



“InfoEdge India Limited Conference Call”

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MANAGEMENT:

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Moderator

Ladies and gentlemen good evening and welcome to the InfoEdge (India) Limited Q3 FY13 earnings conference call. We have with us today Mr. Sanjeev Bikhchandani – Vice Chairman, Mr. Hitesh Oberoi – CEO and Mr. Ambarish Raghuvanshi – CFO. As a reminder, all participants 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 * followed by 0 on your touch-tone telephone. Please note that this conference is being recorded. At this time I would like to hand over the conference to Mr. Hitesh Oberoi thank you and over to you sir.

Hitesh Oberoi

Thank you. Good evening and welcome to our third quarter results conference call. A very happy new year to all of you. We will first take you through the quarterly and nine months financial performance of the company then we will cover each business in more detail, in the end we will be happy to take questions.

Moving on to the financial highlights of Q3 for the company as a whole, on a standalone basis, net sales in Q3 were Rs. 106 crores versus Rs. 92 crores in the same quarter last year an increase of 16%. Operating EBITDA was at 35 crores which was flat year-on-year operating EBITDA margin was at 33% versus 38% in Q3 last year. Other income decreased on account of lower returns on financial investments as a result of lower interest rates. PAT was at 31 crores up 7%, operating PAT was at 22 crores down about 1% year-on-year. Operating PAT margin was at 21% versus 25% in the same quarter last year. With a muted growth environment deferred sales revenue has decreased further to Rs. 100 crores versus Rs. 102 crores as of September 30th 2012. We continue to be cautious for the financial year 2012 – 2013.

For the first nine months, net sales for the period were Rs. 319 crores versus Rs. 270 crores in the same period last year an increase of 18%. Operating EBITDA for the first nine months was at 108 crores which was 9% up year-on-year. Operating EBITDA margin was at 34% versus 37% in nine months last year. PAT was at 96 crores up 16%. Operating PAT was 69 crores up by 10%. Operating PAT margin was at 22% versus 23% in the same period last year. Moving on to business-wise performance but before I sort of take you through these numbers I just want to say that all business-wise numbers that are being given out are management estimates and are not audited. In Q3 recruitment top line grew 10% year-on-year to Rs. 82 crores. Naukri Corporate sales top line grew 9%. EBITDA margins in recruitment were at 47% versus 51% in Q3 of last year. In Naukri the EBITDA margin was at 52% down from 57% in Q3 of last year. On the operating side in Naukri during the quarter we added an average of 9700 fresh CVs everyday and the Naukri database grew to 32 million CVs. Average CV modifications were at 106,000 per day. The Naukri JobSpeak Index was at 1150 in December 2013 so it was flattish. In Q3 we serviced 25,000 unique customers versus 23,500 customers in Q3 of last year, an increase of 6%. For the first nine months of this year we serviced 41,000 customers versus 38,700 customers in the first nine months of last year

In the 99acres business top-line grew by 54% year-on-year in Q3 to 13.7 crores. 99acres made a small profit in Q3, paid listings in 99acres are up at 4.8 lakhs versus 3.2 lakhs last year. In the Jeevansaathi business net sales grew 23% in Q3 year-on-year. There was an EBITDA loss of 1.7 crores in Q3. In Shiksha net sales grew at 21%, however collections grew much faster. The lower growth you have seen Shiksha this quarter is on account of change in deferral policy on some products.

Moving onto our strategic investments. Our investing companies continued to witness growth, We have during Q3 committed an initial investment to Rs. 5 crores in Happily Unmarried. Additional funding may be required by these investing companies from time to time and we will evaluate each of them on merit. We continue to evaluate other investment opportunities mainly in the Indian Internet market. To summarize the job market continues to be tight, this will continue to be the case for the next one or two quarters till the economy starts looking up once again. Our comparative position in Naukri continues to be strong and if growth comes back we will benefit. In the meanwhile we will continue to invest more in this business especially in product development going forward to continue to maintain and strengthen our leadership position. As mentioned in our earlier calls therefore if top line for the company grows at 20% or lower which seems to be the case in the first nine months of this year we will yield margins. 99acres on the other hand continues to grow even in an uncertain market and we will continue to invest more in this business to consolidate our leadership position. We continue to invest more in Jeevansaathi and Shiksha as well. Some of our investee companies are making good progress and as mentioned earlier we would want to move to majority in such cases should be opportunity present itself. We are now ready for any questions that you may have thank you very much.

Moderator

Thank you sir, participants we will now begin with the question and answer session. We have the first question from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri

My first question is on Naukri. Just wanted to check, I understand that the overall job market is subdued etc but typically you tend to have a fourth quarter kind of a bounce in terms of seeing the uplift so do you expect this year to be a little more subdued than a normal year or do you expect the fourth quarter seasonality to continue to be strong.

Hitesh Oberoi

Well the seasonality will continue but from a growth point of view it is hard to say what will happen this quarter, over last year, so of course compared to Q3, Q4 will always be better but we don't know what is going to happen vis-à-vis last year, so the job market continues to be tight.

Srinivas Seshadri

Just on Naukri again, this quarter you had seen a slightly, probably the recruitment as a whole slightly going down quarter-on-quarter so was the incremental pressure on the rates front or was it basically the number of licenses etc, so where are you seeing the incremental pressure coming from this quarter.

- Hitesh Oberoi** See collection growth in Naukri has now been flattish for the last two or three quarters on a year-on-year basis. Now we continued to had new customers so our customer base is growing so we did business at 41,000 customers in the first nine months of this year versus 38,700 in the first nine months of last year so what is happening therefore is that companies are buying less than they were buying earlier right so we have more customer but on an average each customer is paying us less than what they were paying us last year. Of course that is not true in all cases there are some customers who are paying us more but there are many others especially the recruitment firms who are paying us less than last year.
- Srinivas Seshadri** This quarter the case flow treatment shows that you made a CAPEX of around 32 crores, so if you can just elaborate on what that was for and what is the overall CAPEX plan going forward.
- Ambarish Raghuvanshi** We had announced that for the new building which we were occupying on Noida Expressway that we would spend between 35 and 40 crores so some of that investment came in the second quarter, a little more than 20 crores was spent in Q3 the current quarter and the rest of it is normal sort of CAPEX that would have been additional computer equipments and stuff like that but I think the large CAPEX cycle will run out by quarter three and thereafter that I would have by quarter four because the remaining amount on the expressway building interiors would get spent by then and thereafter then we will just follow into the normal fund cycle which is CAPEX pretty much in line with depreciation and that sort of trend is being continuing for the last few years and we don't anticipate any real change from that.
- Hitesh Oberoi** For your information the building is now ready and many of our people moved in.
- Srinivas Seshadri** Okay and Ambarish just one clarification with this building ready to move in would you see a fall in some of the rental cost which you were earlier bearing?
- Ambarish Raguvanshi** That's right so I think it will take about a quarter for the rental cost to readjust themselves because we will be moving into the new building in phases and then the notice period which have to be served out so I think it will probably take another quarter by the end of some time between quarter four and the beginning of next financial year the first month, we should get back to a normal rental cycle then.
- Srinivas Seshadri** Okay so how much should it kind of come down by like once you have movement.
- Sudhir Bhargava** About 40 – 50 lakhs a month.
- Srinivas Seshadri** 40 – 50 lakhs okay great thank you so much.
- Sanjeev Bikhchandani** See listen right now there is some double counting going on because we have rented the new building not yet vacated old buildings so it will come down by 40 odd lakhs from the double counting, but on an aggregate basis there may not be savings from what it was earlier before

we took new buildings on rents and the purpose of new building is to move as many people as possible into one office for better management.

Moderator Thank you. We have the next question from the line of Mohit Jain from Trust Group. Please go ahead.

Mohit Jain Just one question sir. On your personnel expenditure which is salary, it is growing at a faster pace than revenues for last few quarters and it is actually picking up on a Y-o-Y basis, can you please help me to understand this sort of discrepancy between revenues and employee expenses.

Hitesh Oberoi Yes, this is because we continued to invest in all our businesses. Like I mentioned slow downs are an opportunity to invest and even though Naukri collections have been flattish for the last two or three quarters we continued to invest in product development. Similarly in 99acres we continued to sort of invest healthily that business is growing at more than 50% year-on-year and similarly in Shiksha as well. A large part of this increase in cost is on account of additional headcount which has added large year, so our headcount I think increased by about 350 people this year over last year.

Mohit Jain Yes the growth in headcount is around 16% on Y-o-Y basis, but employee expense is up 26%.

Hitesh Oberoi Yes so that's because of salary increases over last year.

Mohit Jain Okay and second I could not understand the previous reply on the rentals should we account for 40 – 50 lakhs per month savings or will it not happen.

Hitesh Oberoi No, no I think what was said is that for the last three, four, five months I think, we have been paying double rentals because we are paying rent for the new building as well and we continue to occupy the old buildings. Now, some of these will go away because we will vacate the buildings we are currently in so there is no saving from what rent used to be like 8, 9, 10 months ago but there will be some savings from what the rental and expense had been for the last three or four months.

Mohit Jain Okay so on a Q-on-Q basis we will see some improvement?

Hitesh Oberoi That's right, yes.

Mohit Jain Can you please repeat the growth numbers for 99acres, Shiksha and Jeevansaathi?

Hitesh Oberoi 99acres grew 54% year-on-year, Shiksha grew by 21% and Jeevansaathi grew by 23%.

Moderator Thank you. The next question is from the line of Sagar Rastogi from Credit Suisse. Please go ahead.

- Sagar Rastogi** What percentage of Naukri's business comes from placement consultants and how has this number changed in the past 12 months?
- Hitesh Oberoi** Well about 27% - 28% comes from placement consulting firm.
- Sanjeev Bikhchandani** And the number has remained pretty much constant over the last few years, it hasn't really changed it might be up or down or a percent over the last two or three years, no real change in trends there.
- Sagar Rastogi** Okay so I would understand that the weakness in the recruitment segment is then not specific to the placement consultants, it's more broad based than that.
- Hitesh Oberoi** Broad based but you know placement consulting firms because you know when company start cutting spending they first cut spending on placement firms.
- Sagar Rastogi** True okay. And also could you give some more color on the change in revenue deferral policy on the products in www.shiksha.com.
- Hitesh Oberoi** Actually the revenue base is not very high for Q3 so our revenue is actually for Q3 of last year was around will be 2 crores – 2.5 crores in Shiksha. Now, what has happened is that one product which was earlier not deferred I think we have taken a view that the sales from this product should be deferred over a period of time so if we had not done that our revenue would have grown by 40% but because we did that back this quarter our revenue has grown by 20%. In addition to that of course there is I think more longer term product will be sold as well so that is also cost we change in the mix, hopefully sales will look up again next quarter.
- Moderator** Thank you. Next question is from the line of Vaibhav Agarwal from Motilal Oswal Asset Management. Please go ahead.
- Vaibhav Agarwal** I wanted to understand more about 99acres, so I see that the total number of listings has gone up from 4.08 lakhs in quarter two to 4.1 lakhs in Q3, we have increased our headcount by almost 200 people for 99acres so whilst say a flattish growth I mean is the property market very dull at this point or ?
- Hitesh Oberoi** What is the source of these numbers because where did you get this data from?
- Vaibhav Agarwal** No there is a data sheet that you put up. Something total number of paid listings for your 99acres has gone up so it was 4.1 lakh this quarter and 4.08 lakhs last quarter so I was just wondering I mean there is not much growth in paid listings per se.
- Hitesh Oberoi** So that's quarter-on-quarter, what I mentioned is that year-on-year revenues are up 54% and year-on-year listings are up by substantial number as well.

- Vaibhav Agarwal** Yes, year-on-year they were about, I mean whilst there is, because from quarter one to quarter there was a huge jump, but I think from quarter two to quarter there has not been as much over significant increase so that's kind of why I want to understand, what may be the reason for that.
- Hitesh Oberoi** So, I think what is more important is year-on-year growth because there could be some seasonality in the business. Normally, what happens especially in the festival season is that all our businesses, interest in buying property or changing job is not that high, so I think what is more important to look at is year-on-year growth rather than q-on-q growth.
- Vaibhav Agarwal** And what do you think about competition from other competitors such as say indiaproperty.com or magicbricks.com I mean how do you see 99acres differentiating itself in terms of may be for getting more user traffic.
- Hitesh Oberoi** So you know these are early days for the real estate business, so there is a lot of competition, there are at least seven – eight players in the market trying to do things, but so far we managed to maintain our leads we are growing at 54% we are breaking even in fact in past, in the last quarter we made a little bit of money. We are the number one player in terms of traffic shares, so our traffic share has been fluctuating between 34%, 35% to 40% and the next guy at 23% - 24% so we are doing a lot of things on products side on the sales side on the technology side on the marketing side to differentiate ourselves for competition.
- Vaibhav Agarwal** Could you just give me the EBITDA number for 99acres for this quarter?
- Hitesh Oberoi** We have made a marginal about Rs 70 lakhs this quarter.
- Vaibhav Agarwal** Because last quarter I think it was bit in a loss so I think it's good sign that may be it has become profitable this quarter.
- Hitesh Oberoi** You know a lot depends on how much you spend on advertising in a quarter, so in a quarter if we decide to Ad on TV for example profitability would suffer on the other hand if you spend less on advertising the quarter we can become profitable so right now our focus is not on profitability, in this business our focus is on growing share and on growing top line.
- Sanjeev Bikhchandani** And by way of example 99acres we have got a new ad film some of you may have seen it on television and so in quarter four we will be spending reasonable amount of money on that ad film so like investment in 99acres is going to go up in quarter four and let's see what's the top line comes at but so it could quite easily slip into a sort of minor loss situation.
- Vaibhav Agarwal** Okay but when do you expect this entity to become profitable by itself, I mean I know that these are early days but any idea on any guidance may be couple of quarters down the line something like that.

- Hitesh Oberoi** Well, we can become profitable if we want, we can just cut advertisement a little bit and we would be profitable but that is not our objective at this point of time, our objective is to grow share to establish leadership to be number one in the market and we want to continue to invest in this vertical for the next few quarters at least.
- Moderator** We have the next question from the line of Gaurav Malhotra from Citi Group. Please go ahead.
- Gaurav Malhotra** Just one question, if I just look at it deferred sales revenue with respect to your recruitment revenues and I try then back calculate the collections that we have the two quarter deferred revenue number as well as sales number, it comes across as if the collection has actually improved this quarter, so any sense on that.
- Hitesh Oberoi** Well, collection growth has been close to 0% in Naukri corporate sales-
- Sanjeev Bikhchandani** But for the company as a whole yes collections are up in this quarter.
- Hitesh Oberoi** Because of 99acres and other businesses. There are some of the linear growth businesses like Jeevansaathi and the candidates' services part of Naukri they are continuing to grow in the mid 20s and 99acres as you mentioned is growing at over 50% so those are the ones which are contributing to the growth in collection.
- Moderator** Thank you. We have the next question from the line of Vaibhav Kacholia from Pisces Capital. Please go ahead.
- Vaibhav Kacholia** Could you give us some sense on the overall Internet traffic in India.
- Hitesh Oberoi** Overall Internet traffic in India.
- Vaibhav Kacholia** Yes, I mean the user base is now reaching 150 million users.
- Hitesh Oberoi** Well, you are right the user base is closed to 130 million – 140 million but I would not be able to comment on the traffic in total, the numbers are right now with me.
- Sanjeev Bikhchandani** Sanjeev here. You know this user base, now depending on whom you talk to you have a different number, so the data is very unclear in India and also the definition is what's the use, once in the last six months, once in last 12 months, once everyday and those numbers vary a lot, also you see even if you look at mobile, if I access my email or mobile, technically I am accessing Internet, but is that browsing, or if I use an app, for specific purpose technically I am browsing Internet but is that browsing, am I going to five sites or am I just using one app, so yes and fact is that user base is growing but I mean basis on what definition we don't know.
- Vaibhav Kacholia** No, in fact that is exactly my question, I mean is it really this or is it much slower like 30 million – 40 million actual regular user who might my transact and do stuff on the Internet.

- Hitesh Oberoi** So, I think with 130 million number is of people who have used the Internet in the last one month or two months or three months, they may have used the Internet only once in the month, the number of regular users is far less than 130 million – 140 million, number of people who will use the Internet everyday may be just 30 million – 40 million.
- Sanjeev Bikhchandani** Everyday for an hour or two, always on broadband those are real power users.
- Vaibhav Kacholia** How much is that user base growing any view on that Sanjeev ?
- Sanjeev Bikhchandani** Well, it's obviously quality of access is improving as data on broadband hopefully 4G coming as and when it comes in 3G increase even further, with smart phones selling more and more, it seems to grow a lot but I don't say, I can put a number to it because frankly I don't think anybody really knows.
- Vaibhav Kacholia** I mean it must be 15% - 20% kind of thing?
- Sanjeev Bikhchandani** Yes, I think maybe more than that.
- Vaibhav Kacholia** Okay and in terms of overall transactions and activities being done on the net, any feel on that Sanjeev.
- Sanjeev Bikhchandani** I actually don't track the overall, the entire internet. I track with the sectors we are in.
- Vaibhav Kacholia** Okay great. One more question sir, how much market share do we have in the overall recruitment market including offline markets.
- Hitesh Oberoi** It is again very hard to say because the numbers are not available. The total online portals together may be do about close to 500 crores of business, 500 to 550 crores and the total recruitment market depending on what you include in the market if you include consulting firms, if you include print publications, if you include referral bonuses pay out, it could be 4,000 – 5,000 crores yes.
- Vaibhav Kacholia** No, but just print media and like proper specified media would be how much?
- Hitesh Oberoi** You mean the advertising market?
- Vaibhav Kacholia** Yes.
- Hitesh Oberoi** May be, less than a 1,000 crores I would say.
- Vaibhav Kacholia** Okay so I mean the main big growth for our company can come only when this market revives by itself, market share gains are going to be limited from now on, right.

- Hitesh Oberoi** Yes, we need the economy to sort of start looking up once again, because that's when hiring momentum picks up, attrition rates go up, company start hiring new people, new companies enter the market and other than that it has to be by taking share from competition.
- Sanjeev Bikhchandani** I would like to add one thing here. You see if you introduce a new product or you innovate and you get a share of wallet that was not coming to online job portals earlier then you have expanded the online market and taken in some revenue from elsewhere within the budget, recruitment budget and that is one more possibly way to grow but those are things which happened over time, they don't happen suddenly in one year.
- Moderator** Thank you. We have the next follow up question from the line of Srinivas Seshadri from CIMB. Please go ahead.
- Srinivas Seshadri** Just wanted to understand on the Jeevansaathi business side, most of the growth is actually coming from realization and volumes appear to be kind of range bound, so is this some kind of planned strategy in terms of getting a better quality customer or can you just kind of explain what are the dynamics which are going on based on which we see these kind of numbers.
- Hitesh Oberoi** Yes, so given the fact that we are number three we have taken a call some time back to focus on the Hindi belt and so we have cut down our spending in the other markets, so as a result our overall volumes on the site has fallen so we are not getting as many profile as we were getting earlier and even in the market in which we are present and focusing on, we are focusing more on brand building right now than just generating a lot of leads or profile to our site because that is what we think will help us to differentiate ourselves in competition in the long run and what we have seen is that branding helped to improve conversion rates and which is why you see even though the number of profile in the site is falling we are able to monetize them better, so this is what our strategy is likely to be going forward at least for the next two three quarters.
- Srinivas Seshadri** And Hitesh, like whatever the volume de-growth which is happening as you said because of market selection is that phenomenon still going to continue for the foreseeable future or are you kind of somewhere at the end of it.
- Hitesh Oberoi** No see we are number three so we have to work harder, we have to innovate, we will try out different things, so what we want to do in the Jeevansaathi business is try out a bunch of different things, so that if something works then we think of scaling it up, so you may see a few things changing in this business as we rollout.
- Srinivas Seshadri** Okay so as of now we should kind of build in is that the volume should be kind of muted and it would be more of a realization or a conversion lead growth as you said.
- Hitesh Oberoi** We are trying out new things, so this is what we did for the last three or four quarters, I can't say whether this will be our strategy going forward as well, may be for one or two quarters yes but not beyond that I can't tell you right now.

- Srinivas Seshadri** Fine, the other question I had on the investee companies. You mentioned in the opening remark that some of them are showing good progress and you would like to kind of explore majority ownership opportunities, can you kind of specify or state which of the companies are doing better than expected or better at this stage.
- Hitesh Oberoi** No, we do not have any announcements to make here and cannot give our views on this one.
- Srinivas Seshadri** No, not on the ownership but just on the progress part, which you were saying.
- Hitesh Oberoi** No, we are not specifying which companies are doing how well right now.
- Srinivas Seshadri** Okay fine. And when should we look forward to more information on these investing companies, like which you have been kind of.
- Hitesh Oberoi** I think at the end of the financial year we will reveal the data over performance of the year and that's when we will have to give you.
- Srinivas Seshadri** Okay but any company level information which is likely to come.
- Hitesh Oberoi** Nothing right now.
- Srinivas Seshadri** Okay fine and sorry one more kind of a data bit, can you share the quadrangle revenues for the quarter?
- Hitesh Oberoi** Quadrangle revenue for the quarter, no I don't think we will be able to share it right now.
- Srinivas Seshadri** And also the candidate services growth.
- Hitesh Oberoi** Recruitment on the whole grew by 10% and that's what we are revealing right now here.
- Moderator** Thank you. We have the next question from the line of Ankur Rudhra from Ambit Capital. Please go ahead.
- Ankur Rudhra** Forgive me if I repeat something I could not attend the first part. Can you comment on when do you expect collections growth to return, do you think the worst is behind is the December Naukri Speak looked a bit optimistic, do you expect collections to start growing from next quarter onwards A and clearly current quarter will have tough comps from the year ago, so should be we ready for a decline on a Y-o-Y basis.
- Hitesh Oberoi** Well, we are seeing no change in the situation on the ground, so I frankly have no visibility, right now as far as we are concerned, what we are sort of assuming is that the next quarter will be similar to this quarter in terms of growth rates for all our internal calculations, but we don't know how it is going to finally end up.
- Ankur Rudhra** You are talking of collection growth rates here.

Hitesh Oberoi Collection growth.

Ankur Rudhra Okay but on the ground you don't see any perceptible changes in last couple of months for example.

Hitesh Oberoi Not really, not at the moment.

Ankur Rudhra Then on the IT services side, what we have been hearing from some of the larger firms is an increasing prevalence of just in time hiring due to an uncertain environment, will that change, the way they use your services in anyway.

Hitesh Oberoi So, just in time hiring is good for us because companies, basically what this means is that they have a zero bench and they are forced to hire quickly if they have any requirements, so may be what has happened over the last few months is then I can't be sure of this is that companies have cut down their bench, right and move to just in time hiring so therefore if the market starts to look up they start hiring actively once again.

Ankur Rudhra Have you seen any change, I mean the way they use the services so far as a result of this trend?

Hitesh Oberoi Well, normally we sign one year contracts, so most of these companies who are customers of ours you know would have signed a contract many months ago, so we will know only at the renewal time.

Ankur Rudhra And would this impact the core services more or the ads on your page in terms of display as more.

Hitesh Oberoi See normally what happens is that companies keep using our standard product throughout the year and when the market starts to look up and they need to aggressively go and hire people and they start using some of our higher end solutions like they may want to run banners on their site and send mailers to our data base or put a link on the homepage that normally sort of tends to happen more when the market looks up, but the regular products they keep using through the year.

Ankur Rudhra Okay fair enough. I don't know whether if you already addressed this but if you could just comment a bit more on the margin decline and recruitment despite the decline in advertising cost.

Hitesh Oberoi So, two things have happened this year, one is of course we continue to invest in product development so our product development cost and our selling costs are still high, even though that many of them have not grown substantially. The second thing is that we will move into this new office on the expressway and because our headcount went up last year our other expenses have gone up. Similarly, our server costs are up because of the dollar sort of

appreciating so as a result the overall cost in Naukri have gone up more than revenue has gone up this year.

Ankur Rudhra Yes, and the change in the capital working progress we saw this time was some build out you are doing right now.

Hitesh Oberoi Yes, so that's on account of a new building that we are doing up on the expressway that is now nearly done, so there may be some additional expenses which comes in this quarter but that's about it and we are already moving into that building, so some people who have already moved in that building.

Ankur Rudhra This is sort of the pick of the overall funding for that building required, change we saw this quarter.

Hitesh Oberoi Correct.

Ankur Rudhra Fair enough. Just finally on advertising you expect that to come back to trend levels from next quarter onwards because you are investing in your 99acres business.

Hitesh Oberoi Yes, so this quarter we are already on television in 99acres, even Jeevansaathi is on TV, Shiksha may be on TV as well, so advertising expenses will go up this quarter.

Ankur Rudhra I know on an absolute basis it will but even on, there will be a bit of a loss of operating leverage coming as you invest.

Hitesh Oberoi See, normally Q4 is also good for revenue so let's see.

Moderator Thank you. We have the next question from the line of Mr. Rishi from ICFR. Please go ahead.

Rishi K My first question is that as the Internet penetration is growing in Tier-2 and Tier-3 cities, what are your growth plans for these cities?

Hitesh Oberoi So, Naukri is already present in more than 30 cities, even 99acres has operations in more than 10 cities. In Jeevansaathi we already get more than half of our revenue from outside the metros so as far as our user base is concerned as far as getting more traffic on the site is concerned we are already getting a lot of traffic from Tier-2 and Tier-3 towns, as far the monetizing this traffic is concerned, most corporate activity in India unfortunately is around at top 30 – 40 cities and we are already present in these cities and most real estate activities are also around the top 10 – 20 cities as it is already present there at the moment, so we don't have very aggressive plans of expanding in terms of setting up offices and hiring more people in these cities at this point of time.

Rishi K And in percentage terms how much is the rise in server cost and advertising cost?

Hitesh Oberoi So for the first nine months of this year server costs were up 45% and advertising cost were up 10%.

Rishi K Could you please share average revenue per client for Naukri and other websites?

Hitesh Oberoi We don't give out that number, sorry.

Rishi K And can you please put your web transcript of this-con call on your website.

Hitesh Oberoi Yes, we will put up the transcript on our website.

Rishi K So, by when should I will get?

Sudhir Bhargava In a couple of days that will be there and this archive webcast is also recorded and will be up by tomorrow some time.

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

Miten Lathia The comment on collections growth earlier on the call you said you should be able to maintain growth in Q4 that leaves us with a very tough ask of 150 crores of collection in quarter four given that you also mentioned that we have very poor visibility, how should we look at that number in the first place.

Sanjeev Bikhchandani I think what Hitesh said was there will be growth over Q3 whether or not there is growth over Q4 last year, remains to be seen. We are unable to predict it.

Moderator Thank you. We have the next question from the line of Vishal Shah from Allard Partners. Please go ahead.

Vishal Shah First thing I wanted to know, what is the amount which you have invested in FY13 nine months in various investee companies the existing ones and the new ones.

Hitesh Oberoi That has been announced, in Q3 we invested five crores in Happily Unmarried, Sudhir will just dig out the total figure for the first nine months.

Vishal Shah Okay and the second thing I wanted to ask is what's your traffic share as of now in Naukri and have you seen any change in the competitive environment in terms of advertising by your competitors, etc.

Hitesh Oberoi Well, if we assume the market to be just a job boards and not include LinkedIn our traffic share has been hovering around 61% - 62% mark for a while now, we have now seen any increase in competitive activities as far as the job boards are concerned.

Vishal Shah And would it possible to know the share if we include LinkedIn?

- Hitesh Oberoi** Well LinkedIn is not just a job board so LinkedIn gets a lot of other traffic as well, which is not for the purpose of looking for a job, we don't know what the job traffic is like so we are unable to arrive at any estimate.
- Sudhir Bhargava** In the nine months we have invested around Rs 59 crores.
- Vishal Shah** Just one more thing, like you have been mentioning for the past few quarters, you have been cautious on the demand environment, even now you mentioned that the collection is flattish but have you seen any change in terms of business confidence of your key clients like over past few quarters and now.
- Hitesh Oberoi** Well, you know we keep hearing a lot of things in the market place but it's not showing up in the numbers as well so unless the numbers move we should not sort of assume that the market for hiring is picking up, CNBC has started hiring more than earlier but others are hiring less, so at the overall level the numbers are still flattish.
- Vishal Shah** But any change in terms of pricing or your discounts if they are negotiating more – less any color on that?
- Hitesh Oberoi** It's the same yes, no change.
- Moderator** Thank you. We have the next question from the line of Jinal Sheth from Multiact. Please go ahead.
- Jinal Sheth** You were just mentioning some time back that this is a bit slow period and you guys have been investing in your businesses, one thing that I am bit confused about it that management has been selling in the past few quarters, so how should I read into that?
- Sanjeev Bikhchandani** I don't think there is a significant sell, I have sold and we had announced why I had sold and if that's on the site, a big chunk what I sold and gone into a philanthropic activity which I am involved in and some of it's for personal use.
- Moderator** Thank you. We have the next follow up question from the line of Vaibhav Agarwal from Motilal Oswal Asset Management. Please go ahead.
- Vaibhav Agarwal** Sir, one thing was that obviously Naukri.com has competition from other consultants and from LinkedIn as well, I think the LinkedIn question was addressed earlier but how do you see Naukri.com may be replacing the job consultants as such do you think that's something which in your gambit right now.
- Hitesh Oberoi** So, we don't see consultants as competition, they are in fact our customers more than a quarter of our revenues are from consulting firms. They add a different kind of value to their customers which Naukri can't add.

- Vaibhav Agarwal** And one more question on something like 99acres so most of your sales so far has come from brokers and other builders right, so are these generated only because may be your sales agents go and market to them or are you able to garner revenue even just I mean automatically people coming to you just by seeing your website.
- Hitesh Oberoi** No, unfortunately that doesn't happen in India as yet. We have a large sales operation, we have offices in multiple cities, we have about 300 people in sales at 99acres and we need to meet brokers often and multiple times, educate them in many cases on the benefits of using the internet and often have to work with them to help them try out the site, so that's how it works in India. So, a lot of our sales, I mean almost all our sales are face to face and through our field sales force.
- Vaibhav Agarwal** Sir, in terms of the top management bandwidth, like in terms of time spent something like I mean obviously Naukri.com being your bread butter business, you would be spending significant time there but is there is a lot of focus on say 99acres and Jeevansaathi over the other investee business or how should one look at it.
- Hitesh Oberoi** See we are now organized on business unit line, so we have a BU structure, so we have a business head for every business and so that person focuses is only on that business, of course that my level, I end up spending a lot of time on Naukri and 99acres and some of my time on Shiksha and Jeevansaathi, Sanjeev spends a lot of his time on investee companies, he is also available for consulting and for helping out with the internal businesses, but we have a fairly balanced and fairly large management team inside the company now.
- Moderator** Thank you. We have the next question from the line of Nikhil Pahawa from Medianama. Please go ahead.
- Nikhil Pahawa** I just wanted to get a sense of what your take is on the recent changes at Times Job in terms of adding endorsements to their profiles and trying to increase engagement by taking their resumes mobile as a competitive activity how do you view it.
- Hitesh Oberoi** So, you know Times is a number three player in the market right and frankly we will think it will take a lot more than few features for them to sort of make a serious impact on the market. But all innovation is good, it helps the industry and we continuously look at all our competition to see what is it that they are doing well and if there is something which they are doing well and which we could learn from we will implement and if there is something that we are doing well and they sort of implement so but as competition like I said as I mentioned earlier they are probably about 15% - 16% of market and distant number three right now.
- Moderator** Thank you. We will proceed with the next question that is from the line of Ankit Kedia from Centrum Broking. Please go ahead.

- Ankit Kedia** Just one small question, on the collections and on deferred sales, how much proportion of 100 crores of deferred sales would be on the recruitment business and how much would be from non-recruitment.
- Sudhir Bhargava** Ankit we don't really have that data but my sense is upwards of 80% would be recruitment.
- Ankit Kedia** Okay, no because we are seeing collections in recruitments are flattish compared to the 12.5% at the company level.
- Sudhir Bhargava** Yes, but as more is being consumed more is coming in as well, so if it continues to come in at a faster rate it will build up right, but if it continuing to come at the same rate, it doesn't empty out that fast.
- Ankit Kedia** So, around 80% is safe to say whatever is the proportion?
- Hitesh Oberoi** No, even upwards of 80 he doesn't have precise data so.
- Ankit Kedia** So, the proportion of our revenues which comes from recruitment it could be safe to assume that.
- Hitesh Oberoi** Well, actually Naukri it will be higher than that because we don't have a lot of deferred sales in Jeevansaathi, Quadrangle candidate services and 99acres so it may be higher than share of revenue in the overall.
- Sanjeev Bikhchandani** It is probably higher because Naukri do 12 months' subscription whereas others it is shorter time period.
- Ankit Kedia** But when we say that the recruitment business collections are flat I think it includes candidate services, Naukri and Quadrangle in-
- Hitesh Oberoi** No, what I said was Naukri corporate sales are flat.
- Moderator** Thank you. We have the next question from the line of Sanjay Bembalkar from Quantum Advisor. Please go ahead.
- Sanjay Bembalkar** Sir, on current investee companies, do we have any committed cash outflows for FY13 and FY14?
- Sanjeev Bikhchandani** No, we have no announcements to make as of now for the investee companies this financial year.
- Moderator** Thank you. We have the next follow up question from the line of Ankur Rudhra from Ambit Capital. Please go ahead.

- Ankur Rudhra** Could you comment on the change in wage cost on a per employee basis and I noticed there was a sequential bump up on a Y-o-Y basis it may be more normal but is there any change in profile of the hires this quarter, are they more expensive, more senior hires than before.
- Hitesh Oberoi** No there is a slight increase this quarter because of the Toostep acquisition so we added few people, which had lead to cost going up this quarter otherwise, on a year-on-year comparison basis we know our headcount is up by about I think 16% - 17% as well.
- Ankur Rudhra** So, on a normalize basis going forward this will normalize from next quarter onwards if we move flat on a per employee basis.
- Hitesh Oberoi** Yes.
- Ankur Rudhra** How many people do you add from Toostep if you can remind me?
- Hitesh Oberoi** I think eight or nine.
- Moderator** Thank you. We have the next question from the line of Pankaj Murarka from Axis Mutual Fund. Please go ahead.
- Pankaj Murarka** Can you give some more granularity in the recruitment firm revenues, is it that they are fewer number of customers there we have or the same customers are paying is less.
- Sanjeev Bikhchandani** Well, on the whole the recruitment firm business is hit, so we may have I don't know whether our customer account has gone up, we will have to digging in the numbers but yet many placement firms are in trouble, so some have scaled down their purchases from us. In some cases firms may have shut down as well, in other cases we have about 10 logins last year, they may have about five. In some cases we may have ended up giving a higher discount. On the other hand of course there are many new firms which have set up shops every year as well, so I don't have the details with me right now on that.
- Pankaj Murarka** I understand that it's a mix of various things but are you seeing any perceptible change in behavior or any trend there?
- Hitesh Oberoi** Yes, so what I mentioned is that when the market slows down, the placement consulting firms get hit first so their revenues come under pressure because client stops giving positions outside as a result of which they cut down their cost as well, so that we are seeing in the market this time.
- Sudhir Bhargava** In Q3 we serviced over 5800 recruitment consultants.
- Pankaj Murarka** And the other thing is whatever I see from a lot of corporate results and so on and from IT companies or so on and lets say some of these IT companies are sitting on large bench especially the larger ones, also there is a fair degree of slack in financial services so is it fair to

presume that this could be a more protracted recovery and if that could be the case then how would our business behave in that an kind of environment.

Hitesh Oberoi We don't know whether the economy will start looking up next quarter or the quarter after that or this quarter, so we really can't comment, yes if the hiring environment continues to be tight our growth rates will be impacted.

Ambarish Raghuvanshi The fact is that every cycle and bounce back is going to be different, so it's very difficult to predict on what the pace of recovery is going to be, it is dependant on the same factors which we have been maintaining in the past because GDP growth, business confidence level, the investment spending and so on, so I mean unless these three or four indicators starts looking up, it's going to be difficult to predict and what's that pace of recovery or the bounce back, is going to be difficult to predict.

Hitesh Oberoi See our business is a little cyclical so what tends to happen is that when the economy starts looking up you know attrition rate starts going up to maintain the same headcount, people have to hire more, then new business set up shop and companies are more desperate to hire and therefore our discounts also go down, they are willing to pay higher prices, so in that sense when the market slows down we get hurt a lot and when the market recovers we bounce back fast.

Pankaj Murarka No, I appreciate that but let's say if I were to paint an environment where we are saying that the recovery this time around is fair degree of slack in the labor market and it's going to be more gradual and protracted recovery both from a macroeconomic perspective and from lot of businesses perspective and on top of that if we build a case that there is a fair degree of slack and lot of industries in labor markets, could that mean like sub 15% growth for us going forward into the next year.

Hitesh Oberoi Yes, so if what you are saying turns out to be true, then the hiring spend will not go up as far as companies are concerned and therefore for us the task will be to get a higher share of what has been spent, which is always harder to do.

Pankaj Murarka And finally on all the portfolio investee companies that we had made meaning the vision of technology is a very dynamic one and things evolve very quickly so is there a risk that some of these investments might not pay often and there could be a write-off is some of those.

Sanjeev Bikhchandani Yes, I mean that could happen, I think it's in the fundamental nature of early stage investments that all will not work, although we would like to them all to work and when we go into investment we go in believing it will work and that's why we invest but yes it could happen. In fact I will be very surprised if all do work and we could be equally surprised if all do fail.

Pankaj Murarka Right so from a risk perspective overall number that we are willing to risk or something from a risk perspective as to how we go about.

- Sanjeev Bikhchandani** There is no budget as such for investments, naturally as we invest more and more and as the portfolio grows large in terms of exposure we would like to be pretty sure of a few companies before we commit a very large sum of money.
- Moderator** Thank you. We have again Mr. Nikhil Pahawa from Medianama. Please go ahead.
- Nikhil Pahawa** Could you just comment on what we are doing with these lots of social or making your platforms more social if we look at LinkedIn, if you look at Career Play from TimesJobs?
- Hitesh Oberoi** So, like I mentioned in my call earlier we continued to invest a lot in product development. We have a lot of big projects on which various things are working, we just rolled out one of our products this last week, it's a product which has to do with, which will help companies hire and one better referral programs, so there are multiple such projects that are in the pipeline, I can't comment on all of them, but we continue to invest aggressively in the area of search and match in the area of making our site more social, on mobile platform, on recruitment management systems, which is why we acquire a company called Toostep. And some of these products will be rolled out over the next two or three quarters.
- Nikhil Pahawa** What is the usage for your apps ?
- Hitesh Oberoi** Well, right now mobile traffic is about 10% to 12% of total traffic on various properties so in some categories like Jeevansaathi it's about 15% and in some other category is about 7% - 8% but the range is between 7%, 8% to 15% for most sites. And most of these right now from our WAP website. Most of the traffic is on WAP / HTML website right now html site or our website.
- Nikhil Pahawa** Okay so this app is not significant.
- Hitesh Oberoi** Not at the moment, but we are working on developing better apps.
- Nikhil Pahawa** How much of your overall top-line is coming from recruitment still?
- Hitesh Oberoi** From recruitment, about 80%.
- Nikhil Pahawa** So, this has not changed significantly in the last four – five years right, it has been around the same amount in terms of percentage-
- Hitesh Oberoi** We will just get back to you with the exact numbers. This quarter sorry the number is 77%, 77% is recruitment, 23% is non-recruitment.
- Sanjeev Bikhchandani** If I remember correctly it used to be about 87% about four or five years ago. It's changing but slowly.
- Nikhil Pahawa** Okay and what's driving the change in the sense which are the segments which is actually growing substantially in terms of a top-line.

- Hitesh Oberoi** So, 99acres had a very good quarter, so 99acres for example this quarter grew at 54% and now it has been growing at 50% plus for the last two or three years, so of course the share of 99acres in our profit is increasing rapidly.
- Nikhil Pahawa** How do you compare with the Times Property Magic Bricks?
- Hitesh Oberoi** So, if I go by Comscore shares then we are a lot bigger than Magic Bricks in terms of total traffic, revenue one can't be sure because we don't have their numbers but our sense is that we are close to about 40% of the market.
- Nikhil Pahawa** What is the status of Shiksha, this is going to be an important quarter, right the last quarter of the year, it's a seasonal business I believe.
- Hitesh Oberoi** Yes, so Q4 is normally big for all our verticals, so we are keeping our fingers crossed.
- Nikhil Pahawa** So, how is Shiksha doing right now, any numbers in terms of users and usage?
- Hitesh Oberoi** So, Shiksha we are pretty happy with the progress we are making with Shiksha, it's a very different kind of a model, it's not a pure classified play. We are getting renewals, our customer base is increasing, our traffic on the site is also increasing, most customers are coming back because they are seeing success. It's a large market, a lot of money is spent on education advertising, but still very early days for us so I don't have a kind of confidence I have in 99acres and as far as Shiksha is concerned right now that this is going to happen and this is going to breakeven next year and this is going to grow at 50% - 60% and this will grow up and become a very big business, but we are very happy with the progress that we are making.
- Nikhil Pahawa** So, whom would you identify as a key competition in the education space.
- Hitesh Oberoi** Well, it's a very new category so I think currently we see print as competition yes, it's a huge market, a lot of money is being spent on print advertising. There are lots of players in the Internet space trying different things but they are small just like us, so right now I would say our main competition is other media and not other Internet companies.
- Nikhil Pahawa** So, what were the challenges in that education segment because we have been investing in this business from quite a while as well, I think 2008 when you launched it.
- Hitesh Oberoi** So, it's not a pure classified model so it's not a listing model where the listing change every day just like in 99acres and Naukri, so it's a little different, number one. Number two, the kind of customers we deal with here are not just interested in new generation but also in building brands so that's a new area for us, so we have to sort of figure out how to provide branding solutions and so these are the kind of challenges we are encountering in Shiksha and that's why it has taken a little bit of time because it's not as simple as replicating a model in 99acres and Naukri. And there aren't too many success stories worldwide, so there aren't too many

examples of companies who have done this and done it really well in the rest of the world, so it's a market which we are creating.

Nikhil Pahawa

Do you think businesses like Shiksha and perhaps Jeevansaathi or 99acres would do better if they are driven more with the entrepreneurial mindset rather than as a part of a large....

Sanjeev Bikhchandani

I mean we have got businesses we are building inside the company, we have got businesses being built outside the company and we are observing businesses being funded by financial investors also, as standalone companies. I think the great thing about us funding our own internal external businesses is that we can take a call taking a long-term view and we decide when to invest and know how much to invest and so on and not be dependent on the decisions of other people okay and we have seen many, many companies perhaps suffering, because they grade the first round and were not able to raise the second or third round because they were not in control with their own destiny, so I think it's a huge asset that, for two reasons one is the financial reason that we decide to invest and how much to invest, when to invest, went control over destiny. The second is because of operating experience from Naukri from other business to be able to transplant knowledge. Third is we have got media mind capabilities, which are much, much larger and therefore we get better prices. We are able to invest in departments as small companies cannot invest it, such as analytics, so there are many, many reasons why we believe we have an advantage but having said that yes, if you have a small four member team or five member team doing it they could roll our products faster but we could perhaps roll our products for the more correct.

Nikhil Pahawa

But I am just curious about what kind of media buying muscle you put behind a business like Shiksha for example. I haven't seen a TVC like you had done for 99acres.

Sanjeev Bikhchandani

No, it's not about size of media budget, it is the fact that we can buy at prices and rates, others cannot buy it. It's a fact we were invested behind our own Google SEO and SEM buying algorithms, where outside agencies cannot match our pick through prices for Google and all that knowledge is transferred and we are able to invest in the scheme because we have got a big business at Naukri inside the company and then we transplant that knowledge to smaller business. So, the reason why we don't outsource our SEM is because whenever an outsource SEM agencies comes and talks to us and we show them the click through rates they say we can't come anywhere close to these.

Nikhil Pahawa

Yes, but it's a lot more about building brand at this point in time for the business like you said to dive confident amongst both the universities that need to be customers-

Sanjeev Bikhchandani

Yes, given the size of our media buying on TV also, I think we get better media prices than most of the people.

Hitesh Oberoi

And you know let me tell you one thing that in the case of both 99acres and in Shiksha teams inside our company is competing with other entrepreneurial teams outside and in many cases we leaving them behind, so if the quality that you meet matters not whether as well, so like I

mentioned earlier in my call we have a lot of good senior management people inside the company who are now driving these businesses and we have made substantial progress, yes we could do better but we are not terribly unhappy with where we have reached.

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

Miten Lathia You mentioned earlier on in the call that this year with less than 20% top line growth there will be some margin erosion, what would that cut off be for fiscal '14? Are all our big investments in both Naukri product development and 99acres done or even next year the 20% threshold holds good?

Hitesh Oberoi So, you know we continue to invest in all our verticals and we are hoping that growth will come back. This year like I mentioned earlier if we don't grow at 20% we will yield margins and we have already yielded some margin in the first three quarters, even next year we could continue to invest and if growth comes in below 17% - 18% we may end up yielding the margins.

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

Srinivas Seshadri Just one question, AllcheckDeals, can you give me some number on the number of deals which they have done for the quarter.

Sudhir Bhargava We will put it out in the investor book, it's around 400 for the quarter.

Moderator Thank you. As there are no further questions from the participants, I would now like to hand the floor back to Mr. Oberoi for closing comments, over to you sir.

Hitesh Oberoi Well, thank you all for being on the call. Have a nice day.

Moderator Thank you sir, on behalf of InfoEdge India Limited that concludes this conference call. Thank you for joining us you may now disconnect your lines. Thank you.