



“Info Edge (India) Limited Q3FY11 Earnings conference”

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MODERATORS

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Moderator

Ladies and gentlemen good day and welcome to the Q3 FY11 Results Conference Call of Info Edge India Ltd. We have with us today Mr. Hitesh Oberoi MD 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. If you should need assistance during this conference 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 now like to hand the conference over to Mr. Hitesh Oberoi, thank you and over to you sir.

Hitesh Oberoi

Good evening and welcome to our 3rd quarter conference call. We are happy to announce a good 3rd quarter.

Net sales in Q3 were Rs 75 crores versus Rs 69 crores in the same quarter last year an increase of about 27%. For quarter 3 operating EBITDA at 27.5 Crores is up 53% year-on-year. Operating EBITDA margin is at 36.6% versus 30.5% in Q3 last year. Operating PAT is up 58% year-on-year at 17 Crores. Operating PAT margin is up to 22.65% versus 18.26% in the same quarter last year. For the first nine-month of the year net sales were up 27% while operating PAT is up 61% at 42.8 Cr. Deferred sales revenue is up 52% year-on-year and 7% Q-on-Q and stands at about 69 Crores today.

The operating leverage as we can see is playing out on the positive side as growth comes back. In Q3 our ad-expenses are typically lower on account of holiday season because we are not on television and as a result our margins are better. Other income in Q2 also declined by about 6% year-on-year in line with lower deposit rates witnessed last year.

Moving onto business wise performance, the recruitment business which comprises of Naukri plus Naukri Gulf sales Quadrant and the Job Seekers Services are accounted for about 83% of operating top-line in Q3 versus 85% in Q3 last year. Other businesses comprising primarily of Jeevansathi, 99acres and Shiksha accounts for the remaining 17%. The recruitment market continues to be good, attrition and hiring are being witnessed across industries The Naukri Job Speak index which has been steady at around 930 to 940 levels indicates stable and sustain demands. The Naukri corporate sales business grew its top-line by about 32% this quarter. The EBITDA margins in recruitment were 48.7% versus 43.7% in Q3 last year. For the first nine months of this year the recruitment top-lines grew 25% to Rs 170 crores, while The Naukri corporate sales top-line grew 29%. Quadrangle grew by about 31%. The EBITDA margin in recruitment for the first nine-month of this year were at 45.7% versus 40.1% last year.

All these numbers which have been given for every business separately are our management estimate and are not audited.

On the operating side the number of resumes in Naukri moves to 24 million versus 90.7 million as on December 31st last year. During Q3 we added 10,400 new resumes everyday and we had 70,000 resumes modified everyday. In Q3 we had about 21,000 customers paying us compared to about 18,400 in Q3 last year. In the first nine months of this year we had 35,000 customers paying us versus 29,400 in the same period last year an increase of nearly 19%. The share of IT was at 26.9% in Q3 versus 25% Q3 last year. The share of recruitment consultants was at 26.5% versus 23.7% in Q3 last year. The share of infrastructure sector was at 22% versus 23% in Q3 last year. Our traffic share in Naukri continues to hover around 55% mark.

Moving onto the other verticals, net sales of all the other verticals put together grew by 47% to 13 crores this quarter. The 99acres business grew by about 74%, Jeevansathi grew by about 16% and Shiksha grew by about 169% on a small base.

The EBITDA losses for all the other verticals put together was 2.7 crores down from about 6 crores last quarter since we are not on TV this quarter. For nine months of the year net sales in the other verticals grew 36% to 36 crores year-on-year. 99acres grew by 76%, Jeevansathi grew by 7.5% and Shiksha on a small base grew by 132%. The EBITDA loss for all the other verticals in the first nine months of this year is at about 11 crores. In the 99acres business the market continues to be buoyant.

We continue to see new projects being launched across markets at all price points. Product and site improvements continue, we launched a new “Ask and Answer” section on 99acres last quarter. Our traffic share continues to hover around the 56% mark and we hope to sustain and improve as we go forward.

Jeevansathi sales growth was 16% last quarter and 7.5% for the first nine-month of the year. The EBITDA loss in Jeevansathi last quarter was 30 lakhs which is down from about 3 crores in the last quarter primarily because we were not on TV this quarter in Jeevansathi. The number of profiles ever added to Jeevansathi grew to 4.1 million versus 3.5 million at the same time last year.

The Shiksha business has been doing well though its still very early days, the size as grown 132% in nine months, we are clearer on the product and the proposition, the response in the market is encouraging, lot of customers have been upgrading and renewing the subscriptions. We hope that this growth continues going forward.

On the land and building side we purchased our sector 2 office in Noida last quarter and the cost of around 24 crores. Our plan for building an office in sector 8 Noida are on track and we expect the work to begin soon. As mentioned in the past we expect to incur cash outflow of nearly 70 to 80 crores over the next 30 months on this new building.

To summarize we don't see any material change in the overall environment, the job market continues to be buoyant, the real estate market also continues to be encouraging. We are yet to see an impact of inflation and interest rates moving up. However, this is an area which might lead to uncertainty in the real estate market going forward. The margins in the recruitment business including Naukri are healthy and they are likely to remain good going forward. We hope to continue to cut losses on the other businesses and we hope that sales growth will continue in the next quarter as well. That's all from our side. We are now open to taking up questions.

Moderator

Thank you very much sir. We will now begin the question and answer session. Anyone who wishes to ask a question may press * and then 1 on your touchtone telephone. Participants are requested to use only handsets while asking a question. Anyone who has a question at this time may press * and then 1. The first question is from Anand Bhaskaran from Spark Capital. Please go ahead.

Anand Bhaskaran

Hi just couple of questions, firstly could you just elaborate reasons for the lower ad-spend versus last year. Because as I understand it you were intending to spend more aggressively on Jeevansathi and trying to push the brand and improve the traction there so I just wanted to understand the reasons on the ad-spend?

Hitesh Oberoi

So two things, one normally our Q3 ad-spend is very low always. We normally don't spend on television in Q3. Jeevansathi we had spent on TV in the last quarter i.e. Q2. So to spend on Jeevansathi in this

quarter was not in our plan. In general advertising is also determined by level of competitive activity, none of our competitors have been on TV in a very aggressive way this year and therefore we find that we are able to sustain our growth without spending too much on television. Having said this we may spend a little bit on TV in Q4 this year.

Anand Bhaskaran Okay fine and generally just to understand a bit more on the seasonality of the ad-spend, what are the factors that drive lower ad spends in Q3 vis-a-vis the other quarter?

Hitesh Oberoi No Q3 is a festive season and what we find is that in this festive season the job market slows down a little bit. Companies don't have that many people; jobseekers are also off for at least three to four weeks in the quarter. Hiring slowdown little bit, so as result we don't spend so much on TV in this quarter.

Anand Bhaskaran Okay. Fair enough and secondly could you just elaborate on the traction which you're seeing in 99acres ? Obviously the interest rate scenario might cause an impact later but things being as they are, could you just elaborate on what do you think in 99acres trend something which is different from what you have seen earlier etc.

Hitesh Oberoi So 99acres has had great year this year, for the first nine months we grew at 75%, in terms of top line we had close to breaking even. The traffic share of the site has increased with 50% and has been hovering around that mark for a while now. So we are clear leaders today. This is a huge opportunity in a big market in most of the other countries as well and there could be temporary fluctuations depending on what happens to interest rates but my guess is that our business will keep growing because we are still very very small in terms of the total ad-spend by real estate industry.

Anand Bhaskaran Okay fair enough. That's really helpful, thank you.

- Moderator** Thank you. The next question is from Radhika Merwin from IFCI. Please go ahead.
- Radhika Merwin** Just looking at the recruitment parameter that is given in the data sheet the number of Unique customers has marginally gone down from the last quarter. Do I need to read too much into this number or this is just something that is a part of a quarter on quarter thing that happened?
- Sudhir Bhargava** Radhika if you see for nine months, if you look at the Unique customers we are up from 29,000 last year to almost 35,000 this year.
- Ambarish Raghuvanshi** That's up 19%.
- Sudhir Bhargava** So for the quarter I don't think there is much to read in that.
- Radhika Merwin** Alright and on the margin front apart from the ad-spend that you are expecting to come in lower this quarter I want to understand what happened on the other cost front. If I look at my network cost and the other expenditure I just want to understand the nature, how much of it is fixed and how does it pan out? Why is there such a vast improvement in margins this quarter?
- Hitesh Oberoi** So we have four broad costs sort of heads one is employee cost, advertising then admin cost and network cost. So employee cost is up 27% this quarter compared to last year that's because of headcount is up as we have given increments last year and because of sales team is meeting its targets, commissions also higher this year. Advertising is flat so advertising probably we have spent the same as what we spent last year in first nine months. So that is resulting in improving margins and network charges are also sort of almost flat. They were up about 10% last quarter over the same quarter last year. That's because we continue to keep optimizing on the server side, our code gets better, our traffic is not scaling up to the extent we need more and more servers so these costs don't really grow that much with top-line.

Similarly people cost of headcount is up only about 8 to 10% as a result other expenses which are largely linked to the number of people in the company also don't grow that rapidly. So this is what really leads to operating leverage. The fact is that advertising expenses, network expenses and other expenses don't grow that much with growth in top-line.

Radhika Merwin Alright, so keeping this in mind do you think these margins will be sustainable considering we continue to grow like this overall on the recruitment side, at least do you think that this higher margin is sustainable considering we don't do much of ad-spend even next quarter or any other quarter. Do you think a 35%, 36% is a sustainable margin?

Hitesh Oberoi So the one thing which I want to mention here is that ad expenses often depend on competitive activity as well. So if competition starts advertising a lot then even we may be forced to advertise. Right ? But this year so far we have not seen that. But if competitive activity returns and competition gets a lot more aggressive and then to defend our traffic share we may forced to advertise and increase our spend on advertising.

Radhika Merwin Okay just wanted to clarify on the numbers, 99acres have gone by 74% and Jeevansathi by 16% this quarter, right Y-O-Y that's what you mentioned?

Hitesh Oberoi Correct.

Radhika Merwin So on the losses just to understand for Jeevansathi, 99acres if I take out the ad-spend what level do you think you need to reach in terms of growth to break even and start earning profitable? There should be a benchmark that you're aiming at in terms of number profiles or number of customers in the 99acres here. Is there a benchmark that we can look at that once you reach that these verticals will start earning profitable?

Hitesh Oberoi Yes so 99acres is almost breaking even right now. We just lost about 40 lakhs this quarter so little bit of extra revenue and some optimization here and there and it can result in the breakeven sort continue for 99acres and after that in revenue continues to grow aggressively then even if the ad spends grow by 20% to 30% the site can make money. But in Jeevansathi it is very difficult to say because advertising is very integral to the business that's how we acquire profiles. And unless and until we are able to improve our market shares in certain communities so that we start getting a lot of word of mouth and our cost of acquisition in that community goes down and our realization improve the health of the business will also improve.

Radhika Merwin Just couple of data points. Shiksha has grown by how much in this quarter, Y-O-Y?

Hitesh Oberoi 169%.

Radhika Merwin And your Quadrangle and Naukri for this particular quarter?

Hitesh Oberoi Quadrangle did not have a good quarter this time so quadrangle it was about flat or about (-3%) to (-4%). And Naukri and recruitment as a whole grew by about 24% and Naukri Corporate grew by about 32% corporate sales.

Radhika Merwin And one final take on the depreciation that has increased this particular quarter, is this the new facility in Noida work started or something else that has added to the depreciation in this particular quarter?

Ambarish Raghuvanshi No this is a result of the Corporate Office building which we bought out last quarter and as we have higher CapEx as a result of that there is higher depreciation.

Radhika Merwin Okay this is not the land that you bought in Noida and you are going to start work, right?

Sanjeev Bhikchandani We bought the building we currently occupy and this is the **depreciation** on that.

Radhika Merwin Alright, okay fine. Thanks a lot.

Moderator Thank you. The next question is from Nikhil Pahwa form Media Nama. Please go ahead.

Nikhil Pahwa It is about 99acres, Hitesh is the sense that you're getting about the growth in the real estate advertising, is that sustainable and this is indication of a market that is overheating?

Hitesh Oberoi It is very difficult to say. Our sense is that projects are still being sort of rolled out across cities but if interest rates go up will sale slow down very difficult to say right now. Will prices move down to ensure the projects keep selling very difficult to say. Last quarter was good; the team is bullish about this quarter as well. But real estate is a very different sort of business. However having said all this we still have a very small share of the advertising pie in the real estate sector. So we're just doing about 6 crores or close to that number every quarter which is nothing as compared to what these guys are spending on print and on television and some of the other areas they advertise. So we're hoping that even if the real estate slows down a little bit we will continue to grow if there is a crash then that's a different scenario altogether.

Nikhil Pahwa I was just wondering if you have any indication of how two of your competitors MagicBricks and Makaan are doing any sort of competitive activity that you are seeing.

Hitesh Oberoi We don't have their revenue numbers but as far as traffic shares are concerned our traffic shares have been growing steadily for the last 2 to 3 Quarters. We have been hovering around the 50% mark for a few months now. It means that we have as much traffic as all the others put together today.

Sanjeev Bhikchandani And MagicBricks comes at number two at about 60% of our traffic of the other two. This is as per Comscore data.

Nikhil Pahwa But in terms of competitive activities on the ground?

Hitesh Oberoi No we are not seeing that much competition in the real estate. There is some activity for sure but our sales team is not being complaining about competition.

Nikhil Pahwa Okay sir, just wondering what would be your outlook on the online education space particularly in the context of the Pearson acquisition of TutorVista recently?

Hitesh Oberoi That is a vertical which we don't operate, that's learning and while we are more of the market places business so our business model is institutes advertise with us to get students inquiries. So we are in a very different space altogether so I don't think how that will impact of our business and again in the education space the overall pie is huge and we are very very small today.

Nikhil Pahwa In terms of one of your subsidiaries Meritnation.

Sanjeev Bhikchandani That business is growing but it's still small. So we are putting in on business model, we are trying various things and hopeful will get something right over the next few months and few quarters. But our impression of the online education space is that there are many-many companies trying many-many different things many times, couple of times same things also. So it's a crowded space and thus far most companies are very small, nobody has cracked the best business model yet barring one or two exceptions. So the e-learning space is yet to be figured out by most of players. So in one line there is huge potential yet to be realized.

Nikhil Pahwa Just one more thing Sanjeev, Hitesh recently said in an interview that you will be looking at more acquisitions now. I was just wondering

what sort of acquisitions and in which sectors are you looking at for acquisitions and are you looking at acquisitions to essentially get management bandwidth on board because that's the sense I get from that.

Sanjeev Bhikchandani We have no announcement to make currently on this. But yes management bandwidth is one of the considerations apart from sort of getting interesting assets.

Nikhil Pahwa Okay but anything on what sort of sectors you're looking at?

Sanjeev Bhikchandani So consumer internet in India and within that we are open to any sector.

Nikhil Pahwa Okay thanks all the best I might have a few questions later thanks.

Moderator Thank you. The next question is from Ankit Kedia form Centrum Broking. Please go ahead.

Ankit Kedia Just wanted to know for the past 4 to 5 months our JobSpeak index is actually stagnant. So for the outlook for FY12 how do you see that growing, how are our client's response coming and can we expect pricing increase in coming quarter ?

Hitesh Oberoi The JobSpeak index is an index of job listings on the side. A lot of our revenue comes from our database products which we sell to customers; some revenue comes from branding products. What tends to happen in a good market is that a lot of client upgrade so they upgrade from pure job listings to branding products often people who did not have an access to database start buying access to database. People who have 1 or 2 licenses buy multiple licenses. So that's how clients move up. We had taken the price increase last quarter that seems to have gone down well in the market. As far as the next year is concerned we are hoping to add more customers and upgrade more and more customers as we go forward and that will add to the growth.

Ankit Kedia So any growth estimates you could see because starting of the year Sanjeev has predicted a 20% growth for the year and we are well passed that on a very commendable fashion. So for FY12 any figure which you could give us so we could model the growth because of pricing increase or up gradation of clients on database up gradation and things like that?

Hitesh Oberoi Right now it is very difficult to say. What I can tell you is that we have done more than 25% this year so far. And we would want this to continue but it is very difficult to give an estimate on what will happen going forward.

Ankit Kedia I am asking because last 2 to 3 Quarters our market share has been about 60% or hovering above that but this quarter its gone down to around 55% as you said in your opening remarks which means that the competition is getting active as well. So how is that shaping up?

Hitesh Oberoi I would not read too much into traffic share moving up of couple of percentage points or moving down a couple of percentage points in a good year. Because in the good year what tends to happen is that customers do end up buying more than one site. But I cannot really give any guidance going forward that's not what we do.

Sanjeev Bhikchandani And lot depends on the economic growth. In our biggest 3 businesses in Naukri, Quadrangle and 99acres are all linked to economic growth. So all we can say is that look if the economy continues to grow at 9% or 10% thereabout we should be comfortable. But there is lot of volatility in the environment and there is inflation, there are interest-rate hikes, there is potentially political instability and the environment outside India is also quite uncertain. So we cannot really predict.

Ankit Kedia My next question would be on Jeevansathi, even in this quarter on quarter-on-quarter basis the number of profiles added, the number of

the unique paid customers have gone down. So I just wanted to know how it is predominantly because due to the low ad-spend in the quarter. So how do we see that happening and the changes which we had taken during the last quarter how are those moving to make higher traction in the site?

Hitesh Oberoi Jeevansathi, what we have been working on is a strategy which will allow us and help us get profiles cheaper. And that's how the business is going to sustain in the long run. So we have been experimenting in that area, trying out new things on the site, trying out new marketing techniques. Growth did pickup in Q3 compared to Q2 and let us see what happens going forward but like I said in my last con-call as well, our strategy is to try and dominate certain communities or certain geographies. Only if you dominate can we get a disproportionate share of the spend in the market and that is essential for Jeevansathi to become profitable in the long run. So there is no point in being the number 3 nationally, we need to be a strong player in at least a few markets.

Ankit Kedia Right. And could you just throw some light on the new businesses which we have acquired and what could the annualized loss which we could take for this businesses on consolidated basis?

Hitesh Oberoi We have not acquired any business.

Ankit Kedia Strategically invested in the businesses.

Hitesh Oberoi Sorry can you repeat your question?

Ankit Kedia Just wanted to know for the year-end we don't give consolidated data on quarter-on-quarter basis and just wanted to know for the full-year how much could be the quantum of losses that we could model for the new businesses where we have strategically invested in?

Sanjeev Bhikchandani So we haven't done the estimating yet and we will get to know a little bit and more in the months to come simply because this is very young and at least one or two of them are expecting a good amount of revenue in the 4th quarter. But maybe 10 to 15 crores but yet that is very.....

Ambarish Raghuvanshi That's a total loss across investments....

Sanjeev Bhikchandani That's a total loss across those businesses. Of course we will not be taking all of it in to our P&L because we do not own them 100%. But this is very rough figure and it could be away from this because lot of work yet to happen and new businesses you know everything depend on what revenue they do in quarter 4.

Ankit Kedia Right thank you

Moderator Thank you. The next question is form Manish Shah from Sunman Investments. Please go ahead.

Manish Shah Just to confirm we have spent 22 crores on the new Office building in Noida?

Hitesh Oberoi 24 Crores.

Manish Shah And we are spending 80 Crores on other building in Greater Noida?

Hitesh Oberoi Noida.

Manish Shah And what is the capacity of this new facility?

Hitesh Oberoi The capacity will be between 800 and 1000 seats, interior is yet to be done, but 800 to 1000 seats it will accommodate.

Manish Shah Are we going to relocate employees from the existing location?

Sanjeev Bikhchandani So we have got currently 6 buildings in Noida, mostly on rent and of these six we purchased one, so we have got five on rent. Yet, we will relocate employees as of now but we get a clearer picture of what our headcount needs are exactly or precisely as the building gets completed but, yes, the current plan is to relocate people from 4 to 5 buildings into that building and have some space aboard.

Manish Shah And what are the plans for expansion? We have 1700 employees.

Sanjeev Bikhchandani That's all over India. About half of those are in NCR. And the thing about expansion from what we have noticed is a lot depends on the business growth. And that is somewhat uncertain and, therefore, what we noticed in the past is that we take our building on rent with many seats to spare and when we grow fast to just out grow office within 10 to 12 months and we have taken a new building on rent. So, it is a little unpredictable.

Manish Shah What is the area of this new facility?

Hitesh Oberoi About 1 lakh sq. ft.

Manish Shah Yeah, that's all from my side, thank you.

Moderator Thank you. The next question is from Kunal Sangoi from Edelweiss. Please go ahead.

Kunal Sangoi My question is with regards to Naukri, recruitment business. What is your thinking to scale Naukri as a whole, some new solutions? I know that we have a technology team who would continuously work on search engine optimization and things like that, but in terms of new services to be added to gain scale?

Hitesh Oberoi We continuously do keep investing in product development and innovation. We have a Naukri Gulf business which caters to the Gulf market; we have a First Naukri site which is meant to help companies do campus recruitment. These are still very young and very small businesses. We just launched a

Naukri mobile WAP site last quarter so that has gone live as well. We are looking at how we can use the social platform to help recruiters hire people better. But now we think that it will take time and we often try many things, some of them fail, some of them succeed but we are going to be continuously at it.

Kunal Sangoi

I understand that First Naukri has been incorporated for a-year-and-a-half, so that is there plus even Naukri Gulf has been about two years old. So in that case we have not seen any significant scale up over the last two years or one-and-a-half-years. So, my question is more with regards to Naukri India where probably on the social and mobility side competitors seem to be scaling up. So that is my question.

Sanjeev Bikhchandani

Actually if you look at revenue there was a melt down for a couple of years, but post that we are doing rather well and our collection growth has been very robust this last quarter. Actually the first nine months of this year has seen very good growth in Naukri and much of the margin expansion that has happened and the profit growth that has happened this year has been primarily because of Naukri. And to some extent reduced losses in 99acres. So I am not sure that that observation is valid that competition is scaling up and we are not. In fact, in our opinion the revenues gap between us and competition is widening.

Sudhir Bhargava

Kunal, this is Sudhir here. If you look at the deferred sales revenue number, we are close to 69 crores. You know the earlier highest was in March 2008 was about 62 or 63. So we have been steadily moving up.

Hitesh Oberoi

And recruitment revenue is I think, up by 52% compared to last year.

Kunal Sangoi

No doubt. Certainly the recruitment revenues have moved up and that is also a function of the market conditions. But my question is more on the mobility side of the solution.

Sanjeev Bikhchandani So we have got stuff in the pipeline Kunal. So the thing about the new products, new channels are that there is a little bit of hit and miss. The fact that you various things some work some don't, you tweak a bit, so it is kind of hard to predict that in the next six months we would have a killer app or we will not. But as far as competition is concerned so far no job site anywhere in the world that we know of has done anything really earth shattering in either mobile or social.

Kunal Sangoi Right, maybe not a job site, but particularly a LinkedIn, that is a competitor that I was referring to. But that is okay. Second question is on the real estate side. Maybe current scenario could see some kind of slowed down but how do you see the overall market growing because clearly ad spend is not happening across the industry or the market awareness continues to be very low. So how do you see that overall market growing?

Hitesh Oberoi Actually going back to your previous question on LinkedIn, we believe that LinkedIn operates in a different market than we operate. We have more active job seekers while they have more passive job seekers. And we are continuously working on how we can use platforms like Facebook and LinkedIn to help recruiter hire better. So that will continue at our end. But I do not believe that LinkedIn will really eat into our share because we operate in very different segments, at least in the short run. Sorry, what was your question on real estate?

Kunal Sangoi Yeah, my question was with regards to, maybe the current environment may not be so conducive given the interest rate increasing and ad spend may taper off. But over a longer term, say beyond one year and given the fact that currently the spending patterns by the industry players like Naukri or MagicBricks or India Property or Makan whichever, how does the market grow because currently still real estate is traditionally broker catered market physically. So my question is more towards that. How do you see the market overall growing?

Hitesh Oberoi

At the very macro level if the economy continues to grow at 8%, 9%, 10% a year the real estate market will continue to grow because you have more and more young people with higher incomes, there is a trend towards nuclear families, there is more mobility in the labor force, people are buying houses at a younger age than they were earlier, there are loans available easily. So the market for real estate will continue to grow. When we go to advertising which is the market we are competing, the advertising buy is huge. The real estate firms whether it is builders or brokers, together spend a large amount of money on advertising every year and most of this money goes to prints. What we expect to happen over a period of time is that some of this spend will move to the internet, like it happened in jobs, like it happened in matrimony. The fact of the matter is that most buyers would rather search for real estate online. What is taking time for us is the fact that the brokers are not as net savvy as the buyers. So it is taking time for us to convert them to be online medium.

Many of them do not have computers, they are used to operating on mobile phones but slowly but steadily they are moving online and they are listing more and more properties online and if that starts to happen then their spend online will follow. So we are still very very small in terms of total spend by brokers and builders on advertising. We are less than maybe 5% today. Our share hopefully, if the real estate markets grow, will grow at a disproportionate pace going forward.

Kunal Sangoi

Right. Sir exactly the question was that how does the real estate online market grow? What efforts would it take from industry players to make it grow?

Hitesh Oberoi

I think you have to keep investing in sales because you need to educate brokers on using the online medium. We have in 99 Acres a sales team of 125 people across 8 cities, where the job is to reach out to brokers and builders and educate them on how to use the online medium better. Once brokers start using this medium and they taste success, they will slowly start

moving their ads spend as well. Today we have maybe less than 5000 brokers who use 99 Acres. The market is huge, there must be more than 100,000 brokers in the business. So, our job is to keep investing in our sales effort to get more and more of these people in the real estate market to use the online media.

Kunal Sangoi Okay. Any plans on how you plan to invest in sales into that area? Or maybe how many sales people for 99 Acres per se?

Hitesh Oberoi So we have close to about 120 people today. And this number was may be less than 100 last year.

Kunal Sangoi Okay, sure that's helpful. Thank you.

Moderator Thank you. The next question is from Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani I missed on the depreciation factor, why has it gone up, because of the building last quarter?

Hitesh Oberoi We bought the building which we occupy currently as the corporate office, earlier we had rented it, so that is the cause for increasing the depreciation by and large.

Mayur Gathani Okay. And sir regarding the advertisement spend for Jeevansaathi this quarter, so will we have the same run rate that we did for quarter 2 or will it be a little different?

Hitesh Oberoi No, this quarter the ad spend was lower in Q3.

Mayur Gathani Yeah, quarter 3 I understand, quarter 4 the ad spend will be as good as what it was in quarter 2 and quarter 1?

Hitesh Oberoi Well, it will be difficult for me to give that out right now. We are still, sort of, planning.

Mayur Gathani Okay sir, thank you.

Moderator Thank you. The next question is from Praneeta Deshmukh from Fortis. Please go ahead.

Praneeta Deshmukh I would like to know the revenue break up of our portal business in terms of advertisement and subscriptions of our products.

Hitesh Oberoi Most deals in Naukri are combo deals where clients buy job listing and database access and branding solutions. If what you are referring to is ad other than recruitment or real estate that is very small, that is less than 5% of our business.

Praneeta Deshmukh Okay. And for the subscription?

Hitesh Oberoi Like I said, most clients buy combo solutions so they buy database access services, they buy job listing services sometimes they buy for three month, sometimes they buy for six months, sometimes for the year. It is very difficult to give a breakup.

Praneeta Deshmukh Okay fine. And about the Shiksha.com what do you plan further to develop it?

Hitesh Oberoi We want to continue investing in product sites. There is lot which can be done on the product. If you look at how the site is evolving it is a platform for educational institutes to market themselves. At the same time it is a platform for education seekers to come and sort of search for institutes and to get advice on what course, what college and so on. So we want to continue to invest in these features so that we can get more and more students to come to this site.

Praneeta Deshmukh Okay, thank you.

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

Ankit Kedia Just a thought, I wanted your views. Has anybody globally or we ever contemplated to charge our customers for putting their resume on the site? Not from the basic thing probably for the First Naukri or for the senior management site which we are doing, so having one more revenue stream for us for that?

Sanjeev Bikhchandani Almost no job site around the world charges candidates, they are supposed to charge employers. There are two job sites in Brazil. So the Brazil market is the only market which operates the other way where resume database access is free for companies, job listings are free for companies and candidates pay to put up their resumes. And that market is also doing very well. But typically any market only one model survives. We do not have a market where you have both models working. So it is unlikely that we are going to be charging candidates in addition.

Ankit Kedia But not even for the senior management where we have a portal or for the First Naukri, though we have candidate services which is a different leg where we charge them, but at least for uploading resumes only for senior management because probably they can afford and they want that security of their resume to be there. So charge them a bit of premium for that?

Sanjeev Bikhchandani The thing is that charging both ways is going to be difficult, any site. You have to charge either the candidate or the company. And what we have learned over the years is that lifetime value of customer is very important and, therefore, an organization which has a recruitment budget which is recruiting every month, every quarter, every year typically the lifetime value is higher for you than an individual who might seek a job once in three or four years.

Ankit Kedia Right, that's the point.

Sanjeev Bikhchandani Plus you are going to be competing with LinkedIn, if at all for senior management profiles and LinkedIn does not charge candidates. It is going to be difficult to try and then create a revenue model around that.

- Ankit Kedia** Yeah. Thanks.
- Moderator** Thank you. The next question is a follow-up question from Nikhil Pahwa from Media Nama. Please go ahead.
- Nikhil Pahwa** I was just wondering if you could elaborate on any plans or any prospects that you have on the mobile space both from expanding your properties to the mobile. Someone had mentioned LinkedIn earlier they have a very strong integration in case of Blackberry. Just wondering if you have considered any such device specific plan? Secondly, just from the acquisition or investment perspective would you be looking to acquire any competencies that are mobile specific?
- Hitesh Oberoi** The Naukri WAP site was revamped last quarter so we have a good site now on the mobile phone. We also, I think, just maybe yesterday or day before yesterday we have announced a mobile app for the Blackberry phone for Naukri. We are looking at other devices as well. As far as acquisition of mobile companies are concerned we are continuously looking but we have not found anything as yet, but we are open to the idea.
- Nikhil Pahwa** Okay. Also, anything similar on the social networking site because that appears to be becoming a means of recruitment as well.
- Hitesh Oberoi** Yeah we do believe that mobile and social is the way forward and we are consistently looking at how we can make our sites more social, so we have been investing in, for example, 99Acres we just launched another section which is a social sort of a thing. Shiksha already has a large social component. In Naukri also we are looking at how to make the current site more social, one. And two, how to use existing social networks, a social graph for people to help companies hire. But you know it's really early. We tried something on Brijj.com. We are revamping Brijj as well to try a new approach. So we are experimenting various things, there is nothing which is a big hit as yet.

Nikhil Pahwa Okay. Also could you delve a little into how Naukri Gulf is performing and any ideas for expansions of that business to other geographies or are you not even considering that anymore?

Hitesh Oberoi Naukri Gulf operates in many countries. Our large chunk of the revenue comes from Dubai and the UAE. So this market has been sort of sluggish but last quarter was okay. And we are hoping that Dubai, because all the prices are going up and the Middle East economies are also recovering, growth will improve going forward. We are overall pretty happy with the progress we are making in this business. It is a small business but it is profitable and it is still growing and we have a low cost base because we operate from India. So we are bullish on the prospects of this business but it is still very small for us.

Ambarish Raghuvanshi So we are expanding into one new geography this quarter in the Middle East so we are going to be in Abu Dhabi and we now have a new Business Head so we will see slightly different direction but we are bullish on this business but it depends on the underlying business environment. Now this quarter was good. We believe that probably the worst is over as far as the Middle East is concerned and we should continue to trend up. We do not have super aggressive investment plans but, yes, in line with business improvements we will continue to invest.

Nikhil Pahwa I am asking because from the recruitment business perspective you have the highest market penetration in India. I am just wondering if further growth can come from other markets and which markets would you be considering there.

Hitesh Oberoi Gulf is the market we are focusing on outside India. We have no plan at the moment to enter other markets. The Gulf itself is big. There is UAE, there is Qatar, there is Saudi Arabia, there is Bahrain, Oman, so there are several countries. Physically we are present in only two or three of them. The rest we do through tele sales. So if we expand it will be in the Gulf first.

- Nikhil Pahwa** Any thoughts on Africa?
- Hitesh Oberoi** We do a little bit of business in some countries on the phone but we do not have a site for Africa and right now it is not in the radar. Maybe a couple of years down the line, not right now
- Nikhil Pahwa** Thanks and all the best for the next quarter.
- Moderator** Thank you. The next question is from Drisha Poddar from Jet Age Securities. Please go ahead.
- Drisha Poddar** Actually I missed the number on the losses on Jeevansaathi?
- Ambarish Raghuvanshi** This quarter was about 40 lakhs.
- Drisha Poddar** And for the nine months?
- Ambarish Raghuvanshi** 3.9 crores.
- Drisha Poddar** And we are seeing a lot of hiring in the IT space, so what kind of traction are we seeing in Naukri in that space?
- Hitesh Oberoi** Fairly good. In fact some of the best performing market this quarter for us were the IT markets and the share of IT in the overall recruitment grew from about 25% to 27% last quarter.
- Drisha Poddar** Okay and is it mostly fresher hiring or laterals, could we be seeing in this space?
- Ambarish Raghuvanshi** For us it would largely be laterals.
- Drisha Poddar** Okay. And which are the other verticals where we are seeing increasing hiring trends?
- Ambarish Raghuvanshi** Infrastructure.

Sanjeev Bikhchandani I think our growth is secular across industry, across levels, across function and across geographies. However, a few industries like insurance have slowed down hiring substantially. But once they settle down and come out with new products that they can sell I think they will also increase hiring. So overall 8%, 9% to 9.5% in economy benefits every sector.

Ambarish Raghuvanshi But if you see the Naukri job seek index that will give you a sector-wise representation and this is released every month. It gives you a fairly good idea of the trends. You see most sectors are really doing well. Whether it is automobiles or whether it is infrastructure and education jobs and things. So they are all doing well. Short of what Sanjeev mentioned like insurance has been up and down and mostly down in the last few months but everything else seems to be fairly robust.

Drisha Poddar Right, thank you.

Moderator Thank you. The next question is from Vikas Mantri from B&K Securities. Please go ahead.

Vikas Mantri Sir correct me if I am wrong, losses in Jeevansaathi as well as in 99Acres is 40 lakhs for this quarter, is that correct? Both these segments?

Hitesh Oberoi Yeah about 40 million each, for both of them.

Vikas Mantri Okay. We understand that the depreciation cost is higher because of the building that we have purchased. So how much of the incremental saving or how much saving has occurred on account of this building which is in EBITDA?

Hitesh Oberoi We were paying per rent of 23-24 lakhs a month for this building. Basically it's a six-year pay back on the rent we were paying.

Vikas Mantri Okay, six year pay back?

Hitesh Oberoi Approximately.

Vikas Mantri Okay. And sir last question, how much of incremental saving in rental we will have once we complete our building and shift all our offices there?

Ambarish Raghuvanshi That is very difficult to model Vikas because it will depend on what our headcount growth is in the interim or/and going forward. So it is possible that we might need more offices and we may not give up every of our offices because the growth may have been of that sort of order. It is very difficult to model that.

Vikas Mantri Understand sir, thank you so much.

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

Hitesh Oberoi Thank you very much for being on the call. All the details are available on our website infoedge.in. Thank you very much.

Moderator Thank you very much. On behalf of Info Edge India Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.
