"InfoEdge (India) Limited Q2 Results Conference Call"

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Moderator: Ladies and Gentlemen, Good Day, and Welcome to the InfoEdge (India) Limited Q2 Results Conference Call. Joining us on the call today from the management are Mr. Hitesh Oberoi – Managing Director and CEO; Mr. Chintan Thakkar –CFO; and Mr. Sanjeev Bikhchandani – Vice Chairman. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hitesh Oberoi. Thank you and over to you, sir.

Hitesh Oberoi: Thank you. Good Evening, and welcome to our second quarter results conference call. We will first take you through the quarterly 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 this quarter, for the standalone company, net sales in Q2 were Rs.174 crores versus Rs.147 crores in the Q2 of last year, an increase of 18%. For Q2, operating EBITDA was at 34 crores, having declined 20% year-on-year, but it is up 40% quarter-on-quarter. Operating EBITDA margin was at 19% versus 28% in Q2 last year but versus 14% in Q1, this is mainly due to the increased investment in 99Acres in advertising, data quality and product delivery, marketing spend was up in Jeevansathi as well. This is in line with our long-term strategic goals. However, advertising spends in Q2 were below that of Q1 especially in 99Acres.

Profit before tax at 48 crores was flat year-on-year and up 17% quarter-on-quarter. PAT was at 34 crores, up 2% on account of higher other income. Operating PAT was at 18 crores, down 24% year-on-year but up 60% quarter-on-quarter and operating PAT margin was at 10% versus 16% in Q2 of last year versus 6% in Q1.

Deferred sales revenue has decreased to Rs.175 crores versus Rs.187 crores as of June 30th, 2015, but is up 17% versus 147 crores as of September 30th, 2014.

Year-on-year other income in Q2 was higher given the larger corpus and income from some FMPs which matured and booking of gains on redemption of funds in the growth option. As of September 30, 2015, about Rs.830 crores was in bank fixed deposits with an average interest rate of around 7.3% pre-tax, newer FDs will be made or existing if renewed would likely to be at low rates given the general decline in deposit rates.

Moving on to business wise highlights:

We will first cover the recruitment business. Please note that all business wise numbers that are being given out are as per the segmental reporting except for the corresponding period in the previous year which are basis best estimates. As you are aware, in Q1 of this financial year we moved to segmental reporting and the numbers are available in the results, as also on www.InfoEdge.in .

For Q2, recruitment top-line grew 20% year-on-year to Rs.128 crores. EBITDA in the recruitment business grew 26% year-on-year to 70.5 crores. EBITDA margin was at 55% versus 52% in Q2 of last year. PBT margins and recruitment were at 53% versus 50% in Q2 of last year. Naukri corporate sales EBITDA margin touched an all time high of 62%. This though is not strictly comparable since certain allocation costs are removed versus last year.

Moving on to the operating highlights for Naukri. In Q2 Naukri added an average of 12,800 CVs every day and the Naukri database is grew to 44 million CVs, average CV modifications were at 185,000 per day versus 135,000 in Q2 of last year. In Q2 we serviced 34,000 unique customers versus 31,000 in Q2 of last financial year. In H1 we serviced 44,000 unique customers versus 40,000 in H1 of last year. Our new products like Referral Hiring Manager and CSM continue to do well and we continue to invest in our product.

The Naukri India domestic corporate sales business continues to sort of witness decent demand pick up, IT markets like Bangalore are growing at 20%, 25% per annum while the non-IT markets like Mumbai and Delhi are growing around 15%, 20%. As the Indian economy accelerates growth will hopefully pick up in the non-IT sectors as well. Thanks to our gain in traffic share to nearly 70% for last year, a successful transition to mobile which are 55% of our sessions now and our growing customer base and new products and services like CSM, Referral Hiring Platform and e-Hire which are helping us tap into new revenue streams so Naukri Corporate Business should do well for the next few years if the economy continues to improve. We maintain that margins should improve in the Naukri business if this were to grow at more than 18%, 20%.

Moving on to the 99Acres business, in 99Acres top-line grew 13% year-on-year in Q2 to 28 crores. The real-estate markets continue to be very challenged given a supply glut and lower demand and a lot of unfinished inventory in most markets. EBITDA loss in 99Acres this quarter was 25.5 crores versus 9.5 crores in Q2 of last year but slightly lesser than Q1 this was 34 crores. In Q2 99Acres made a PBT level loss of Rs.27 crores, again down from 36 crores in Q1 but up from 10.5 crores in Q2 of last year. This loss is mainly on account of increased investments in our platform, product and data quality and advertising. While we expect competitive intensity to slightly reduce in this business going forward, we do not expect the market to recover any time soon.

Like I said, the real-estate market continues to be very depressed, demand for new homes especially in markets like Noida, Gurgaon, Mumbai, Hyderabad continues to be very weak and this coupled with unfinished projects is depressing new launches as well. Transactions are down year-on-year, new launches in many markets are down 50% and unsold inventory in most cities is at an all time high given current sale rates.

We had scaled up our marketing spend substantially in Q1 but have reduced it a bit in Q2 given lower competitive intensity. Having said so, we are well capitalized and continue to be much more capital efficient compared to our competitors in this space and we see a great opportunity in the market in the long run.

In Jeevansathi, net sales grew 16% year-on-year in Q2 to 11 crores, we added an average of 2,455 profile per day in Q2, an increase of 33% year-on-year. Paid customers were up 31% year-on-year. EBITDA level loss was at Rs.6 crores versus 2 crores in Q2 of last year and the PBT level loss was at Rs.6.6 crores versus 2.5 crores in Q2 of last year.

In Shiksha, net sales grew 13% year-on-year and reached 7 crores. EBITDA loss in Shiksha was at about 1.4 crores and PBT level loss was at about 1.7 crores.

Moving on to our strategic investments:

Our investee companies continue to witness good growth, during Q2 Zomato raised funding in which we did not participate and as a result our stake reduced, went down to 47% from the earlier 50.1%. Canvera raised a small round of funding from existing investors and we invested an additional 8 crores in Canvera and as a result our stake is now around 38%. We made a new investment of Rs.6.4 crores in a business called bigstylist.com for a 25% stake, it is an early stage company which is looking to aggregate beauticians.

Total amount invested in investee companies till September 30th, 2015 is now at 775 crores. In October we transferred the balance shareholding we held in PolicyBazaar to our subsidiary MakeSense, thereby MakeSense held the entire approximately 18% of the stake in PolicyBazaar. Temasek invested a total of about 134 crores towards a 49.99% stake in MakeSense which includes Rs.31 crores as a primary in PolicyBazaar, thereby MakeSense had a big holding a total of about 20% of PolicyBazaar. Given that we own half of MakeSense, InfoEdge's economic interest is now therefore at about 10% of PolicyBazaar, this transaction was announced to the stock exchange via an announcement data 13th October, 2015. Additional funding by investee companies may be required from time to time and we will evaluate each one on its own merit and we continue to evaluate the investment opportunities as well.

To summarize:

Our competitive position in Naukri continues to be strong driven by improvement in product and continued focus on client needs. We will continue to invest more on this business primarily in product development to help strengthen our leadership position. As the economy gets better we expect the non-IT markets to recover as well. The underlying real-estate market continues to be in a slump in most cities, the competitive intensity has changed a bit, the investing players are expected to continue to invest more in the business. We remain committed to this market and will continue to invest more for the long run in line with our strategic objectives.

Our both mobile sites and the mobile apps continue to witness significant traction and are growing month on month. We are now ready for any questions that you may have. Thank you so much.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Our first question is from the line of Sachin Salgaokar from Bank of America. Please go ahead.

Sachin Salgaokar: First question is on real-estate, 99Acres. You did mention that the competitive intensity is low, just wanted to understand how we should look at the margin outlook going forward, now clearly there was an improvement in margin I guess because of lower investments into marketing, is that a trend which might continue because competitive intensity remains low and plus the market is a bit depressed?

Hitesh Oberoi: Competitive intensity has come down a bit but the existing players like Magicbricks and us are still investing because we see a long-term opportunity in the business. It is down compared to last quarter but it is up significantly compared to last year and this is in a market which is depressed. What will happen to margins going forward will depend on how fast demand for real-estate picks up because there is a certain cost that we have to incur irrespective whether there is demand for real-estate or not; and two, what happens to competition. So thankfully we are not seeing the kind of crazy spending we were seeing earlier from some of the startups in the space but if they get capitalized once again and they become aggressive who knows.

Sachin Salgaokar: And clearly you had raised a lot of amount through QIP last year, by the looks of it not all could be utilized the way things are going on, so any intention what you could do with the remaining cash?

Hitesh Oberoi: So when we raised the money last time, we had said that we want to create a war chest for 99Acres given the competitive intensity in the space at that time, we continue to sort of hold the same point of view, we have invested only a small sum of money out of the money we had raised that time. But like I said the real-estate game is not over, there is still a long way to go and existing players continue to invest, there could be opportunities to acquire companies going forward, there could be opportunities to consolidate, our competition could get funded once again and they may start investing again. Who knows, so we are sort of, while we are bullish on 99Acres we are not sure whether the period of high competition is over. And like I said the demand is still very-very tepid, so unless demand picks up our margins may not improve in the short run and we will have to continue to invest.

Sanjeev Bikhchandani: I will add to that, when we had raised the money what we had told the market and investors is that, look this money will be used if required for 99Acres and therefore probably for next two, two and half years we will not be willing to touch it for anything else, probably. Our position remains the same, it has been a year since we have been in to QIP and things are not clear about as to where exactly the real-estate market is headed in terms of competitiveness, so we will probably hang on to it for a while and then decide.

Sachin Salgaokar: Second question is, you did not participate into Zomato last round, any thoughts of monetizing Zomato in future given that it has been a great investment for you and clearly the valuation is moving up, so thoughts on that?

Sanjeev Bikhchandani: Look, I think Zomato has now sort of shifted gear and has moved into focusing more on revenue growth and possible breakeven sometime in the foreseeable future and it would probably be expensive for us to hang on in there, it is not as if we are getting offers in any case, so therefore we do not expect much movement on that space for a while.

Sachin Salgaokar: And my last question is on the jobs market outlook, now in the opening remark Hitesh did mention that if the economy improves things would improve, but if GDP growth remains at these level or if there is a bit of a slowdown do you see an impact on the jobs outlook and in particular on your revenues?

Hitesh Oberoi: Yes, we have been saying that if the GDP growth rate picks up our growth rate could improve, but there are two risk factors of course. One if our course IT, and IT is not really indexed to Indian GDP growth, it is more indexed to what happens in the global economy. If IT growth slows down our business growth could get impacted. And two, yes if the Indian economy slows down, even though we have 70% share we continue to be leaders, if companies cut down on hiring it is bound to have some lag on our business.

Sachin Salgaokar: But as of now you are comfortable with the current 19-odd% growth which is showed for the last couple of quarters?

Hitesh Oberoi: Yes, so 18%, 20% is what we are comfortable with right now, but it is hard work to get this growth.

Moderator: Thank you. Our next question is from the line of Sandeep Muthangi from IIFL. Please go ahead.

Sandeep Muthangi: I had two questions, my first one is on the collections growth during the quarters, it is about 14.4. I wanted to check, because last quarter the collections growth had a specific impact because of the sales tax issue and so one would have expected this quarter to accelerate a bit just because last quarter was abnormally weak, but it did not accelerate. So I just wanted to pick your brains on whether there is any slowdown that you are seeing on the Naukri side or additional slowdown on the 99Acres side of the business that has resulted in this?

Hitesh Oberoi: Yes, so according to us our collection growth is around 16% for the company as a whole, and of course like I mentioned the 99Acres business has actually grown at slower than 16%. So the Naukri sort of has been growing in that 18%, 20% range and like I said it is hard work getting 18% growth in Naukri but right now we are hopeful that we can sustain this growth.

Sandeep Muthangi: So is it fair to understand that there has been no slowdown in collections growth in Naukri at least?

Hitesh Oberoi: Well, like I mentioned to you last time collection growth was low because there was a lot of sales collections got pulled into Q4, so compared to Q4 there is a slowdown compared to Q1, there is a pick up so I do not know. But in general our feeling is that the market is like it was one quarter back or two quarters back, in fact the IT segment has slowed down a little bit and the non-IT market has picked up a little, but on the whole we are where we were maybe one or two quarters ago, not much has changed.

Sandeep Muthangi: And on the 99Acres side of the business you have clearly told the market shares and the competitive positioning in Naukri, can you share similar statistic about 99Acres, the slowdown that you are seeing, the tepid market is it because of your exposure to NCR or all the competitors witnessing a similar kind of slowdown and any numbers on the traffic share that you have been seeing over the past couple of months?

Hitesh Oberoi: This is very sort of, there are lots of ups and downs in the real-estate space, in the first half or in the first quarter I think you saw a lot of activity because the startup space were aggressive, Housing and CommonFloor and Magicbricks was also aggressive for a while, then we were forced to react and we sort of upped our spending in the space. So the market shares went up and down for a while, but if you look at what has happened in the last three months and right not the scene is a little more stable, we have been averaging as per Comscore about between 35% to 40% while Magicbricks as per us and as per Comscore is down to about 21%, 22% for the last two or three months. Having said so, I mean six months ago we were probably at 27%, 28% and Magicbricks was at 33%, 34% but we are now back to being 50%, 60% bigger than Magicbricks on traffic share which was our position till maybe few months ago. But like I said it is a tough market, the growth is hard to get, at least quality growth is hard to get, you can still get growth, I mean revenue is not a challenge, you can get revenue by doing a lot of things but quality revenue which will sustain and which will scale is not easy to get. And the shares do change a bit depending on who is advertising and who is not.

Moderator: Thank you. Our next question is from the line of Gaurav Malhotra from Citigroup. Please go ahead.

Gaurav Malhotra: Just had few questions. Firstly, if you could just let us know where was the money spend, your cash balances have shown a dip quarter-on-quarter? That was one. The second one was on the deferred revenue, while Hitesh has mentioned that it remains at 17% and Naukri probably is doing better, but if we see last five, six quarters the growth was averaging around 20%, 22% and now it has gone down to 17%, so is there something more to it rather than just the slowdown in property?

Chintan Thakkar: So on cash Q1 we have seen that the investment that we have done in Zomato plus we have done the investment in Meritnation, so these are the larger chunks which would have resulted in cash balance going down. Similarly in Q2 we have done two, three investments that Hitesh kind of just narrated in the initial commentary, so all taken together I think it is because of the investments that we have made. Of course and then cash burn in 99Acres have gone up, so overall operational cash in that sense has come down.

Hitesh Oberoi: So deferred revenue is up 17% year-on-year, typically in Q2 it dips, typically it dips in Q2 because it collects a lot of money in Q4 which sort of gets reflected on our balance sheet. And see like I said Naukri is growing at about 17%, 18%, 19% per annum in collections, if collection growth slows down then of course deferred revenue could dip, but if the collection growth picks up deferred revenue would pick up from here on. But so far in 15%, 17%, 18% partly it also gets impact by what happens at 99Arec. So traditionally Q2 is lower than Q1 but year-on-year we are still up 17%.

Gaurav Malhotra: Just couple of more questions, firstly on property, while housing obviously is sort of restructuring but there have been news of Commonfloor in talks with Quikr, again changing hands into a stronger player and I believe Quikr has identified properties and other key segments, so how much risk would you attach of competitive intensity going back to where it was in Feb, March, April, what probably will it add to it?

Hitesh Oberoi: See, I do not know. One, I think the Quikr Commonfloor deal is not done as yet, from what I head, maybe it is almost done but I do not think it is done as yet and the truth is that between Housing and Commonfloor companies have burned about $160 million, $170 million over the last two years and now made much headway. Quikr also my sense is they have sort of already spent $200 million, $250 million. And I guess the reason some of these things are happening is because these companies are still challenged on revenue growth and now they are looking at new segments to grow in. Will competitive intensity increase if Commonfloor merges with Quikr, I do not know, it depends on what Quikr strategy going forward is going to be, if they are going to focus on Quikr Homes it could be one strategy, if they want to focus on Commonfloor it could be another strategy. So time will tell, it is hard for me to predict what they are thinking, they probably said that they are looking at three categories, jobs, real-estate and cars to grow their business. So time will tell, we are prepared, we continue to invest in our business and we will react depending on what happens to competition.

Gaurav Malhotra: Just last question for Sanjeev on Zomato, now Sanjeev while you had mentioned that there is a good chance that on subsequent funding rounds you may not participate in Zomato, but I thought that if the funding of a substantial amount then that is when you would chose to sort of let go off some stake in Zomato, but last funding was only of $60 million, so any vies on that? And obviously we also we are hearing murmurs on maybe things not all well at Zomato, so any thoughts on that?

Sanjeev Bikhchandani: So listen, if you want to retain 50 plus share in a $60 million round we would be putting in 30 million, 30 million is 200 crores. According to us it is serious money, and if more and more funding is required and we want to maintain 50% then 200 crores each time will add up and therefore we took a call that look, quite reluctantly, Zomato has got perhaps too big for our balance sheet which is a good problem we have because the company is succeeding and doing well and because of the success that we are unable to hang on to majority and quite reluctantly we sort of agreed to internally to slip below 50% and that is our position. Now as far as things not being well in Zomato, I think Zomato is very quick to recognize beginning August, September that look there are changes in the environment and therefore strategy has to change and the new strategy is to perhaps deprioritize land grab so much and very quickly focus on revenue growth, get it back to where it was and even the growth that is growing 3x over the previous year every year and very rapidly cut the burn and move to breakeven sometime in the foreseeable future. Which until about six months ago Zomato management would say as long as funding is available we can sort of go for traffic share in more and more markets, and to be fair to Zomato I think it is in 23 countries, it is traffic leader in 18 of them, there are very clear monetization opportunities wherever its traffic leader and that's what it is going after right now. So I would say yes the company has sort of implemented right sizing and the dust will settle and I think hopefully in three, four months you will see that revenue has moved up, relatively moved up and it is well on its way to implementing the plans. So we are not unduly concerned about Zomato's prospects in the medium to long-term.

Gaurav Malhotra: Sanjeev just one question, since you mentioned the change in strategy that was on account of slowdown in the funding or that was in something related to market in general?

Sanjeev Bikhchandani: Well you see to actually to go for, to continue to pursue the earlier strategy of aggressive land grab in markets around the world, entering new markets, acquiring new companies, investing in the US, all those things they were going to require a lot more capital then we believed may feasibly be available in the next few months in the current funding environment and therefore if you are to move towards breakeven with current funding you will have to focus on revenue growth. But having said that let me add that Zomato is very well funded, it has got a significant chunk of the last round of funding, almost all of it in fact still in bank and that is reassuring.

Moderator: Thank you. Our next question is from the line of Sandeep Agarwal from Edelweiss. Please go ahead.

Sandeep Agarwal: I have couple of little confused questions and I hope Sanjeev will bear with me. Sir, I just want to know, if you see our Naukri business which is our core business that had been doing quite well, obviously it is related to economy to some extent and we understand that part of the business. Now other than that we have three moving parts which are 99Acres, Jeevansathi and Shiksha and additionally we have investee companies. Now this has made the variables too much and it has not happened in this quarter but it has been there for some time. So if you see what we are now seeing that the other businesses because they are not yet established obviously the opportunities are quite big and we understand that things will move to internet at some point of time and we have to stay in the market till that time but this so many moving parts keep on our profits from the core business are being dragged down, if you see the averages which were there earlier couple of quarters back those averages have started coming down on the profit levels. So what is your sense, where will this war end because this war is not triggered or played by you, you are just reacting to the war. So how do you see these things happening because core business even if it grows 18%, 20% more profitable those things will not matter even if you make 5 crores, 7 crores there extra. But if you are going to spend money on advertising and promotion to retain your own turf and the three verticals which are there and additionally investee companies how they perform that will also impact at some point of time via financials. So how do you see the overall business because one business is absolutely good and it is generating some money every quarter but other businesses we are kind of in a reactive situation and the people who are there they probably can burn more money for more time than we can actually expect or they could be irrational for a long period.

Sanjeev Bikhchandani: You know, we have seen this movie before, it happened at Naukri in 2004, 2005 at the peak of competition in the job segment, our traffic share in Naukri was down to 43% while the number two player was at 32% and growing. And then we executed well on product, on sales, on engineering and yes we also spent on marketing. Equally importantly when the meltdown came in 2007, 2008 we continued to invest while our competitors they withheld investments. I think you build a business over 8 years, 10 years,15 years and you establish leadership over that time, you do it by innovation, you do it by good execution on all fronts including sales, including product, engineering everything, marketing and hopefully you come out on top. Now having that at Naukri, having seen it play out that way we are reasonably confident that look we have what it takes to occupy pole position and be number one, so we are already number one in real-estate but reason that position is consolidating and increasing share we believe we can do it. We believe we have invested behind good entrepreneurs in Zomato, Meritnation, Policybazaar, MyDala, Canvera, everywhere else and we believe many of them if not all will end up being successful companies, it is a question of staying the course and executing well. So let's see how it plays out.

Moderator: Thank you. Our next question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: Firstly, what will be the accounting treatment for Zomato this year because now it has gone below 50%?

Chintan Thakkar: So on a fully converted basis, yes it has gone down below 50% but if you just see the equity that we hold, we are still 56% in terms of equity. Now I know there is some bit of confusion on the accounting treatments and how the associates and subsidiaries are being defined, but our understanding based on I think a circular which came about a month back is that if you are holding 56% equity in Zomato we will be required to consolidate it.

Sanjeev Bikhchandani: So 56% is of the common stock, the rest is fresh stock, the other investors have fresh stock so that's why, so 47% is on fully converted basis but the equity holding that we have is 56%.

Arya Sen: And I remember at an earlier point you had talked about transferring some of these holdings into subsidiaries and probably raising money in the subsidiary so that overall you do not go below 50%, just wondering if at all that option was considered while taking the decision on Zomato?

Sanjeev Bikhchandani: No, that option was not considered for Zomato, it was executed in Policybazaar. What we had said is, look it gives you the option of doing that should you want it in the future, but we did not really pursue that for Zomato.

Chintan Thakkar: So we created a framework for that but that's not, we persuaded when this round was happening because as a company whether you call it as an InfoEdge or as a subsidiary the total amount of money that is available would remain the same. So the consideration was more about the size of the funds and the size of the balance sheet the way Sanjeev explained earlier, I think that was more relevant and which entity to use and what framework to use was not there for consideration.

Arya Sen: And you were not open to raising money in a subsidiary to fund that, that was not something that you did?

Chintan Thakkar: As I said we have created a framework, it does gives us flexibility in future but right now that is not the option that we have considered.

Arya Sen: And could you just give us some of the mobile usage data for the three core businesses and even Zomato if you have that?

Hitesh Oberoi: So like I sort of mentioned, in Naukri mobile traffic is now at 55% of total traffic, in 99Acres we had about 45% and in Jeevansathi we are at about 65%, 68%, I do not have the numbers of Zomato right now.

Sanjeev Bikhchandani: That was definitely over 50%, but it varies by market because there are markets where its app is popular and markets where its app is less popular. There is a call on Zomato on Monday, the 9th, so the detailed question we can answer then.

Arya Sen: Sure. And lastly if you could share a little information on BigStylist, what was the thinking behind the investment what the company does in a little more detail?

Sanjeev Bikhchandani: So BigStylist is a company which has been founded by three alumni of IIT Kharagpur of whom one went to IIM Bangalore and one went to IIM Ahmadabad subsequently. And essentially they are in the beauty services at home, business, they are aggregating freelance beauticians and booking orders for beauty treatment at home. It is early days but we have seen some decent traction, we liked the team a lot, we felt their space and potential, you could expand afterward to other services at home as well and thus so far so good, so let's see what happens.

Arya Sen: And you mentioned 6.8 crores for 25%, right?

Sanjeev Bikhchandani: 6.4 crores.

Arya Sen: And were there any other investors in this round or…?

Sanjeev Bikhchandani: We are the only investors.

Moderator: Thank you. Our next question is from the line of Rajiv Sharma from HSBC Securities. Please go ahead.

Rajiv Sharma: I have just a couple of questions. First on the job portal side, so what are the various product developments you are working on from a 12 months perspective, what kind of investments you see? And in the two three years timeframe where do you see what kind of total solutions will the job market, the job portals will be supposed to be doing, beyond listing what are the incremental capabilities you see you will require over the next two to three years? Similarly on the real-estate side, do you think this whole listing business will have to change to transaction business, lawyer support, legal support and full transaction versus just listing? So these are the two questions on your product side, on the real-estate and the job side.

Hitesh Oberoi: See on the job side we have sort of for a long time we had listing, we had database access service, we had branding solutions on our platform which we sell to companies. Over the last two or three years we have made substantial effort and put in a lot of money and investment into developing so many products. Like I mentioned the mobile platform we do have which did not exist 2.5 years ago, 55% of our traffic is now on mobile, we have done a lot of work in that space, we have also improved our desktop experience substantially over the same period of time. We have invested in solutions beyond listings and database access as well, we acquired two companies some time back, one in the area of semantic search so that has been used to improve our search and matching technology which is core to our platform. Then of course we invested, we have launched a product to power corporate career sits, this gives us the opportunity to power all the corporate career sites in this country. We already have more than 1,500 customers for this year, so not only revenue but it is strategically important that we power these sites, we get to look at the jobs first if we do our jobs. We have also launched a referral hiring manager or referral hiring portal for which we have a few hundred customers again to sort of help companies to IT enable their referral hiring efforts. A lot of work to be done in these areas, we continue to work and develop these products going forward. We have also launched an applicant, we had a very basic version of an applicant tracking system, we have improved that and launched a more advanced version, again this is an area of investment for us, we continue to sort of focus on this. We have launched some basic campus hiring solutions and campus hiring products for companies, very small business for us today but we continue to sort of do work in that area. To answer your question, we know that companies use various ways to hire and Naukri is just one of them and the database in listing products are the ones that are popular today, but we need to be there at every point where hiring happens or in all parts of the chain. We also launched a service to help companies shortlist and screen resumes for e-hire, that has worked well for some companies. So long-term we see ourselves working and developing products in each of these areas and continuously improving upon them. In real-estate, our sense is that the market is still very early, various sites are still figuring out how to capitalize on what is out there. It is too early to get too many niche products in that market, the market is still evolving, customers are not sure how to use online, they are still getting their act together, the market also is in a very bad shape. I think our investments will continue to be in the area of data quality and mobile, we are also developing a differentiated platform for new homes which was not the case till two years ago, two years ago we had only one platform for both resale and new homes, now we have a differentiated platform for resale and new homes. Overtime we will add other features but I think for the foreseeable future we are investing aggressively in data, quality verification of listings. So these are the things that I think we will continue to invest in for a while, but maybe two years from now there could be an opportunity to do other things, I mean there is no shortage of ideas, there is no shortage of resources if you want to invest but we think this is what the market will sort of need over the next two or three years.

Rajiv Sharma: That's very helpful, but just on the job side do you think this whole startup ecosystem is on an aggregated basis trying to get into some niche segments and that could mean either that it causes disruption to you in 18 months or you will have to consolidate something in 18 months?

Hitesh Oberoi: Actually we see the startup as an opportunity, because you see there is so much to be done and we cannot do all ourselves. Unfortunately what is happening is that none of the startups have become very big and we have looked at many of them for acquisition and investment but there is nobody who is doing, I mean they are develop some nifty products, they are doing some sort of cool stuff but nobody is being able to monetize aggressively as yet. So we are in touch with many of them, we are in constant contact, we continue to evaluate what they are doing and we continue to learn from but if the opportunity comes and if there is something attractive we will invest or buy them out as well. But so far nobody has become very big or looks like it is going to become very big very soon at least.

Rajiv Sharma: And on the real-estate if the market moves to complete transition, will you participate or you will stay away?

Sanjeev Bikhchandani: So I do not think the market will move to 100% transaction, the truth is that 3,000 crores is being spent on print advertising and there is no transaction happening there, we say you are being paid for transaction, there is money being spent on Google by real-estate companies and Google does not charge on a transaction basis, does not even in fact even charge on a lead basis, they charge per click. So I do not think the market will suddenly sort of shift to transaction, the market has been operating in a certain way, people go to brokers if they want to pay on a transaction basis, there is a market for broking, there is a market for advertising. The market for advertising may have taken a beating just like the market for broking has because the transactions have gone down and builders are in deep trouble, but once the real-estate market starts to recover I think both the market for broking and the market for advertising will recover. Now as far as we are concerned whether we will get into broking or not time will tell, it will depend on our strategy, it will depend on how the market evolves, it will depend on what we want to do but these two market will continue to co-exist.

Rajiv Sharma: And if I can just chip in one small last question, are you seeing maximum traction in the one to five year of the job market or you have started seeing in the senior level, like if you can give a YoY sense for this what percentage has it changed over the last three years, that will be very helpful.

Sanjeev Bikhchandani: Unfortunately I do not have this data available with me offhand, see we operate in all segments and a lot of our hiring on the portal is for people with two to eight year experience and while there is a lot of demand in the junior category because there are just many more jobs out there, it is not as if the mid-level position is also easier to fill. So on our site you will see listings across levels, across geographies, across industries, it is going to be difficult for me to give you the data and how it has grown over the last three years right now.

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

Miten Lathia: The traffic share data is Comscore which I presume is only the desktop data is it or have you aggregated for the mobile as well?

Hitesh Oberoi: See, Comscore is right now mostly desktop, they have not started reporting mobile traffic and I do not think they can report app traffic very easily. So the data or the share that we are reporting is desktop share.

Miten Lathia: But when half or thereabouts of our total traffic is coming on the mobile, how can we get comfort around the fact that the traffic share indeed on an aggregate basis including the mobile would be similar to that visited on desktop?

Sanjeev Bikhchandani: Yes Miten, this is state of the art, we have to live with it now, until somebody comes out with a third party sort of measure of app traffic. And if you can measure app download but how do you measure app usage, this is kind of hard. So if it was easy somebody would have done by now but maybe it is a little measure of time but until then we can only assume that mobile app traffic more or less will move in the same proportion as web traffic.

Miten Lathia: Sir do we have reason to believe or otherwise that our traffic share on 99Acres is trending differently from our revenue share on the 99Acres business?

Hitesh Oberoi: So it depends on what you define as revenue, so if you are referring to Magicbricks, see my sense is that it is easy to generate revenue in the real-estate. So one, of course does revenue means collection that's a big question; second question is, is the revenue pass through revenue or is it revenue from your platform, that's another big question; third question of course is whether there is combo revenue, I mean are you selling something else and for example there are many people who do events, many people do festivals and so on and that revenue is not necessarily online revenue. So it depends and then fourth, of course you could do transactions, you could do various other things where you could barters, you could combo deals and generate revenue as well. So I do not think, in fact if anything my sense is that our revenue maybe ahead of our traffic share, given the fact that some companies, some startups with good traffic or reasonable traffic have not been able to monetize well.

Miten Lathia: And on the segmental breakup that you have given, we noticed that loss from others which is non-99Acres, non Naukri business has expanded, I presume this is Jeevansathi or is that something else?

Hitesh Oberoi: No, this is mostly on account of Jeevansathi, Jeevansathi loss last quarter or in Q2 was about 6.5 crores, up from 2 crores last year. Basically strategically we have invested a little more in this business, we got volumes going so our paid customers were up 31% compared to Q2 of last year and our profiles also went up by about 33%.

Miten Lathia: While we expanded losses on Jeevansathi our revenues actually took a dip, any reason or is it just seasonality?

Hitesh Oberoi: No, no revenues have not taken a dip, our revenue grew by 16% in Jeevansathi to 11 crores and our paid customer base grew by 31%.

Miten Lathia: So the aggregate of all other is showing a dip on quarter-on-quarter basis, so maybe Shiksha is a culprit here?

Hitesh Oberoi: Yes, see on a quarter-on-quarter basis please do not look at these because there is a bit of seasonality especially in the Shiksha business. So I think what you should do is look at revenue growth year-on-year in all our business infact.

Miten Lathia: So is there sort of a strategy change on Jeevansathi in the sense that we noticed that at least the average realization per paying customer seems to be coming off, so is there something that we are doing to the product or the pricing that is very different from what we were doing in the past?

Hitesh Oberoi: Yes, so instead of earlier we were experimenting with a few things, we upped our marketing spend a little bit, we are aggressive on mobile, we are playing around with pricing to see if there is something that we can do to make our business healthier in the long run, this will mean short-term losses but this is not something that I can say with surety that this is what we will do every quarter because like I said we are experimenting.

Miten Lathia: Given that we have sort of now started averaging between 35% and 40% roughly share on 99Acres, would it sort of make sense to really step up investment and really go to that 50 plus levels so that we do not have to face the same situation that we were in maybe six months ago or sort of cement ourselves or do you think that will be a gradual process?

Hitesh Oberoi: I think it will be a gradual process, because while we can technically for a short period of time get our share to 50% by investing aggressively in marketing, we have realized that his traffic does not hold after a while unless and until the basic product improves. So we will continue to invest aggressively in data quality, we will continue to invest aggressively in our operations, we will continue to invest aggressively in product delivery, product quality. We do not want to invest aggressively in marketing but if competition does so we will be forced to respond, but I think you cannot sort of overnight move from 35% to 40% or 35%, 37% share to 50% share on the back of some of the things I mentioned. Yes, marketing yes, but then that is not sustainable and it is expensive. So our preference would be to invest in product and in data and in the user experience but yes if competition is aggressive on marketing we will be forced as well.

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

Ashish Chopra: I had a couple of questions related to the advertising spend, so over the last three quarters from 22 crores to 46 crores and down to 37, so the volatility obviously has increased while it still remains reactive to the competitive intensity. So what I wanted to know was, firstly should there be any kind of a base that we should consider which would be more proactive in the form of advertising spend from your end and then there is an additional discretionary element that comes into it over and above that which responds to the way the competition is acting on the ground. And secondly, based on the near term visibility like you said you are now spending a little more on Jeevansathi and you are seeing the competitive intensity coming down 99Acres, should this 37 crores number in the foreseeable future maybe couple of quarters kind of rationalize a bit further or do you see that go up in the near future?

Hitesh Oberoi: See, base marketing expenditure, maybe you could look at our number for last year and think of that as a base, but you are right, competitive intensity has gone down but it has gone down for like one quarter, so we had serious competition till three months back, so I do not know what is going to happen going forward, like I said if competition gets capitalized on the gain and become aggressive, somebody mentioned Quikr, if Quikr becomes very aggressive what you will do. So these things will play out over the next few quarters, I cannot predict what is going to happen but yes ideally we would like to grow our marketing expenditure at 10% year-on-year and not 100% or 50% year-on-year.

Ashish Chopra: And secondly, just wanted to pick your thoughts on, would you or could you ever be possibly looking at roping in another investor in one of these companies, like 99Acres if it continues to grow very big and we do not know about the competitive intensity, maybe two years down the line but if it continues to keep guzzling the cash then how would you think about having another investor on board and probably reducing your stake to a vast majority but not necessarily 100%?

Hitesh Oberoi: So we raised over $100 million sometime back via QIP ostensibly for the investment in 99Acres and we have spent only maybe about 10 million out of the money we raised, not even that much. So I do not think there is a problem with capital, we have enough capital and I think we also know what is to be done and we are working hard at it. Yes, I mean if things go out of control, if something crazy happens in the market tomorrow, who knows but so far our plan is that we will continue to invest aggressively in 99Acres and we are well capitalized to do so and we do not want any other investor in the business.

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

Viju George: Have you decided whether you want to, how strong are you committed to certain businesses, where the payoff has not happened as per expectation in maybe Jeevansathi or any other smaller businesses, because I guess the time for taking such calls maybe around the corner, so how are you looking at that kind of difficult decision making? Thank you.

Hitesh Oberoi: See, the only business where we are not in a leadership position today is Jeevansathi, and here also we think we are a strong sort of number two player in the north of the country and it is not as if Jeevansathi is losing a lot of money, till last year our total losses in Jeevansathi were less than $10 million, that's what many starts burn in a month. And we think we have a few ideas and we want to experiment with those ideas before we say look we are done and we do not know what to do and we don't know how this business will go forward and actually we have received a good response in last quarter, our volumes are up 31% after a long time. So I think we will continue to experiment for a while and this will need experiments, of course we will lose some money, it is not as if we will burn a lot of money. And if something good comes out with these experiments then we will think of how to scale up the business. So that's where we are as far as Jeevansathi is concerned. In Shiksha we are market leader, of course a small business but we are not losing money. 99Acres is in a very different position, we are a leader but long-term we see great prospects. Naukri is sort of EBITDA margin on the corporate sale side, 55% EBITDA margin overall, so we do not have to worry. As far as investee companies go, still very early days, most of them are well capitalized and we are happy with how some of them are doing and we have got other investors in those companies already, in many of those companies.

Viju George: Sure. I am particularly talking with respect to allcheckdeals, brijj, Shiksha, etc, you just mentioned Shiksha as a category wise is a leader but the market is not probably as big as you hope for. So the question is what you do in such a case where you are already a leader, do you just wait for the market to explode or you just stay invested hoping the market explodes?

Hitesh Oberoi: See as far as the allcheckdeals and brijj go we almost wound down those businesses, so we are not really investing in those businesses any more. As far as Shiksha is concerned, Shiksha is doing really well, so we see actually the learning part of our business and we see as a big opportunity. So Shiksha is helping students decide on colleges and courses, in Naukri also we are doing some experiments with trying to sell courses online. So we are actually very bullish on education as a category both degree education and short-term education and we think we are actually uniquely positioned given our position in Naukri to sort of capitalize on this opportunity. And these while they may not be very-very big markets, they are not small markets and we are not losing money and our business is growing at a healthy rate and if we crack one or two things we could sort of build decent business in the education category on both Naukri and Shiksha. So I see no reason why we should sort of get out of these businesses or cut down our investment in these businesses.

Viju George: Maybe looking back in time I think a few years back, 99Acres was thought of as a next big Naukri if you will, but somehow that did not pan out. Any big option value that is there which can get to close as close as the core business which obviously has been a winner but we are still looking for some of the other winners despite continued investments, anything else that you think can be really very big for the next three to four years?

Sanjeev Bikhchandani: Look, for 99Acers to be big and profitable three or four things need to happen, one is of course the real-estate market, if the real-estate market recovers it will really help a lot. Two is, a lot will depend on how well we innovate and launch and execute in that area and therefore improve product and therefore create solutions that really work for our clients that even in a depressed market you can sort of gain revenue. And three is obviously how well we do in competition to the traffic share, now if we were in Naukri's traffic share situation of 70% I am pretty sure it would be a very big business. So it is not as if not going to be big, it is a question of few things falling into place.

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

Nikhil Pahwa: Sanjeev, I was just wondering that given the situation with Yelp it has gone from a $7 billion valuation to $1.6 billion and this with a top-line of about 377 million, where do you see the future for Zomato and would you take an opportunity to cash out of it?

Sanjeev Bikhchandani: So Monsters market cap is I think 500 million or 600 million, its revenue is 700 million, Naukri revenue is I think 100 million or under or InfoEdge's revenue is 110 million, 120 million, maybe 130 million and our market cap is 1.4 billion. So I would not be overly fussed by that, it is a question of trajectory, growth, what the future potential is, not just in terms of geographies how many country its traffic leader in, what are the business they are expanding into and how are they executing. So I think Zomato valuation could diverge from here if its execution is good. As far as exiting Zomato is concerned, look we believe the business has got a great future, we believe we will support the entrepreneur in whatever he wants to do going forward and therefore we are not in any hurry to exit.

Nikhil Pahwa: Actually I just was curious about what do you see the impact of the matrimony.com IPO, they are looking to raise about 350 crores from what I understand, so how do you see the market dynamics changing and again would you exit Jeevansathi or sell it to them if you had an offer?

Hitesh Oberoi: We are a number three player in that space, we are a very small sort of player. I think maybe Shaadi should be worrying about the BharatMatrimony IPO and not us. In any case, the IPO is still a long time away, I do not think they have started their road shows as yet. So I do not think we can do anything about the IPO, but we can work on our product and on our platform. And like I said we are seeing reasonable growth after a while, we must be doing something well, we are not burning a lot of cash and I think so we will continue to sort of do what we are doing, if an IPO happens great.

Sanjeev Bikhchandani: And if an IPO happens Nikhil and we get some reasonable market cap out of it then maybe investors also start valuing Jeevansathi in our market cap, just kidding.

Nikhil Pahwa: So just in terms of the funding environment in the market do you see any change in trajectory or incomes of interest in investments in the environment and therefore do you see any value in the market if its valuations go down?

Hitesh Oberoi: Look, typically we enter our company's series A, pre-series A or given them series A when actually they should be other people offer them only angel rounds. And therefore at that end the market valuations were never too high, it is more in series B, C, and D once the company begin to work that valuations went high. And our strategy evolved from a point where initially we were saying that we would like to be the only investor in a company for a long, long time if it is doing well, but as the funding needs of the companies went up because of more and more money coming in to India we sort of modified that and we said we are happy to co-invest in series B with other companies, especially in companies where we have done series A. So we happen to allow other investors in and so I think while we have done a couple of series A deals in the last six, eight, months we would be happy to look at other investors coming in in series B, C and D.

Nikhil Pahwa: Just in terms of again from an investment perspective, have you looked at investing in any mobile only businesses since the growth in the mobile only space seems to be much faster right now or have you looked at launching mobile only products for some of your businesses?

Sanjeev Bikhchandani: I think all our verticals internally are looking very seriously at mobile and there are teams working on them, and some of the apps are out some more will come out. As far as external investments in mobile only business are concerned we keep looking at plans, so mobile only thus far there are not too many with big revenue or big revenue prospects so we have not done any so far but we keep looking.

Nikhil Pahwa: But from a product perspective even from inputs have you looked at mobile only as in a creating a new category or creating a new type of product under the same category? So for example in case of education have you looked at a product which you launch purely on mobile and see if you can tap that growth coming in?

Hitesh Oberoi: So we are looking at of course a lot of mobile initiatives in the categories in which you are already present, so we are not looking entering into new categories and new business but in the categories we are already present we are looking at mobile. Step one was of course to get all our properties on to mobile and to do a basic job which we have done I think a wonderful job of. Then of course we are looking at decoupling some of the stuff, some of the things which we have on some of our sites and doing mobile only version. So for example, we are looking at some innovative work in Shiksha and the Shiksha mobile app could be very different from what we have on the site, we are also toying around with the idea of launching one or two sort of sub products or in Naukri and the mobile phones for which could look very different from the website. So there is a lot of discussion going on, there are lots of ideas on the table and we will continue, mobile is a big area of investment for us and we are looking at mobile very differently than the desktop. But I think we will probably see something in Shiksha which looks very different from the desktop very soon and if that succeeds maybe we will sort of do this in other category as well.

Nikhil Pahwa: So just on Shiksha, when it was launched you had positioned that as a category which is possibly bigger than recruitment, but why is it that we have not seen the kind of growth, it is over seven years now and as a product what are some of the challenges that you faced there?

Hitesh Oberoi: So of course when we sort of launched Shiksha we thought, the market is still very big but the market is actually more fragmented than we thought it was at that time. So while the education market is large, a lot of the spending is in areas like test-prep, a lot of the spending is on schools, a lot of the spending is on study abroad, a lot of the spend is on UG and what we realized over time was that in each of these categories we need to do the product a little differently and so that is the reason why Shiksha is not as large as we thought it could be, this is a learning we developed over time and what we have done over the last 12 to 18 months is we are trying to differentiated sort of offerings for each of these categories and that is not easy because you will develop a new product every time. So yes, I mean education on the face of it seems like a very large category, there is a lot of advertising spend but it is also very fragmented. We figured out some categories in which we think we can do a good job and those are the ones we are scaling up right now and once we get to a certain size and scale then we will be open to sort of acquisitions and other areas or doing stuff from scratch and other categories as well. But the product has to be developed a lot very differently is what we have realized over time from what we used to originally set out with or started with.

Nikhil Pahwa: So just on that, why is it that you have not looked at consolidating some of this fragmentation through acquisition so far?

Hitesh Oberoi: In Shiksha?

Nikhil Pahwa: Yes.

Hitesh Oberoi: Yes, because some of the properties we have looked at are very similar to what we already have, so there are some which are innovative but very-very small, there are others who are doing exactly what we are doing. So while we can acquire and consolidate there but that is not what we really want because we believe in those categories we can do a good job ourselves but in other areas if there is something which is really exciting and in the space in which we operate, we are open. But we have not found too many companies like that till now.

Moderator: Thank you. We will take our last question from the line of Utkarsh Khandelwal from Morgan Stanley. Please go ahead.

Utkarsh Khandelwal: Just wanted to know your views on Google as a competition for Zomato.

Sanjeev Bikhchandani: I do not think, so I think Google is a great search engine but in the past it has tried to enter a classified space while being a search engine and what we have discovered is that look a well run vertical like a Naukri or a Zomato will go so deep into a vertical, will offer so many features and so much rich content that ultimately the value prop of a well executed vertical will outshine that of a horizontal. And that is why we have different brands, one brand one promise, different brand for each vertical one for jobs, one for real-estate, one for matrimony, one for education, another one for restaurant. And that is our thesis and we know thus far at least since we are playing out that way.

Moderator: Thank you. Ladies and Gentlemen, that was our last question. I would now like to hand the floor over to Mr. Hitesh Oberoi for closing comments.

Hitesh Oberoi: Well, thank you everyone for being on the call. Have a great evening and a very Happy Diwali to all of you.

Moderator: Thank you. On behalf of InfoEdge (India) Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.