



Info Edge (India) Limited Q2 FY13-14 Results Conference Call

October 18, 2013



MANAGEMENT: **MR. HITESH OBEROI – MD & CEO, INFO EDGE (INDIA) LIMITED**
 MR. SANJEEV BIKHCHANDANI – VICE CHAIRMAN, INFO EDGE (INDIA) LIMITED
 MR. AMBARISH RAGHUVANSHI – CFO, INFO EDGE (INDIA) LIMITED

Moderator Ladies and gentlemen, good day and welcome to the Q2FY13-14 Results Conference Call of Info Edge (India) Limited. Joining us on the call today are, Mr. Hitesh Oberoi – MD & CEO, Mr. Ambarish Raghuvanshi – CFO; and Mr. Sanjeev Bikhchandani – Vice Chairman. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Hitesh Oberoi. Thank you. And over to you.

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, and then we will cover each business in more detail. In the end, we will be happy to take questions.

For the company as a whole net sales in Q2 were Rs. 123 crores versus Rs. 106 crores in the same quarter last year, an increase of about 15%. For Q2, operating EBITDA was at Rs. 44 crores, an increase of 20% year-on-year. Operating EBITDA margin was at 35% versus 34% in Q2 of last year. Other income decreased mainly on account of fewer FMPs maturing in Q2 plus due to the RBI hiking short-term rates the liquid plus mutual funds we were invested in, did not earn returns for nearly a month. PAT was at Rs. 33 crores which was flat year-on-year. Operating PAT was at Rs. 26 crores up 7% year-on-year on account of higher depreciation. And operating PAT margin was at 21% versus 23% for the same quarter last year. Deferred sales revenue has decreased to Rs. 121 crores versus Rs. 131 crores as of September 30th versus June 30th. We continue to be cautious for the financial year 2013-2014 mainly due to domestic and global concerns. Naukri has thus far weathered the slowdown reasonably well partly helped by the

IT sector being stable and also possibly that we may be taking away share from competition.

Moving on to business wise performance, in the Recruitment business top line grew by 7% to Rs. 90 crores. EBITDA margins in Recruitment were at 50% similar to that in Q1 of last year. In Naukri, EBITDA margin was at 55% similar to that in Q1 of last year. On the operating side in Naukri in Q2 we add about 10,900 fresh CVs everyday and the Naukri database grew to over 35 million CVs. Average CV modifications were at 1,39,000 per day and this number has gradually trended upwards which is encouraging. The Naukri Job Speak index was at 1238 in September 2013 versus 1230 in June. In Q2 we serviced 27,000 unique customers up from 25,500 customers in Q1.

In H1 we serviced 35,500 customers versus 33,500 customers in H1 last year. 99acres had a very good quarter. Top line in 99acres grew by 57% year-on-year in Q2 to 18.5 crores. In Q2 99acres made a loss of Rs. 1 crore on account of brand building and growing investment in team and products development. Paid listings in Q2 were at 5.6 lakhs versus at 4 lakhs last year. In Jeevansathi net sales in Q2 grew 16% year-on-year. There was an EBITDA loss of around Rs. 80 lakhs in Q2 in Jeevansathi this year. In Shiksha net sales grew at over 60% over last year.

As far as our strategic investments in our investing companies go, our investing companies continue to witness tremendous growth. We have not made any further investments in Q2. As you may be aware Zomato is looking to raise money and we would be participating in this round along with another investor. We continue to carefully evaluate other investment opportunities mainly in the Indian internet market.

To summarize – The job market continues to be tight. This may be the case till the economy starts looking up again. Growth has improved marginally due to IT being stable and because we are gaining share

from competition. Our competitive position in Naukri continues to be strong, and if growth comes back, we will benefit. In the meanwhile, we will continue to invest more in the business, especially in areas like product development to strengthen our leadership position. Some new product features will be rolled out in the next quarter. We rolled out a Naukri Recruiter Profile product; we improved our response management system and over the next 6 to 12 months more rolls outs including a Naukri android App are expected.

In 99acres, we continue to invest in sales and brand building and product developments. Several new projects were rolled out in the last three, four months and many more are in the pipeline for the next few months. As mentioned earlier in our call if top line for a company grows at 20% or lower we may yield margins. 99acres continue to grow in uncertain market and we will continue to invest more and more in this business. We continue to invest in Jeevansathi and Shiksha as well. We are now ready for any questions that you may have. Thank you.

Moderator Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Abhay Gaurav from Citigroup. Please go ahead.

Abhay Gaurav I had a few questions. Firstly, if you could just remind us on the number of customers in recruitment you mentioned 35,000 but?

Hitesh Oberoi 35,500 in H1 versus 33,500 in H1 last year.

Abhay Gaurav Secondly, I see that your employee number has gone down too, is there some rationalization happening over there?

Hitesh Oberoi Marginally, not really. No there is no rationalization. See normally what happens is we do a lot of campus hiring so our headcount drops from April to September and then goes up again.

- Abhay Gaurav** Thirdly on the ad spent I see there is a sharp drop this quarter almost 30% quarter-on-quarter and we have seen that third quarter is in which we are seasonally slower when it comes to ad spent if you look at the last two, three years. So how should we looking at the ad spend going forward in the next couple of quarters?
- Hitesh Oberoi** See normally ad spends go up and down depending whether we are on TV on not and depending on how many brands are on TV. So in the quarter if we have three brands then TV ad spends could be very high. And if we have only one brand no brand on TV ad spends could be very low. Yes, you are right Q3 is normally a lean quarter as far as the advertisement is concerned but all advertising spends would depend on what happens in competition whether we see growth coming back or not and multiple other factors.
- Abhay Gaurav** So as you said that the market in especially for the job market s remains we saw and you are also gaining market share from your competition so should we expect that Q3 will remains seasonally weak as per the last few year trends for ad spent?
- Hitesh Oberoi** For ad spent in job, yes. It is normally a lean quarter for us but we could advertise heavily in other businesses so I cannot say for sure at this point in time.
- Abhay Gaurav** Sure. Just one or two more questions. One is that your realization in Jeevansathi seems to have shot up if you can just help us understand what is happening over there?
- Hitesh Oberoi** No, that is a result of a price hike we took sometime back in the Jeevansathi.
- Moderator** Thank you. The next question is from the line of Abhishek Shindadkar from ICICI Securities. Please go ahead.

Abhishek Shindadkar If I look at the sales and marketing spends and reconcile that with the losses in the other verticals is it fair to assume that we have significantly reduced I mean the reduction in the losses in the other verticals is because of the reduction in the sales and marketing spends?

Hitesh Oberoi Well, not really the losses have gone down yet partly because of reduced sales and marketing spends and also partly because of sales going up in the other verticals.

Abhishek Shindadkar that should be a good?

Hitesh Oberoi For example in 99acres we had massive sales growth yes, and we got advertising spends in Shiksha and Jeevansathi as well to some extent.

Abhishek Shindadkar And so what should be your run rate that we should look at for the sales and marketing expense?

Hitesh Oberoi That is very hard to say. You see marketing spend like I said is a function of competitive activities, a function of how fast we are growing and a couple of other factors. So on a closer look up you may spend more on marketing if you have seen traffic gain share we may invest more on marketing if there is a lot of competition spending we may invest more on marketing. It is very hard to predict at this point in time.

Abhishek Shindadkar Sir, apology to persist but is it any change in our – the reason I am asking is there any change in the thought process about maintaining the EBITDA margins for the overall company by reducing the expense in the invested companies. Is that change in the thought process or this 2 crores run rate should be a doable number going ahead?

Hitesh Oberoi 2 crores run rate meaning, sorry?

Abhishek Shindadkar The 2 crores losses or 22 million?

Hitesh Oberoi In the other businesses?

Abhishek Shindadkar Yes.

Hitesh Oberoi Like I said a lot depends on ad spend and in some verticals we are also expanding, opening more offices, hiring more people investing in other areas like product development, technology and design yes, Q2 was a quarter of low ad spend but I cannot say for sure that this is what you should expect going forward as well. Like I said a lot will depend on competitive activity and our growth rates and the opportunity see in the market place.

Ambarish Raghuvanshi So to answer your question we are not really looking at trying to contain advertising as a form of trying to improve the margins for the company. We are taking it business by business seeing it based on what is required for a business. So it is certainly not by design that yes, I mean we want to contain the losses from other vertical that a particular figure or to look at a particular targeted return for the company. We are doing what we think is right for each business and there is a medium term outlook to each business and as Hitesh said it is largely determined by competitive activity or whether seasonally that is the right quarter to advertise or not to advertise whether to invest to spend more on television or whether to do more of online advertising. These decisions are made based business imperative not on any targeted margins we are looking at.

Abhishek Shindadkar So let me ask you this way. Has our perception about the outlook of the investing companies has changed significantly over the quarter?

Hitesh Oberoi These are not investee companies these are our internal businesses that we are talking about 99acres, Shiksha and Jeevansathi this is what you mean by other businesses so these are 100% loan in that businesses.

Hitesh Oberoi Like I said you know 99acres will be a great opportunity in the medium term a big category. It is a Rs. 2000 crores plus category in print. This revenue has to move online over a period of time so if it means investing more in the short term to establish leadership and to sort of improve the product and improve our brand we will do it. So we are not targeting any particular EBITDA number in 99acres. As far as Jeevansathi is concerned we have been saying for a while that we are trying out new things we are experimenting a new model so there could be a quarter in which we spent more than it could be quarter in which we spent less but we are giving ourselves a few sort of more quarters to figure out the model here, the right model thing. We want to disrupt the market in some way. As far as Shiksha is concerned Shiksha is a seasonal business ads spends normally looks up in Q4 and Q1 because that is in the lot of education institutes enroll students and it is normally weak in Q2 and Q3.

Moderator Thank you. The next question is from the line of Shrinivas Seshadri from CIMB. Please go ahead.

Shrinivas Seshadri My first question is pertaining to 99acres. So if I either look at the revenue numbers where you said it has grown by 57% which is probably a pretty strong number even in the context of the last few quarters and also I mean if I look at the operating metrics there is a huge kind of even quarter-on-quarter surge in the paid transactions or the listings. So just wanted to understand this whether it is a function of the environment or are we getting something right here in terms of product or market share or something which can explain this kind of acceleration in the operating metrics in the revenues?

Hitesh Oberoi Well, as you are aware the market for this sector continues to be tight. There are not enough new launches taking place, there are not enough houses being sold however we continue to grow aggressively in this space. It is a result of two or three things. One of course our team is

executing well, we have expanded our sales operation; we have invested a lot in product development and brand building. It is also a function or fact that the offline markets for real estate is huge like I had mentioned earlier in the call more than Rs. 2,000 crores a year spent on real estate advertising offline and this has to migrate online over a period of time. Our estimate is less than 10% of this money is spent online today. So this will only grow because online is a more efficient way of attracting customers in generating leads for the properties to rent or sell. So this is the reason why we continue grow in a market which may otherwise be sort of stagnant or contracting currently.

Shrinivas Seshadri But anything you can pin point to in terms of why there has been a huge kind of surge just within the space of one quarter basically in the numbers or anything in particular?

Hitesh Oberoi No, we grow at over 50% last year as well and we grow at over 50% in the first quarter too. There has been a surge because we have been hiring sales people, we have opened the offices, we have expanded our sales operations phenomenally over the last one year.

Shrinivas Seshadri So it is cumulative result which we are seeing in the listings numbers or the transactions?

Hitesh Oberoi Correct. Because we had a lot of new customers because we have many more sales people on the ground and we have opened the offices.

Shrinivas Seshadri And Hitesh, a related question is on the competition like on Naukri where you can say we have a reasonably clear field here you have competition and you still have a phenomenon of new companies' kind of trying to get in to this space. So can you kind of elaborate on how it is right now qualitatively or quantitatively where you stand and what is the outlook there over the next year or so?

Hitesh Oberoi Yeah so this like I mentioned it is a big category and we really seeing that and there are lots of established companies in the space we compete within the matrimony space Shaadi and RMS matrimony they both have portals in the space and we have of course Times of India, MagicBricks and there are a slew of starters out there at least 3 or 4 of them trying to do things very differently. So it is a very competitive and hot space at this point in time. The truth is real estate companies worldwide are very, very big online and that is what the people potentially see happening in India as well. I think the space will continue to be competitive for the next may be two or three years at the very least. And therefore we will have to fight very hard. It is unlikely that we would have the kind of dominance that we have in Naukri in the next 2 or 3 years but if we can maintain our leadership and continue to grow aggressively will be okay after a while.

Shrinivas Seshadri Does that also mean that we would be investing an outsized amount and hence I mean as investors we should not expect any kind of a material profitability generation over the next 1 to 2 period out of this vertical?

Hitesh Oberoi Yeah I think for the next 12 months or so we should not expect any serious profit from 99acres. The focus will be product development, technology, design brand building increasing the size of the sales team, opening offices. So we will be investing a lot for the future and if of course the business continues to grow aggressively if we continue grow at 50% for the next 12 to 18 months we make some sort of profit but if growth slows down a bit then we could go in to loss as well.

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

Sagar Rastogi My first question is about dividends. Could you talk about how you think about them is there are target payout ratio in mind or a target

amount of cash that you want to keep on hand and distribute everything over it, how do you see it?

Sanjeev Bikhchandani So we are in the process of evolving our dividend policy and we have yet to agree on it and we will do so and once we do so we will announce a dividend policy. And so therefore we cannot comment right now any target payout ratio or anything but we have been receiving feedback from shareholders , can you look at increasing the dividend and we considered that request coming consistently over the last 6 to 9 months, we considered that and which is why we have is announced interim dividend . We will announce the dividend policy as and when it evolves.

Sagar Rastogi And sir, this is now on the business could you share what percentage of your traffic comes through mobiles in each of your properties?

Hitesh Oberoi So you know it is different in different categories but it is so far been averaging between 15% to 30% depending on the category we are in. So in Shiksha where we have a lot of young customers in our site it is reasonably high while in some other categories in to which do not level itself to the mobile phones and easily it is a little low. However, having said that we are aggressively working on developing the next set of Apps for each of our sites and in Naukri we are launching an Android App this month. In Naurki Gulf we just sort of submitted an iPhone App. In 99acres the app is under development. So once all these Apps have been launched and once we get them right then we expect the traffic to increase significantly over a period of time. Right now the traffic is going fast month-on-month is all I can say.

Sagar Rastogi Specifically on 99acres and Naukri I mean Naukri I understand it would probably be low about 15% on 99acres would it be at the higher end or closer to the low end?

- Hitesh Oberoi** So we don't have a good 99acres App facility down to us yet. We have a good mobile site which is what we focussed on to start with. I think it is closed to about 18% to 20% even 99acres at this point of time.
- Sagar Rastogi** And lastly sorry, I just missed the EBITDA loss in Jeevansathi, could you repeat that?
- Hitesh Oberoi** Rs. 80 lakhs.
- Moderator** Thank you. The next question is from the line of Shrinivas Seshadri from CIMB. Please go ahead.
- Shrinivas Seshadri** My other question is pertaining to the Naukri business. Could you share some trends may be how the growth has been in the IT sector I mean including the indirect recruiter based demand and the growth outside the IT sector for Naukri?
- Hitesh Oberoi** Well, the mix has not changed a lot. IT services are still directly contributes about 26.5% of our revenue and that we have been hovering between 25% to 27% for the last x number of years. Anecdotally, what I can tell you is that the IT sort of market is a lot of more stable than it was earlier and certainly a lot more stable in the other sectors we operate in.
- Shrinivas Seshadri** And I have been seeing that I mean though as you mentioned earlier that this time around the slowdown has not really knocked off the revenue to a negative YoY growth trajectory. Do you sense that this may be at last couple of quarters we have settled at around 8% this may be a kind of a at least a what you call baseline growth for the next couple of months at least or is there risk to this kind of a growth number also based on whatever you read of the environment?
- Hitesh Oberoi** Our revenue growth in Naukri depends on two major factors – one is of course how the US economy is doing because that determines how IT companies are doing. And of course too how the Indian economies

doing because most of the businesses in India their hiring is index to GDP growth. So if we assume that GDP growth rate is going to be improved from hereon then hopefully things will improve if not next quarter then with the lag of may be 1 or 2 quarters. But if the worst is not over as yet then the growth could slowdown from ther, who knows.

Shrinivas Seshadri And are there any other lead indicators you look at to kind of at least get some sense of what is happening on this front?

Hitesh Oberoi No, there is nothing else that we look at. We just basically go by what our sales guys are saying and more customers say to them and it is not as if the listings from this site have moved up phenomenally or suddenly there is a lot of usage of the site as such. Nothing of that sort is visible at the moment. But yes, what we see and what we hear is that there is some movement which has started. Some people seemed to be switching jobs, people we know, and people we are touch with. The IT sector seems to be holding and it is also possible that we are gaining share from competition so our growth rate may not just be a function of the market place but may also be a function of the fact that the competition is slowing down.

Shrinivas Seshadri And just may be finally a couple of questions on the start ups. Would it be possible to share may be half yearly financial trends on an aggregate of the start ups how they are doing versus first half of last year if that is possible.

Sanjeev Bikhchandani But it is visibility is a little poor because it is still only half year gone and many of these start-ups do not compute the result of the every quarter. Of course we have the internal management analysis but actually we have a clearer picture may be at the end of this quarter.

Shrinivas Seshadri And Sanjeev would it be kind of fair to assume based on your last quarter's commentary that the cash burn basically on an overall basis will be down substantially?

Sanjeev Bikhchandani It depends on the strategy of the startup. Zomato, for example, has now gone in to 8 overseas countries and they are planning to step on the gas they will add more countries so the Zomato burn is expected to be a lot higher and as I saying its an investment and not really something they should not be doing. So it is good for the business and so a lot will depend on the strategy and 6 months ago or 9 months ago we could not have said that this is not a strategy a year later. But the results have been very encouraging from the 8 overseas markets have got in to which is why they are pursuing this strategy.

Shrinivas Seshadri And Sanjeev, do you see for Zomato specifically any impact of on the Indian business because Justdial has been pretty aggressive in this market in terms of trying to get ratings aggregation as well as doing some bit of a value added services?

Sanjeev Bikhchandani Our sense is that ratings do not really matter as much as granular reviews. So the reviews are much, much more important than ratings. And I think Zomato is doing really well in ratings. The management of Zomato tells us that in their reckoning their traffic from India is several times that of Justdial from the restaurant segment but there is no way of sort of confirming this because until you get internal data from the companies you cannot really tell. But that is the estimate of the management of Zomato.

Shrinivas Seshadri And incrementally you do not perceive that as a major threat to the business model?

Sanjeev Bikhchandani So Zomato management does not seem to think so and I tend to confirm.

Moderator Thank you. The next question is from the line of Anand Rai from VC Circle. Please go ahead.

Anand Rai You have done well operationally but then your taxes have increased and because of that the profit has remained flat. Can you shed some light on the same?

Ambrish Raghuvanshi No the profits have remains flat not because of tax rates alone. They have remained flat because of the drop in other income and that is largely the treasury income and as Hitesh explained in his opening comments that, that is the result of two things. One is the component of FMPs which were maturing in this quarter dropped and secondly because of the volatility in interest rates in July when the RBI spiked interest rates and changed those things to try and contain the slide in the dollar and rupee rate and they came out with those new guidelines. As a result of that there was a huge spike in short term interest rates and as a result of that for about a month a lot of our Liquid Plus scheme in which a lot of our monies deployed did not earn any return for about a month. So that was the main factor for the drop. Coming to the tax rates one year-on-year there has been an increase of about 1.5% because of surcharge and the second is the lower component of FMPs because FMPs give us a slightly more tax friendly return and as you know FMPs are accounted for when they mature and not during the course of the FMP. So this year we have deployed some in the second quarter and those will mature next year sometime in second quarter assuming that a lot of them were 12 months or 13 months FMPs. So the tax rates went up from about 27.5% to a little over 31%. So that accounts for the increase in tax rates.

Anand Rai One more question Mr. Hitesh had said that you are planning to invest a follow on round in Zomato along with some other investor. So is there a range that you have set as of now?

Sanjeev Bikhchandani So we are still been negotiated we do not have a specific number. The company certainly was in the market and I think it is to raise a certain amount of money. We do not know how much we are

putting in and how much the other investor is putting in. So that mix is still to be frozen and decided it.

Anand Rai But is there a timeframe for the same?

Ambarish Raghuvanshi No, by the end of this calendar year is when they are hoping to close this. Sometime between now and December.

Moderator Thank you. The next question is from the line of Ankit Kedia from Centrum. Please go ahead.

Ankit Kedia My first question is on 99acres. Could you just explain where we have opened the new offices, is it in the existing markets or we are also looking at some new markets and what could be the employee addition in 99acres and the sales staff?

Hitesh Oberoi So I would not be able to give you the numbers for sales people because I think that information is confidential. We have opened offices in some small cities and we have also set up some offices in our existing cities.

Ankit Kedia So currently how many cities are we present in and what is the strategy for next 6 months or one year? Would we penetrate in Tier-2 cities more?

Hitesh Oberoi Well, Naukri is present in some 35 to 40 cities. So I think it is only natural for 99acres to expand to 35 to 40 cities over the next 1 or 2 years.

Ankit Kedia And currently we are in how many cities?

Hitesh Oberoi Currently I think we are in about 14 or 15 cities.

Ankit Kedia My second question is on the market share gain in Naukri. You have emphasized twice or thrice about that. So from which competition are

we gaining market share an currently is it still between 60 and 65, have we increased our market share further?

Hitesh Oberoi So 64% to 65% is our traffic share. When I sort of said market share I was referring to the revenue market share and this is pure speculation because we have been growing reasonably well in a slow growth environment and market intelligence to some extent has made us to believe that it is partly on account of good execution and it is partly on account of us gaining may be a little bit of a revenue shares from some of our competitors.

Ankit Kedia Also some of the products you mentioned which we launched like the recruiter profile and the other things how was that helping in terms of realizations? Are we being able to charge higher from the customers based on this or is it just a value add?

Sanjeev Bikhchandani No, recruiter profile is very new product and it will be a while before this product sort of helps us generate additional traffic or revenue. Many of the new products we have launched are more sort of in the nature of to help of build engagement on the site and to help improve our user experience. We are not directly monetizing them.

Ankit Kedia And last on the A&P spends which you have answered most of it but then with October end already there in next two months strategy would have already been placed. Can we expect the A&P spends to be subdued for the full year or we are in pipelines to have some advertisements on television for the next 3 to 4 months?

Sanjeev Bikhchandani No, I explained as earlier it is not as if we freeze our advertising for the strategy for the year in advance. Normally Q3 is the lean quarter but Q4 has always normally been a heavy quarter for advertising but like I said we cannot predict, it depends on many factors.

- Moderator** Thank you. The next question is from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.
- Miten Lathia** First of all collections would have declined by about 15% to 17% quarter-on-quarter is that the right customer?
- Sanjeev Bikhchandani** I do not think so. We can check but I do not think so. That is the case.
- Miten Lathia** That is what I sort of gathered from the deferred sales revenue numbers.
- Ambarish** Sequential quarters, yes. So as we have mentioned that a lot of the sale got shifted from Q4 to Q1 of this year because Q4 of the previous year to Q1 of this year. So Q1 was like a bumper quarter as far as collection is concerned and I think quarter 2 is pretty much in trend with quarter 2 in the previous year. So I think it has fallen back in to the trend line.
- Hitesh Oberoi** So it likely I said last time collection in Q1. Q1 collection grew by 33% which was anomaly and that was because of the service tax issue which we had in Q4 of last year.
- Miten Lathia** So this is a base line number and not the Q1 collections number, is that what you are saying?
- Sanjeev Bikhchandani** No, not the Q1 collection.
- Sudhir Bhargava** Miten, because of these cut off dates we will get this updation and if you will smoothen it out from 1st January till 30th September the Naukri collections were up 9% and this we had explained in Q1 also. So I do not think there is any sort of change really in the collections trend.

Miten Lathia And just at a very back of the envelope calculation, do you think bulk of the growth in Naukri collections would be currently coming out of market share gains or is there no traction in the market at all?

Sanjeev Bikhchandani No, as we mentioned I think that IT services sector is holding up reasonably well and it is probably growing a little bit and some is the market share gains from other players. It is very hard to say how much is what, here.

Miten Lathia Because there is an underlying market growth as well in spite of the rough and dull economy?

Ambarish Raghuvanshi That is right in some sectors. As you can see number of clients we service during the quarter and for the half year have grown. So there are volume gains happening.

Moderator Thank you. The next question is from the line of Pooja Swami from Span Capital. Please go ahead.

Sudhakar This is Sudhakar here. My question is again regarding your investing company. Just wanted to understand what is your thought process behind investing in so many companies because if I recollect correctly you have over Rs. 250 crores of investment in number of companies which is almost close to 30% of your net-worth. So just wanted to understand what exactly is your strategy on these companies and does Info Edge have significant control over the management of these companies?

Sanjeev Bikhchandani So our goal as an investor is to be a strategic as well as financial investor which basically means that as a company does well we want to invest more and more in subsequent rounds and if the promoter is comfortable we would like to go to a majority even. So thus far we have gone to a majority in two of our companies which is Meritnation and Zomato. The reason why you invest in many because

they are at early stage and therefore there is a higher risk and there are chances of some going not too well is fairly high. So invested in 9 companies of those we wrote off three. And which is why so it is a typical corporate venturing strategy except our goals are strategic not financial in the sense that we do not seek an exit. So far our companies are doing well.

Sudhakar And right now over Rs. 250 crores have been invested and what is the maximum amount you are willing to invest in these companies?

Sanjeev Bikhchandani No, we have invested a total of Rs. 285 crores across 9 companies. We wrote-off the investment in 3 companies which is why we are showing up is the number you have quoted. There is no maximum limit or target or we will be evaluating the situation as it comes and so long as we have enough money in the treasury there will be no limit but obviously we would be a little circumspect when Naukri is going slow and therefore the internal cash accrual growth is not that much, we will be then circumspect and we will prioritize well. But that is about. And I will clarify in the opening Hitesh said that we have not made any new investments in quarter 2 in our portfolio. Just for clarification, we have made no new investments in fresh offerings of stock by any new or current company. We did do a small secondary purchase of Rs. 2 crores in Canvera. This was part of the earlier round that we had agreed to do. It is just that this particular shareholder was overseas and it took a little time may be over a year to get the paperwork right to, get RBI clearance to buy those shares. So we have done Rs. 2 crores this quarter, as per an earlier commitment.

Sudhakar And Sanjeev, how did you assess these companies because I believe last quarter you took a hit of around Rs. 2.5 crores in one of the investing companies, so at what point do you think that, that particular investment need to be written-off?

Sanjeev Bikhchandani This is a bit of a judgment call where so long as you believe the company has a future where it can return or give you a positive return on your capital you sort of continue but when you feel that the company is not going to deliver, it is not able to raise further money you do not have the confidence of putting more money and if you cannot get from outside that is when on a conservative basis we write it off. Naturally you explore a few options of fundraising before you do that. So thus far we have written-off our investments in three companies, Studypalace, 99labels, and Nogle.

Sudhakar And Sanjeev, the portfolio of the company is what is the kind of return do you expect over next two to three years?

Sanjeev Bikhchandani But it is hard to predict because simply in an early stage companies it is very, very hard predict where it will end up at. So I do not know and certainly I do not think over two to three years we are looking at it will probably longer may be 5 to 7 years.

Moderator Thank you. The next question is from the line of Abhay Gaurav from Citigroup. Please go ahead.

Abhay Gaurav Sanjeev, just wanted to check on Zomato. You mentioned that there is one more investor who is likely to put money with you and you had also mentioned that if the company is doing well then you would like to get in to a majority situation which you are with Zomato. So the question is why not do the entire funding for the company, why get an additional investor when you believe the company is doing well and you are already at a majority level?

Sanjeev Bikhchandani So it depends on the size of the raise and the size of our balance sheet and if the raise is going to be large then we would like to get somebody along side us.

Abhay Gaurav But would you be okay getting diluted to below your current stake or you would try and maintain your current stake?

Sanjeev Bikhchandani We will be probably diluted below our current stake but let us see. This is still under negotiation. But we are likely to stay in majority.

Moderator Thank you. The next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri Just one follow-up question on Zomato. If I look at the last fundraise we had invested nearly Rs. 55 crores for our stake going up from say 48.5% to about 58%. So I just wanted to understand if there was any kind of a control premium involved in that stake purchase or this is a kind of a baseline valuation for the company I mean if I were to look at?

Sanjeev Bikhchandani Well last round yes, we had given a higher valuation that we were getting outside and that was because we transitioned in to majority.

Srinivas Seshadri So of the amount which was paid would it be fair to assume that a significant proportion was pertaining to some kind of a control premium you would have paid?

Sanjeev Bikhchandani Well, it depends how you define significant. But I would say a minor fraction of the total valuation on that we give them was towards that.

Srinivas Seshadri So you even in the last round when you had invested you perceived the valuation to be over Rs. 500 crores if I kind of work backwards?

Sanjeev Bikhchandani No, I think that number is inaccurate but we cannot reveal that evaluation but that number is inaccurate.

Srinivas Seshadri Then would you be able to point out how the valuation was done?

Sanjeev Bikhchandani It was less than that. It was significantly less than that. But we cannot give you that owing some of competitive reasons.

Moderator Thank you. As there are no further questions I would now like to hand the floor back to Mr. Hitesh Oberoi.

Hitesh Oberoi: Thank you everyone for being on the call. Have a great evening and Happy Diwali.

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