are making as minority stakes in these new ventures, would be higher than last year. Last year eTechAces got clubbed as a subsidiary rather than an investment. So do you think is in spite of that anomaly getting corrected your losses will be higher than the last year?

**Ambarish Raghuvanshi** But we also have two or three more investments we have made, MyDala, 99 Label and there will be further rounds of investment, second round or maybe a third round in couple of these companies, which will mean that little more loss or an investment into these businesses because the fact is that like our internal businesses most of the investment goes through the profit and loss account. So if they are incurring higher losses, we will be taking a slightly higher share of that because basically just reflecting the amount of investment which is going into that business.

**Hitesh Oberoi** Like Sanjeev mentioned earlier, it is very hard to predict what is going to happen in these companies. So if they lost a lot of money, the year losses go up. On the other hand if they are able to manage with the less capital than the picture could change. But yes you are right on PolicyBazaar, it will not be a subsidiary this year and therefore losses on account of Policy Bazaar will be hopefully lower as compared to last year.

**Sanjeev Bhikchandani** At least on our books, even if the company may do whatever but in our books it will be lower.

**Miten Lathia** To sum it up in spite of lower loss from PolicyBazaar, the gross total will be higher than last year?

**Hitesh Oberoi** Could be. I mean likely to be because 99 Label, there is MyDala that has happened subsequently so those will kick in. We may do subsequent rounds in other companies, so that will kick in. So basically it is hard to predict at this stage, so early in the financial year where we will end up on those losses.

**Miten Lathia** In the future just on an annual basis, whatever just to be able to appreciate the investments better, is it possible to get some metrics like we do for our other verticals on these investments as well ,maybe on the annual basis but maybe just as a thought?

**Sanjeev Bhikchandani** We like to be as transparent as possible. it is just that some of these investee companies, in fact all of them will have huge issues of revealing data to the public at a time when their competition is private and they are not revealing data. And if we insist on it, it might impair our ability to compete in the investment market and get other deals because it will come on as an obligation that you have to reveal data, InfoEdge makes you reveal data and so we do not want that to happen. That is an issue but yes we would like to be as transparent as possible. Let us see at the year-end what best we can do. We are already revealing the annual financial statements of all these companies in our consolidated reports, which is more than the competitors do. So as it is some of them have got a problem with that.

**Moderator** Thank you. The next question is from the line of Kunal Sangoi from Edelweiss. Please go ahead.

**Kunal Sangoi** Sanjeev my question is, as you touched upon earlier that focus off InfoEdge would be consumer Internet. Having invested in six of the different segments, which would be the other segments that you would look towards that you may want to capture in terms of expanding the portfolio?

**Sanjeev Bhikchandani** Kunal, when we started investing we used to look at, we were like let us start with that sector or let us look at that vertical and when we did that we discovered that you were perhaps chasing substandard companies just to get a deal in that sector. And we figured that was not the right approach. We figured

that we would look at any company comes to us, we go to find and evaluate at scratch. And the ones which would look like they would succeed, we will look at that rather in target sectors. So there may be sectors where we miss because we did not get a good company there. But we get a little bit of idea, that we must have for all of the eight sectors or six sectors we have not feed on that. We just looked at good companies, good ideas, good markets and good teams.

**Kunal Sangoi**

Right but maybe you could share your thoughts with regard to some of the verticals that according to you would be of much interest to you, though there might not be companies at this point in time?

**Sanjeev Bhikchandani**

We would look at any kind of listing model which makes sense but some may already be too late for us and there are already established players there. So, we are in the listing space and we would look at listings definitely. We have done group buying, we have done a flash sale. Certainly E-commerce is of interest but e-commerce requires so much of capital that clearly we cannot do it alone in the second round or third-round, simply because we will not exhaust so much money on one company. Even in PolicyBazaar, which wanted 40 crores in the second we kind of a figured, we decided that we do not want 60 crores tied up with a company which is at risk. So that is why we asked for a co-investor. So those are the sort of sectors of interest and some of the considerations we look at.

**Kunal Sangoi**

Second with regards to be investing companies, what would be our share of a management to some extent, what would be our involvement in the company management, would there be pure investments or we would also take some active management in guiding certainly but operationally.

**Sanjeev Bhikchandani**

So the reason why people who preferred us because they believe that we can add value operationally and we have been there and done that. Now having said that, we are conscious of the fact that one of the big reasons why people become entrepreneurs because they value their own independence, so you do not want to get into much. And the third is, the truth is I think let's be very honest and recognize that if investors believe that they make companies succeed, they are deluding themselves. We have got to find entrepreneurs who don't need more than 2% handholding and they succeed anyway. Maybe we'll help them succeed faster, maybe some specific area where you can add value.

And the third thing, yes, we do monthly reviews, yes but we make gentle suggestions, we don't sort of impose and we try and persuade with logic but finally the entrepreneur takes the call. Having said that we have opened all our departments to all our investing companies. If you want to come and study how we do it, if you want to be mentored by our guys who do it, whether it is the analytics team, whether it is the marketing team, whether it is online advertising team, whether it is Hitesh, whether it is Ambarish and his team on financial systems. It is available and you know companies come and sit and they take advantage of the expertise. Our engineering team is happy to help out and evaluate other people's architecture if they would like it and comment on it. Or if somebody is having the problem with the e-mailing system, we will definitely tell them how to do it. So we do a lot of that but we give a menu of choices and entrepreneur chooses what he wants, typically that is it.

**Kunal Sangoi**

Maybe lastly if you can throw some light with regards to, you mentioned that if you retain your competitive positioning, that is where operating leverage and revenue growth can come from? Do you see any threat from LinkedIn at this point in time, now that they have significant numbers of profiles. I understand the composition of the database that they have is different from what Naukri operates in, but they are achieving a critical size. So whether does that make you more cautious or something, anything?

**Hitesh Oberoi**

Definitely we are worried about LinkedIn, the fact that they intend to get a lot of business from recruitment. However, at the moment at least we're not seeing any impact on the market place.

**Kunal Sangoi**

Anything different that we are adding to strengthen our company to positioning in Naukri in recruitment?

**Hitesh Oberoi**

Yes in categories where we are considered to be weak, where we do not get too much revenue today. We are trying to launch new products and some new features to see if we can get a larger share of the pie. This is the pie which linkedin targets. We have been working on Brijj, we have been working on a section on Naukri called Naukri Premium for a while. But you know these are very early days and let us see how it pans out going forward.

- Moderator** Thank you. As there are no further questions I would now like to hand the floor over to Mr. Hitesh Oberoi for closing comments.
- Hitesh Oberoi** Thank you for being on the con call, if there are any further queries please feel free to write to us and all the information is available on our website, [www.InfoEdge.in](http://www.InfoEdge.in).
- Moderator** Thank you. On behalf of all of InfoEdge India Ltd. that concludes this conference.