"InfoEdge India Pvt. Ltd. Q2 FY18-19 Results Conference Call"

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MANAGEMENT: **MR. SANJEEV BIKHCHANDANI – FOUNDER & EX-VICE CHAIRMAN, INFOEDGE (INDIA) LIMITED**
MR. HITESH OBEROI – MD & CEO, INFOEDGE (INDIA) LIMITED
MR. CHINTAN THAKKAR – CFO, INFOEDGE (INDIA) LIMITED

Moderator: Ladies and Gentlemen, Good Day, and Welcome to the InfoEdge India Pvt. Ltd. Q2 FY18-19 Results Conference Call. Joining us on the call today are Mr. Hitesh Oberoi – Managing Director and CEO; Mr. Chintan Thakkar – CFO; and Mr. Sanjeev Bikhchandani – Vice Chairman.

As a reminder, all 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, everyone. And welcome to our second quarter FY18-19 results conference call. We will first take you through the quarterly financial performance of the company, then we will cover each business in more details. In the end we will be happy to take questions.

For your information, the audited financial statements file has been uploaded on our website infoedge.in. We have also provided segmental billing, revenue, profit before tax and DSR movement in our data sheet on our website.

First, talking about the standalone financials. Billings in Q2 were up to Rs. 261 crores, a growth of 29% year-on-year. Revenue in Q2 was Rs. 265 crores, up 18% year-on-year. Operating expenses, excluding depreciation for the quarter were at Rs. 182.5 crores, the increase was largely on account of marketing expenses and higher product development costs.

Adjusting for some base effects, operating expenses went up by 24% this year. We took additional initiatives during the quarter in line with MCA requirements for CSR. Operating EBITDA stood at Rs. 82.5 crores versus Rs. 88.8 crores last year, a decrease of 7% year-on-year. However, there was a one-time CSR expense of Rs. 2.7 crores in Q2 of FY19. And there were Rs. 9 crores worth of write-backs in Q2 of FY18. Adjusting for these base effects, the EBITDA for Q2 FY18 and Q2 FY19 would have been Rs. 79.8 crores and Rs. 85.2 crores respectively, indicating an increase of 7% year-on-year this year.

Operating EBITDA margins for the quarter stood at 31.1% versus 39.4% in Q2 of FY18. Adjusting for the above base effects (write-backs and CSR expense), the margin movement would have been from 35.4% in Q2 of FY18 to 32.2% in Q2 of FY19. EBITDA adjusted for ESOP non-cash charges stood at Rs. 83.9 crores versus Rs. 94.3 crores last year. Adjusted EBITDA margins for the quarter stood at 31.7%. Cash EBITDA for the quarter stood at Rs. 80 crores, up 11% year-over-year. Deferred sales revenue stood at Rs. 415 crores as of 30th of September, 2018, versus Rs. 335 crores as of September 30, 2017, a strong YoY growth of 24%. The cash balance stands at Rs. 1,864 crores as of September 30, 2018.

The recruitment business and the real-estate business continue to drive growth this quarter. The focus of investment during the quarter was on product development and marketing. Aggressive marketing spend by competition slightly impacted our market share, but we kept innovating and expect to gain share in the long run in Jeevansathi. Marketing spends in Jeevansathi led to an increase in registrations and paid transactions.

Moving on to business results by segment. We will first discuss recruitment segment.

In Q2, recruitment segment billings were Rs. 184 crores, up 26% year-on-year, while revenues were Rs. 191 crores, a growth of 16% year-on-year. Operating EBITDA margins in the recruitment segment were at 54.5% versus 59.3% in Q2 of FY18. EBITDA margins adjusted ESOP non-cash charges stood at 54.8%. The majority of incremental spends in the recruitment business were on product and tech hiring, and on marketing. Adjusted for the Rs. 4 crores write-back last year in Naukri, the margins for Q2 FY18 would have been 56.9%. Cash EBITDA for recruitment in the quarter stood at Rs. 98 crores, up 20% year-on-year.

In Q2, in Naukri we added on an average of 15,000 of new CVs everyday and the Naukri database grew to over 60 million CVs. The average number of CV modifications was at 350,000 per day. Our traffic share in the traditional job-board space continues to be 70% plus. We continue to invest in our recruit tools and systems business as we add more and more clients for the product. The growth in billing this quarter in recruitment was aided by a strong uptick in customer acquisition, as well as a decrease in discounting. The pickup in the IT sector hiring continued this quarter and was one of the key factors for billing growth. Consultants as a revenue source also revived during the quarter and with a strong growth in billing. Certain non-IT sectors like auto, industrial products, construction, banking and finance, insurance, oil and gas and BPO and some other smaller sectors also did well for the company in terms of growth, as also indicated by the Naukri JobSpeak index.

Moving on to the real-estate vertical. Billings in Q2 in 99acres grew 50% year-on-year to Rs. 50 crores while revenue grew 38% to Rs. 45 crores. We continued to invest in marketing during the quarter, resulting in an EBITDA loss of Rs. 4.6 crores, versus a nominal profit of Rs. 40 lakhs during Q2 of last year. Just pointing our here that last year we spent nothing on marketing in Q2 in 99acres. EBITDA adjusted for ESOP expenses in 99acres stood at a loss of Rs. 4.3 crores, versus a profit of Rs. 1.8 crores in Q2 of last year. Cash EBITDA profit for 99acres during the quarter stood at Rs. 60 lakhs. So, 99acres made a small cash profit this quarter at the EBITDA level. Our traffic share amongst the real-estate portals marginally declined during the quarter, but still hovers around the 50% mark based on time spent. Spending on marketing by competition remains aggressive. Talking about billing, we continue to sort of grow both our broker business and our builder business, and we have started slightly monetizing owners as well. We will continue to invest in 99acres as we try to consolidate our position, as we believe the real-estate market is on a revival path, as witnessed in high growth for the last four quarters now. The key focus for investment in 99acres will continue to be marketing and investment in product and technology, along with data quality.

Moving to the matrimony business.

Jeevansathi billings grew by 4.2% year-on-year in Q2 to Rs. 17.9 crores, owing to continued aggressive pricing and activity by competition. Marketing spend from competition continued to be high and that impacted our marketing spend as well. Revenue grew 3.7% year-on-year to Rs. 18.4 crores. In Jeevansathi we are continuously trying to penetrate deeper into key regions and communities we operate in. Our focus continues to be volume and not value growth. Operating EBITDA losses in Jeevansathi stood at Rs. 7.2 crores in Q2 FY19 vs. a loss of Rs. 3.6 crores in Q2 FY18. Adjusted EBITDA loss stood at Rs. 7.1 crores at Q2 in Jeevansathi, versus a loss of Rs. 3.7 crores in Q2 FY18. Cash EBITDA loss stood at Rs. 7.4 crores. More than 90% of users access Jeevansathi from the mobile platform and the Jeevansathi mobile app continues to be best in the category.

Moving on to the education vertical, Shiksha.

In Q2, Shiksha billings grew 52% year-on-year to Rs. 8.6 crores, partly on account of the low base, while revenue grew 7% year-on-year and reached Rs. 10.7 crores. We made a small EBITDA loss of Rs. 33 lakhs versus a small profit of Rs. 1 crore last year at the EBITDA level. Adjusted EBITDA loss for the quarter stood at Rs. 22 lakhs versus a profit of Rs. 1.5 crore last year. Cash EBITDA loss for Siksha for the quarters stood at Rs. 2.4 crores versus a Rs. 3 crore loss in Q2 last year. We continue to invest efforts into improving the quality of content available on the Shiksha platform.

Moving on to our strategic investments.

Zomato continues to witness very strong growth in the delivery space. They recently announced an additional funding of USD 210 million from Alipay. We also announced investment of Rs. 20 crores in 'Printo Document services' during the quarter, and we continue to evaluate the investment opportunities from time to time. This is all from us. We are now ready to take any questions.

Moderator: Thank you very much, sir. Ladies & gentlemen, we will now begin the question-and-answer session. The first question is from the line of Vivekanand Subbaraman from AMBIT Capital. Please go ahead.

Vivekanand Subbaraman: You mentioned the share among traditional sites of your traffic is around 70% in recruitment. Just wanted to understand what is the share if we include Indeed also? And anything to call out in terms of the year-on-year decline in average resumes added, what is going on there? And notwithstanding the buoyancy in the job market, why is it that we are seeing some sort of a decline there? And lastly, on the recruitment side, if you could just throw some light on how competitive activity is with respect to both Monster and Indeed, both of them seem to be highlighting very aggressive KPIs on the traffic side? Thanks.

Hitesh Oberoi: If you sort of include Indeed, our traffic share stands at about 60% or slightly less. We are focusing increasingly on quality of traffic and not quantity of traffic. And that is one reason why our resume acquisition has also sort of declined, because we have realized over time that there are certain types of resumes which recruiters want. And we are now directing our spend increasingly on acquiring those types of resumes. So, it is very cheap to acquire resumes from small towns and from Tier-III cities. You can acquire those resumes really cheap, especially with mobile penetration going through the roof. But, unfortunately, many of these resumes when we acquire them, we have realized over time that these are not in demand, as far as our recruiters go. So, we are not focusing our efforts on acquiring just more resumes from these kind of cities, we are focusing more on quality because that is what we think is going to help the business in the long run.

As far as Monster is concerned, we have not really noticed any sort of gains on traffic, neither have we seen gains on the customer side in the market. So, I do not know what you are referring to, but at least we have not noticed any significant gains as far as Monster is concerned. And the one comment I want to make on traffic is, see it is very easy to get traffic. People talk about app downloads, people talk about visits, people talk about visitors. One also has to look at bounce rates, one has to look at engagement, one has to look at whether the visitor is actually in demand from recruiters. This is important as we are in the matching business. India is a country of 1.3 billion people, it is not very hard to get an extra 5 million people or 10 million people on the platform and you can get them really cheap. You can even get app downloads up overnight, it maybe costs Rs. 1 or Rs. 2 to get an app download. But are these the people your recruiters want? And is this traffic monetizable? So, we are sort of increasingly realizing that it is not about quantity, it is about quality. And both in 99acres and in Naukri, our focus, going forward, will be on getting quality visits and quality visitors on our platform.

Vivekanand Subbaraman: Right. So, you are saying that the competition is focused on volume rather than value, and that is the reason why the average resume added...

Sanjeev Bikhchandani: No. we did not say that. What we mean is that when looking at traffic you have also have to consider these important aspects. That does not mean competition is focusing on this and not on that, we do not know what they are focusing on. But when examining who is focusing on what, also ask these questions. That is all we are saying.

Hitesh Oberoi: And we are focused on quality and not quantity.

Vivekanand Subbaraman: Fair enough. So, can you give some insight into the traffic of 99acres in terms of the monthly active or unique visitors over a quarterly or a monthly period? Because that is the data point that we have not been able to find out. Any sense on that? And how does that compare with MagicBricks?

Hitesh Oberoi: If you look at traffic share in terms of time spent and if you look at brand queries on Google, etc, we have been sort of averaging around 50% for quite some time now. And if you look at us vis-à-vis MagicBricks, we think it is like a 60:40 ratio in terms of time spent. But that is what we think. And again, we are looking at traffic quality, I mean, maybe they may have as many app downloads as we have, maybe they sort of have as many visitors as we have, but we are looking at quality visitors there. We are looking at bounce rates, we are looking at engagement, we are looking at time spent. We are looking at all these metrics together to sort of arrive at this conclusion. That is what we think.

In terms of numbers, traffic numbers for 99acres, just give me a second. So, what I can tell you is that our app traffic is up more than 100% year-on-year. App has sort of reasonably high-quality traffic, especially visitors come back. And it is not a one-time kind of app download traffic. Our traffic year-on-year is up 60%. We have close to 4.8 million app downloads till date. And we have about 20 million visits from buyers on our platform in a month on the average.

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

Arya Sen: Firstly, could you repeat the numbers you mentioned at the beginning of the call? The CSR expense was how much this quarter and what were the other one-offs in expenses?

Hitesh Oberoi: Yes. So, last year in Q2 we had a write-back of Rs. 9 crores. And this year in Q2 there was a onetime CSR expense of Rs. 2.7 crores. So, if you don't adjust for any of these, then EBITDA declined 7% year-on-year. But if you adjust for these, EBITDA increased 7% year-on-year.

Arya Sen: Understood. And if I look at your numbers, so if I look at outside of recruitment and 99acres, the losses seem to have gone up. Now you have mentioned about Rs. 7.2 crores of EBITDA loss in Jeevansathi?

Hitesh Oberoi: Yes. In Jeevansathi, at an EBITDA level, we lost Rs. 7.2 crores this year, up from Rs. 3.6 crores last year. And in Siksha we had a small EBITDA loss of Rs. 33 lakhs this quarter.

Arya Sen: Yes. Is there anything else? Because that doesn't fully explain the higher losses outside of 99acres and recruitment. Is the CSR coming as part of others or something like that?

Hitesh Oberoi: I didn't really get your question. I mean, this is at the EBITDA level?

Arya Sen: Yes. Sir, at the EBITDA level, basically, the others' loss seems to have expanded versus last quarter and last year same quarter. Part of it seems to be Jeevansathi, which you have said has made EBITDA loss of Rs. 7.2 crores versus Rs. 3.6 crores. Shiksha, there doesn't seem to be a very material change. Is there anything else which explains the higher losses?

Hitesh Oberoi: Yes. Even in 99acres, we lost about Rs. 4.6 crores at the EBITDA level. We made a slight profit last year in Q2 last year.

Arya Sen: That is fine. But I have the 99acres number. But is there anything else? So, the CSR expense comes as others, is it?

Chintan Thakkar: Arya, there would be certain corporate level expenses, these are the segment level numbers that Hitesh has given, whether it is the recruitment, 99acres, etc. And there would be a corporate headquarter expenses that would explain that gap that you are talking about.

Arya Sen: Yes. So, would CSR come in that?

Chintan Thakkar: Yes. CSR would be in that.

Chintan Thakkar: Understood. Secondly, on Zomato, a couple of things. Any disclosure on what is the current burn rate? And also the strategy seems to have changed very materially from last year when home delivery was less than 30%, it is now almost touching 90%. So, what has changed to sort of lead to this change in strategy? And historically, Zomato has said that it is not economical to do home deliveries. So, what has changed now? Any color on that? And particularly on the cash burn rate that they are currently clocking, because they have revealed some of the growth numbers, but not the cash burn numbers.

Sanjeev Bikhchandani: No. We are unable to disclose that because the company does not disclose it. So, we are unable to give out the burn numbers. As far as strategy change is concerned, this was done I think two or three quarters ago, and we had announced it that the company is now going to go into home delivery more and more and is going to expand, and they bought Runnr. When they bought Runnr we had put out this commentary. So, this is not a new strategy and has been around for maybe nine months now. And the reason for this change in strategy is I think the company reassessed and realized that look the market is headed towards transactions, and if we want to be the leader we will have to do transactions. So, transactions now in India are front and center.

Arya Sen: So, does one ultimately look at charging a convenience fee to the customer, is that the future? How are you guys looking at it, I mean, given that you still own more than 27%?

Sanjeev Bikhchandani: Well, so in some cases Zomato does charge a delivery fee. But I think the primary goal right now is to get to #1 spot and stay there. And do what it takes to do that. So, the revenue model will evolve over time, but the immediate goal is to remain #1.

Arya Sen: Right. And any plans to improve disclosure on the burn numbers, given that it is now a very reasonable contributor to your share value and your disclosure standards are very high anyway?

Sanjeev Bikhchandani: Look, the disclosure of burn numbers will be led by Zomato and not by us. And that is a conversation that we had with them, so I cannot comment on that right now.

Arya Sen: Also any update on PolicyBazaar?

Sanjeev Bikhchandani: So, PolicyBazaar continues to do well. They are sort of in the process of closing the round that was announced. It is a dominant market leader. It is getting into the health insurance space by launching a new scheme they announced. Paisabazaar continues to grow. So, overall, things seem to be going well there well as earlier.

Moderator: Thank you. The next question is from the line of Dipan Mehta from Elixir Equities. Please go ahead.

Dipan Mehta: Sir, it has been at least more than 10 years since you launched 99acres and Jeevansathi, and some of the others mega portals. And still, we are struggling to get them into profits. And I don't know, going forward, how many more years it will take before they start contributing meaningfully to the bottom-line? Considering that the recruitment business is just becoming larger and larger in size. So, is there some timeline or internal timeline in the management that beyond x number of years we could think of some other options like disposing them off or spinning them off or selling it off to private equity or something? Because every year the losses do not seem to be decreasing, one off quarter you make a profit and again goes into a loss. So, one would easily conclude that intrinsically the business may not make profit in 10 years plus, and there will be no progress on the bottom-line front. Would like to know your policy wise thinking that what is eventually the outcome of the other businesses which are not contributing to the bottom line?

Hitesh Oberoi: Actually, we are quite happy with the progress we are making in both 99acres and Jeevansathi. And I will tell you why. See, of course, we sort of have a process, we sort of evaluate our business from time to time, we review the performance every quarter, and so on and so forth. But sometimes when you start new businesses, you sort of are a little early in the market, it is often a question of timing. In the case of real-estate what has happened is that the market has been really, really tough for the last five, years, real-estate is a very deeply cyclical category. So, you go through these deep cycles, the market could be down for five, seven years, and then when you see a revival you could grow by 40% a year for the next 10 years. Who knows? So, but the truth is that real-estate is the large category and we are the leader, we have about 50% share of the market. Our business run rate is now tracking Rs. 50 crores a quarter. We made a small cash profit this quarter. If you want, we can sort of still breakeven any time, make a little bit of money. But given the size of the opportunity and the size of the pie, we want to continue to invest in this business. Also what happens is that the business plans evolve over time. We started with the resale and rental site, and then we added a new product, new sort of home platform to our portfolio of products. So, tomorrow, if these parts of the business start doing well and we see opportunities in other areas, we could sort of say, "Okay, let's do even more in real-estate." But the truth is that real-estate sites worldwide are, actually even larger than job boards. And in our business, we do not capitalize anything. So, a lot of the expenses which are upfront are sort of operating expenses. But once you hit a certain level then you have high operating leverage. And I think you are sort of slowly getting to that point in real-estate. As far as matrimony is concerned, we are #3 player nationally, but we have become a strong #2 player in the north and west. Our strategy sort of changed about two years ago, we started focusing more on volume growth rather than value growth, because in these kind of businesses it is important to get the network effect going. And once you get the network effect going then you can figure out what to do next. But unless and until you get a lot of people on your platform, you have no future. So, the strategy was to focus on volume, and that really worked for us. Our volume growth in Jeevansathi has been more than 200% over the last 2-3 years. And so as a result, Jeevansathi is now on a very solid footing compared to where it was 2-3 years ago.

Dipan Mehta: Sir, can you provide any guidelines that in three years or five years or some point of time that you will start meaningfully contributing or then you will take corrective action? But my question was, is there some timeline or guidance on your part that two years from now or three years from now the losses will be narrowed or come back into profit. So, every time what is happening is that the losses of the other portals is clearly reducing the overall profits of the company, and that does impact the valuation and the growth numbers and all the other parameters that we are marking the company on.

Hitesh Oberoi: I would not see these as losses, I would see those as investments into the future, because in the long run we want to sort of diversify our portfolio, get into new categories, build new revenue streams. And like I said, our investments are in the nature of OPEX. We don't do CAPEX and we have high operating leverage. So, once we reach a certain size and scale and after that it is easy to make profit. We are sort of getting there in 99acres. It will take some more time for us to get there in Jeevansathi. We do not have a time frame to evaluate businesses, we sort of review our businesses every year and if the opportunity looks good and if we think we can do a good job going forward, we continue to be in those businesses. And the total losses, in Jeevansathi, for example, we have spent maybe $10 million since we launched the site. And in 99acres, we spent maybe $30 - $40 million overall in total. So, compared to what the other companies are spending out there, I think what we are investing is only a small part of that.

Moderator: Thank you. The next question is from the line of Ajay Modi from Agrawal Investments. Please go ahead.

Ajay Modi: Sir, my question continues to the last question that you said. So, as you said, you don't have a time line and you evaluate businesses annually. But, I mean, if you could throw some light on how big is the matrimony or these traditional matrimony sites, how big that space is? And also, how big is education as a space for you? And, I mean, again, by barring 99acres and Naukri, you are not leader in the other two. So, when do you see taking over that leadership position in Jeevansathi?

Hitesh Oberoi: So, we do about Rs. 70 crores a year in Jeevansathi. And with the matrimony market is probably Rs. 500 crores - Rs. 600 crores, but we mostly operate in the north and west. We don't operate in the south. We have gained share over the last few years in matrimony. We are focused on volume growth, not value growth at this point in time. We believe that there could be an opportunity to sort of do some things differently in the long run in the matrimony space. The asset that we have built has some value, thousands of marriages happen in our platform every month, we get close to 100,000 registrations every month from people looking to get married. We are creating value. It is just that we are not able to monetize that value right now in the way we would want to. But hopefully something will happen over the next 2-3 years in this space for us, which will help us monetize the brand that we have created. In Shiksha, in education, in the category which we operate, we are a leader. So, it is just that we are not dominant, and it is a very different business. So, it is a more lead-gen rather than marketplace. And we are not losing too much money, Shiksha has been breaking even for the last maybe year or two now. Sometimes, we go in the red, sometimes we make a little bit of money. It is not sucking our lot of bandwidth, it is not talking about a lot of investment. We are trying out a few new things in Shiksha. And if they work then this could become a reasonable business for us in the long run.

Ajay Modi: So, again, I understand Shiksha again is not a big, I mean, doesn't consume a lot of time. But it still takes away a lot of your effort as a team, which can be spent on other bigger things. But apart from Shiksha, also on Jeevansathi, because as I as an investor, analyst, see this space, it is quite evolving. I mean, you have new age or, so to say, serious dating apps like TrulyMadly, which also now come out calling that they are doing a lot of marriages on their platform. So, I mean, is there a difference between the space that you are in, people call it, traditional matrimony? I am just trying to understand how, because that space is too evolving and is tremendously competitive now from the dating apps also, which are trying to be marriage matchmaking apps. So, just trying to get a sense of how big that space could be for us? I mean, if I look at a year out, what size can Jeevansathi really become? And if it does not become that, when do you take a call to say goodbye to this business? I mean, it is still consuming a lot of time and effort and capital, which can be used otherwise, like your team investing in the Zomato or PolicyBazaar, which are more transactional, and annuity based.

Hitesh Oberoi: So, let us take it one by one. So, traditional matrimony is a very, very large space. And in my view it is going to be a growth market over the next 50 years. Yes, in a country of 1.3 billion people maybe the population will grow to 1.75 billion over the next 20, 30 years. Hardly, maybe 10% or 20% of people who are sort of in India today use online methods or they are part of that consideration thing for them when they look at getting married. Many communities today, large communities, so in states like U.P. where we operate, maybe 90% of UP does not even think of online matrimony when people think of getting married. Yes, there may be a small percentage of the population, 1% or 2% or 3% of population today in the large metros like Bombay, Delhi and Bangalore, which is probably looking at dating sites. But there also they are looking at dating sites for dating, they are not looking at dating sites to get married. When people want to get married they still come to Jeevansathi or the other players in our space. So, it is not about what is cool or what is hot or what is trendy, the truth is that the online matrimony market is a large market. People are still getting married. And they will continue to get married for many years. In places like Bihar and U.P. and Madhya Pradesh, Rajasthan and Chattisgarh, Jharkhand, Haryana, lakhs of people today don't even consider online matrimony when they look to get married, when they try to get married. And that will change, we believe, over the next 10, 20 years. So, why should we sort of continue? Because we think it is a long-term growth market, we are executing well, we have made progress, we are getting good traction, our traffic is growing, our engagement is growing, our market share is growing. We are trying a few new strategies. It is not as if we are investing hundreds of crores in Jeevansathi. We mentioned the sites like Zomato and others, I mean, they have raised hundreds or millions of dollars and they are still not profitable. And actually companies like Flipkart have been around for 10 years, if I am not mistaken. I mean, many of these companies have also been around for 10, 12 years. But the truth is that India is a long-term growth story in all these categories. Internet penetration is still growing. Indians are getting richer, and they are getting better and better and they are getting more savvy about using the Internet. And therefore, we see an opportunity and therefore, we will continue to sort of stay invested for a while at least.

Ajay Modi: Hitesh, let me put it as a simple question. I understood your argument and I buy your argument completely. I just want you to answer a simple question, whether you don't share it with us on this platform, it is okay. But do you have a Plan B where, I mean, how would you say goodbye to this or when would you say goodbye to this provided this business is not happening? Do you have a process already in place is what I am trying to understand? Whether there is a yes or no that is what I am looking for.

Sanjeev Bikhchandani: The answer is no. We are committed to this business. We will make it happen.

Moderator: Thank you. The next question is from the line of Shaleen Kumar from UBS Securities. Please go ahead.

Shaleen Kumar: I just want to understand what exactly is your read of rebounds in IT sector hiring. Is this something happening on fresh hiring? Or is more of a renewal of the job or is it attrition, what exactly is happening, any sense on that?

Hitesh Oberoi: Well, see, we are not used for campus hiring. So, we are used by companies when they want to hire people who are not on campus. Basically, referral hiring. A bulk of the hiring on our platform is of people between 1 to 10 or 12 years of experience. So, if we are seeing growth in IT, it is because companies are doing a lot more lateral hiring than they were doing earlier. That does not mean they are not doing more campus hiring than they were doing earlier, they are probably doing both.

Shaleen Kumar: Sure. Any sense, when I said fresh hiring, I mean new position hiring or is it attrition hiring? Any sense on that? It could be a lateral, but is it a new position hiring they are doing or is it the attrition, is the attrition has gone up, any sense on that?

Hitesh Oberoi: Actually, right now, we do not have a sense. Because the companies do not share their headcount numbers with us. But maybe attrition has also gone up a little bit, maybe, but we will have to check.

Shaleen Kumar: Right. And among your existing customers what kind of realization increase you are seeing? So, what I am trying to ask you is what is the number of customers you add? The other segment is the realization increase you take, so what is the contribution of realization increase?

Hitesh Oberoi: We do not actually give out these numbers. But normally what happens is when we see an uptick in hiring, three things happen. One is volumes go up, so customers hire more people. And therefore they buy more logins, more passwords, more listings. Two, we are able to realize better prices, because companies are in a rush to hire, so they don't haggle that much. Thirdly, we also end up adding a lot of new customers because when there is a lot of business activity, a lot of new companies all set up shops as well. So, normally when we see an uptick, we see an uptick in all three. And when we see a downturn, we see all three correcting as well.

Shaleen Kumar: Okay. But no sense on realization or something like that?

Hitesh Oberoi: No. Realizations have definitely gone, I don't have the exact number, maybe they went up by 10%.

Moderator: The next question is from the line of Manish Adukia from Goldman Sachs. Please go ahead.

Manish Adukia: A couple of questions, both on the real-estate side. First, if you can comment on the underlying real-estate market. You have of course seen very strong growth for the last few quarters. But what kind of visibility do you have in terms of growth outlook for the sector as a whole over the next two or three quarters in terms of hardening rate cycle, etc, how do you see that impacting the underlying demand? And second, you mentioned some small market share loss. I think it was in the 99acres business. If you can just throw some more light as to what led to that and how do you think about they were? And also if you can mention which player was it that you lost market share to, was it primarily in MagicBricks? Thank you.

Hitesh Oberoi: So, real-estate market has been down for the last few years. And every now and then we have a false start. So, I don't really want to comment on what the future holds in real-estate. But yes, the real-estate was depressed for a long time, and especially Q2 last year was a terrible quarter because of that RERA rollout. And for a while all sort of new home marketing activity came to a standstill last year. So, the reason we got 50% growth this year on billing is because of a bad Q2 as well. Of course, we want to execute better and the market is improving a little bit, prices are more stable, there are more launches than they were earlier, there are more transactions, there is a little more action in the affordable housing segment. So, all those things are also true. Whether we expect the next three quarters to be great as well, only time will tell. Look, I do not want to really comment on real-estate because of the nature of the industry. Market share, see, market shares in real-estate have been, for us we have been at 50% range for a while now. But periodically when there is a competitive activity market share may go up a little or go down a little. So, if we are on TV, we may go from 50% to 52%. If somebody else is on TV, we may go from 50% to 48%. So, that is what I meant by we may have lost a point or two, which is non-material in the grand scheme of things. We have to look at market share for the year to get a better sense. So, we are stable as far as market shares are concerned. As you have said, competitive activities, we also spending a little more on advertising. Last year, for example, we spent nothing on advertising in Q2 in 99acres because we knew that business had come to a halt because of RERA. And therefore we made a reasonable profit also in Q2 last year. This year we have spent close to Rs. 15 crores in marketing on 99acres alone. And despite that we made a small cash profit.

Manish Adukia: I know it is incredibly difficult to forecast what is likely to happen in the real-estate market going forward. But I just wanted to get your sense in terms of currently wherever you are in terms of whatever you are seeing in the market trends, like you said prices have been stable, etc. I mean, do you think that the real-estate market for now looks like it is likely to stay stable? I mean, of course, things can change overnight, but where you are right now, you think things are stable?

Hitesh Oberoi: Yes. Actually, I would have said this to you maybe two weeks ago because if you would have asked me this question that things are very stable in real-estate. But then there are some news articles about there being a fund crunch in the NBFC space and how NBFCs lend to developers and how because of that real-estate activity may get hit. So, I don't know. So, I don't really want to comment on what is going to happen in real-estate going forward. Maybe you guys know more than we do.

Moderator: Thank you. The next question is from the line of Ravi Menon from Elara Capital. Please go ahead.

Ravi Menon: I just want to check on 99acres ratio of paid listings. That seems to have improved significantly. And while revenue policy is slightly down QoQ, it is still up more than 30% YoY. So, what would you attribute this to?

Hitesh Oberoi: So, like I mentioned earlier in the call, our focus is increasingly on quality and not quantity. And real-estate has this problem where you get a lot of junk listings from the platform, a lot of the listings are by way of spam. So, we have tightened our controls, we are building stricter checks on duplicate listings and so on and so forth. We are not encouraging people to post multiple listings like some of our competitors do. And all in the interest of both our customers and our consumers, because if there is less spam, you get more traffic, and if there is more traffic, both our customers and users benefit. So, we have been tightening the screws on quality. And that is why you are seeing what you are seeing. So, the listings may also go down in the future, who knows. But as long as we get the right quality of listings, we are fine.

Ravi Menon: Great. And secondly Naukri, you said IT starting to see a pick-up, I mean, this quarter at least the revenue addition seems to have more in infrastructure than in IT. So, is the booking trend similar, or you think IT will see faster growth in coming quarters?

Hitesh Oberoi: So, we sort of look at our business as IT, non-IT and consultants. So, if billings grew 25%, 26%, we saw about a 25% growth in IT, a 24% - 25% in non-IT and a 20%-plus growth in consultants as well. And yes, some small segments may have grown faster than IT also. So, going forward, a lot will depend on what happens to the Indian economy because the non-IT pieces in Naukri are more indexed to hiring an India, and what happens to GDP growth, while the IT piece is more indexed to what happened in the U.S. Last year, for example, there was a lot of noise around automation, machine learning, AI, taking away jobs and how IT companies are not going forward. I mean, today, we do not read about that anymore. In fact, IT companies are adding people. The rupee depreciation is also helping. But I cannot really comment on what will happen going forward.

Ravi Menon: Sure. And last thing on how you make investments in investee firms. We have been hearing that the check sizes that startups are asking for has gone up now. Even at idea stage or seat stage people are asking for at least $1 million or more. And given that you have cashed out some of your stake in Zomato, and you have got a lot of cash now, would you look at more late stage investments as well?

Sanjeev Bikhchandani: So, look, typically, our track record is that we like to be the first institutional check into a company. And we kind of believe that we have the ability to spot good startups very early. It has worked for us so far, and we would like to stay with that. It gives us adequate ownership at a decent average cost once we invest over two, three rounds. And we are not finding that startups are in the first check in, they are asking for an inordinate amount of money. We are able to discuss and go in with the kind of ticket sizes that we would like to invest. And we have not noticed a shift or a change. What is happening, however, the winners or the likely winners in very many areas have been picked by the investors and capital is coalescing around these winners, large capital. So, it could be a Zomato and Swiggy in restaurant delivery; a PolicyBazaar in insurance comparison; until recently, a Flipkart in e-commerce; and Ola in taxi aggregation and so on, and Oyo in hotel aggregation.

The thing is that maybe 70%-90% of the capital that is going into private companies in the internet sector is going into maybe a dozen companies, and then much smaller ticket sizes are spread across a much larger base of earlier stage companies. And those who make the cut beyond that, the early stage, they get the second round and the third rounds. But the big ticket money only comes in after winners have been picked in large spaces.

Moderator: Thank you. The next question is from the line of Vivekanand Subbaraman from AMBIT Capital. Please go ahead.

Vivekanand Subbaraman: So, in 99acres, just continuing the question that I had on traffic. Is there any change in the traffic trajectory with respect to organic versus inorganic traffic? Or possibly a reduction in customer acquisition costs and metrics like churn that is resulting in improved monetization and also a continued increase in billing that you need to be aware of? And is this sustainable? That is what I am trying to get at.

Hitesh Oberoi: See, there are two parts. One, our traffic is growing. And two, the traffic is engaging more with our platform? The answer to both is yes. Like I mentioned earlier on the call, our app traffic is up 100% year-on-year, our overall traffic is up more than 60% year-on-year. Time spent on the platform is also healthy. We have more advertisers on the platform than earlier. Our data quality is a lot better. Our algorithms are far, far superior to what they were a year, 1.5 years ago. So, on the whole we are very happy with the progress which the site and the platform is making in 99acres, compared to maybe where we were three, four years ago maybe, we were up 200%, 300%, if not more. It is just that the industry was in trouble. All our customers were losing money, many were sort of going out of business, many even bankrupt, etc. And if your customers are all losing money, then it is very hard to make money yourself. I think it has sort of hit the rock-bottom. Are things going to get better from here on? That is the hope. And the truth is, even when all this was happening, we were growing. And while the overall ad market may have declined by 60%, 70% from where it was five, seven years ago, we have grown significantly in terms of revenue. Even this quarter we grew 50% in terms of billing. So, the growth, the truth is that the best way to search for a property is to search online, if you want to see all the options, if you want to do your research, you will have to come online, there is no other way to know what is happening in the market. India is very, very opaque when it comes to real-estate. The sites create a lot of transparency, and therefore we get a lot of traffic. And as interest in real-estate picks up, the traffic is only going to increase. It is just that we are not able to monetize the traffic very aggressively earlier, once transactions pick up, hopefully, that will also follow.

Vivekanand Subbaraman: Right. Just one follow-up. We were witnessing a consolidation of brokers over the last two, three years, given that the macro conditions were very challenging in real-estate. But builders were broadly steady at around about 16,000 - 17,000. Are we seeing any increase in the number of builders and brokers also on the platform? And last question on 99acres is on the user market which you mentioned being at a nascent stage, do you see an opportunity in the user listings space also? If so, can you explain that a bit more in detail?

Hitesh Oberoi: So, we have not seen a massive growth in the number of brokers and builders we are dealing with. But what we are seeing for sure is that builders are advertising more projects. So, a builder could sort of do one project a year, some builders do three projects a year, some builders may do 10 projects a year. A projects may have 10 units, a project could have 100 units, a project could have 1,000 units. So, what we definitely see is that builders are advertising more projects on our platform than earlier, number one. And their advertising for a longer period than they were earlier. This probably means that platform is working for them, because projects are not sold out in one or two months; sometimes they take years to sell. So, we are seeing, yes, a few more builders than earlier, but we are seeing these builders advertise a lot more projects than they used to in the past. And we are seeing them advertise the projects for longer. As far as the owners are concerned, there is a lot of owner traction on the platform as well, we get thousand of owner listings every day. The site is actually free for owners to list. And we started monetizing owners a little bit as well, but it is more like a freemium model, they are allowed to list for free and then they might pay for some value-added services. It is a very small part of our revenue today, owner listings.

Moderator: Thank you. The next question is from the line of Aditya Joshi from Karma Capital. Please go ahead.

Aditya Joshi: So, my question is relating to Zomato. So, what is the kind of wage inflation for the ground staff or riders the company has witnessed in this quarter or in past six months?

Hitesh Oberoi: So, look, they pay per delivery. They don't give out wage inflation data. But look, I think if Zomato or Swiggy or any other delivery boy works for 12 hours a day, let's say, for 25 days a month, he will make a very, very decent salary or compensation, because incentives are linked to it, there are tips linked to it, and then of course, there is a per delivery charge. So, it is hard work, but they will make a decent salary.

Aditya Joshi: Got it, sir. So, sir, is there any kind of scarcity of riders in major metro cities across India? Is that something which is happening?

Chintan Thakkar: So, attrition is high, there' is competition of riders. But the bases of riders is expanding. Zomato has gone from, I think, a very few thousand riders in January this year to over 70,000 right now, and growing every month.

Aditya Joshi: Okay. Sir, my next question is relating to Jeevansathi. Sir, what would be our market share in the north markets, and what kind of market share are we foreseeing, say, 20-25 or maybe 25-30? And what kind of growth rates do you expect in the market?

Hitesh Oberoi: So, we estimate our market share in the north is closer to 30% - 35%. And in terms of volume, it maybe closer to 35%; in terms of value it maybe 25% - 30%. I have no idea how exact. I mean, you can do the math. I mean, if you continue to grow the business even at 15%, 20% per year, we double every five years. That is just organic rate of growth.

Aditya Joshi: Okay. Sir, my last question is again with respect to Jeevansathi. Sir, what is the kind of risk that we seeing or foreseeing from the small communities that are getting their own app and having their small group kind of a thing in their app? So, sir, what is the kind of risk there that you foresee?

Hitesh Oberoi: Actually, right now, we have not come across too many successful apps or people or communities doing this. So, I do not really want to comment on it. Right now, they are not even on our radar. They are a very tiny fraction of the market if they exist.

Moderator: Thank you. The next question is a follow-up from the line of Shaleen Kumar from UBS Securities. Please go ahead.

Shaleen Kumar: Just wanted to check on Hitesh's comment regarding the 99acre. So, it has the mix of broker versus builder, is there a material change in that? And are we treating in our revenue scheme for 99acres?

Hitesh Oberoi: See, actually, I think long-term the trend is sort of more towards the brokers, because as markets matures and as market becomes larger, we normally see more brokers set up shops and builders often go through brokers. But in this particular quarter, given that the builder business impacted most by RERA last year, our builders business also grew rapidly at a very healthy rate over last year, because of low base. But long-term, and when I say long-term, I mean over the next five, ten years where we see the market going, we see the market moving more, more towards channel and channel brokers.

Shaleen Kumar: Where do we stand right now, Hitesh, like proportionate wise? Any sense?

Hitesh Oberoi: Yes. Currently it is more like 50-50. But brokers would also include channel partners, people who do resale and new homes.

Moderator: Ladies and gentlemen, this was the last question for today. I now hand the conference over to Mr. Oberoi for his closing comments. Over to you, sir.

Hitesh Oberoi: Well, thank you, everyone, for being on the call. And have a nice evening.

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