



“Info Edge (India) Limited Q2 FY15 Results  
Conference Call”

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**MR. CHINTAN THAKKAR – CFO**

**Moderator:** Ladies and Gentlemen, Good Day, and Welcome to the Info Edge Limited Q2 FY15 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 participants’ line will be in the listen-only mode. 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 Results Conference Call. We will first take you through the quarterly financial performance of the company as always, then we will cover each business in more detail, in the end we will be happy to take questions.

As you are aware we raised over Rs.750 crores by way of a QIP in September 2014, it was oversubscribed by investors, we are thankful to all our investors for their faith in us. This money as we had mentioned earlier is to create a war chest for investing in our verticals like 99Acres and our investee companies. The board also declared interim dividend of Rs.1 per share similar to that last year.

Moving on to the financial performance of the company in Q2:

Net sales in Q2 were Rs.147.5 crores versus Rs.123 crores in the same quarter last year, an increase of 20%. For Q2, operating EBITDA was at Rs.41.5 crores, a decrease of 5% year-over-year. Operating EBITDA margins was at 28% versus 35% in Q2 of last year mainly on account of higher spend on advertising and man power. Other income increased on account of maturity of FMP’s. The income on the QIP funds is not yet captured in the Q2 numbers, income on the same or at least a part of it is expected to be booked from Q3 onwards. PAT was at Rs.33 crores which was flat year-on-year and operating PAT was at Rs.24 crores down 8% year-on-year on account of lower EBITDA. An operating PAT margin was at 16% versus 21% in the same quarter of last year. Deferred sales revenue has decreased to Rs.147 crores vs Rs.150 crores as of September 30th versus June 30th, but is 21% up year-on-year. Cash and cash equivalents on the balance sheet increased to about Rs.1,273 crores as a result of the QIP.

Moving on to performance by business:

Please note that all business wise numbers are management estimates and are not audited. Recruitment top line grew by 19% year-on-year in Q2 to Rs.107 crores, EBITDA margins in recruitment were flat at 51% similar to that in Q2 of last year. In Naukri the EBITDA margin was at 55% similar to that in Q2 of last year.

On the operating side:

In Naukri in Q2 we added an average of 13,100 fresh CVs every day and the Naukri database grew to over 39 million CVs. The number of CV modification continued to average at about 135,000 per day. The Naukri Job Speak Index was at 1478 in August 2014 versus 1238 in September 2013. In Q2 we serviced 31,000 unique customers versus 27,000 in Q2 last year. In H1 we serviced 40,000 unique customers versus 35,500 in H1 over last year. Our new products like the Career Site Manager and the Referral Hiring product continued to do well. The mobile app also continues to get good traction in terms of both downloads and engagements and the traffic from the mobile platform continues to inch up.

Moving on to the real estate business:

99Acres top line grew by 32% year-on-year in Q2 to about Rs.24.5 crores. In Q2 99Acres made an EBITDA loss of about Rs.10 crores, this loss is mostly in account of continued investments in man power, product, technology and advertising all of which is expensed out every quarter. Going forward this loss may increase depending on the kind of investments we incur in this business.

Paid listing in Q2 were at approximately Rs.6 lakhs similar to Q2 of last year. Traffic from mobile for 99Acres is around 29% of total traffic. As I had pointed earlier we raised funds through the QIP route to invest primarily in 99Acres to strengthen and consolidate our leadership position, we continue to invest aggressively in our product, platform, technology, brand, expansion of sales team, data quality, analytics to further strengthen our position in this market.

Jeevansathi's net sales grew by 2.5% in Q2 and reached Rs.9.45 crores, there was an EBITDA loss of around Rs.2.3 crores in Jeevansathi. In Shiksha, net sales grew by about 14%.

Our investee companies continue to witness good growth. We did not make any new investments in Q2, our investee companies continue to evaluate raising of more funds from time to time and we continue to carefully evaluate investment opportunities in our current portfolio companies and in new companies in the Indian internet market.

To summarize:

The job market is showing signs of picking up, we are seeing good growth coming in from IT companies and from some sectors like Insurance. We are gaining shares from other forms of recruiting and from competition as we speak. Our competitive position in Naukri continues to be strong. As growth picks up, we hope to benefit even more. Our investment especially in new product development will continue to help maintain and strengthen our leadership position. As I mentioned, in 99Acres we have multiple initiatives going on in areas like verified listings, map search, better UX and design, improved product and platform, mobile and separate platform for new homes in addition to of course our investments in continued investments in branding, we expect more and more sort of features and functionalities we launched going forward. 99Acres continues to grow in an uncertain market and we will continue to invest in this business and we

will continue to invest in Jeevansathi and Shiksha as well. We are now ready for any questions that you may have. Thank you very much for being on the call.

**Moderator:** Thank you sir. Ladies and Gentlemen, we will now begin with the question-and-answer session. We will take the first question from the line of Srivathsan Ramachandran from Spark Capital. Please go ahead.

**Srivathsan Ramachandran:** Hitesh just wanted to get your comments on Naukri, are we seeing new set of sectors or companies which have before not generally taken up Naukri logins for either database or for ads kind of taking up. Just wanted to understand how it is beyond the traditional sector, historically we have seen IT or large sectors like Banking adopting it but are we seeing some of the more smaller measure sectors taking up the Naukri related recruitment sources?

**Hitesh Oberoi:** So like I mentioned the number of customers who use Naukri have grown by around 4,500 over last year in the first half of this year, we continue to add new customers across sectors and across geographies. But of course the big hirers in India continues to be the IT companies and the large companies in Banking and Insurance and some of the other Infrastructure sectors. But we are doing business with a lot of companies in the ecommerce space, we are doing business with a lot of companies in the mobile space as well.

**Srivathsan Ramachandran:** Sure. And on 99Acres just wanted to understand...

**Sanjeev Bikhchandani:** Just to add, Sanjeev here. To answer your specific question, specifically we have not noticed any significant change in sectoral competition of our clients.

**Srivathsan Ramachandran:** Okay, thank Sanjeev. So just a follow-up on the 99Acres, wanted to understand how your revenue breakup would be, most of your reach for even revenue, even from a reach point most of it would be a good mix of Tier-1 and Tier-2 cities, just wanted to understand in terms of reach how your positioning would be across Tier-1, Tier-2, Tier-3 cities?

**Hitesh Oberoi:** See we operate around 20 cities but most of our revenue comes in from the top eight cities.

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

**Gaurav Malhotra:** Just have few questions, firstly on 99Acres given the fact that there is so much of investment going into the business, why has the top line growth started to slow assuming that we are still early days for 99Acres and the growth has already come down to almost 30%, some color on that. Then I will follow-up with other questions.

**Hitesh Oberoi:** One, of course growth has slowed down a bit because in some of the markets we are operating we do not see a lot of real estate activity. So for example Delhi which is about a third of our business has slowed down considerably this year because of a lack of new launches and the real-estate market slowing down in general. As far as the investment in 99Acres goes, what we are

investing in is unlikely to reap any sort of benefits in the short-term in terms of revenue, we are investing in areas which are sort of going to help us improve our user experience over the medium term. Many of these investments are actually to create a market or to sort of do things which we were not doing to improve user experience, they are unlikely to result in any impact, they are unlikely to impact revenue in the short-term. For example there is a verification of listings, we are providing a few free services to our brokers and to owners who come to our site to get their listings verified, it is a big cost for us, we are incurring it to improve the user experience, hopefully in the medium term it will help us gain traffic share but in the short-term it is unlikely to have any impact on revenue.

- Gaurav Malhotra:** Okay. Secondly on deferred revenue, even it has fallen, is it seasonality or anything more?
- Hitesh Oberoi:** Yes, I think what you should look at as far as deferred revenue and Naukri revenue and all these things you should look at them year-on-year more than quarter-on-quarter. So typically Q4 and Q1 are normally very healthy and very good for us because of the nature of the business. So I think the number to watch is the growth year-on-year and not quarter-on-quarter as far as deferred revenue is concerned.
- Gaurav Malhotra:** Okay. And in terms of advertisement and employee cost, we have seen that your headcount has been going in the last two three quarters, the promotion spend is also this quarter is shot up, so will this remain at these levels or like in the past we'd see some quarters where there will be a dip and then it will go up or for 99Acres you will remain at high levels for some time to come?
- Hitesh Oberoi:** Yes, so most of the increase in spending both in the man power side and on the advertising side is on account of 99Acres. It is very likely that we will sort of up the spend for 99Acres as far as branding is concerned going forward as well. This may not be a one off, it may be a continuous sort of thing. However, this is a function of competitive activity, if competition spends a lot more we will be forced to spend. In general we will spend on branding and some of the other things I mentioned.
- Gaurav Malhotra:** Essentially you mentioned that the cost for promotion and employee for 99Acres will remain at high rate also.
- Hitesh Oberoi:** Yes, depending on competitive activities. But in general the trend is going to be up.
- Gaurav Malhotra:** Okay. Just last housekeeping question from my side, if you could just give us how many apps have been downloaded for 99Acres, for Naukri and percentage of traffic on mobile coming for Naukri.
- Hitesh Oberoi:** So in 99Acres about 29% of our traffic is on the phone and on Naukri the number is around 33% 34%. We do not give out the number of app downloads.
- Moderator:** Thank you. Our next question is from the line of Arya Sen from Jeffries. Please go ahead.

- Arya Sen:** Good evening sir. Firstly if you could give what proportion of your revenue for 99Acres comes from, you talked about 33% from Delhi NCR, what proportion would come from Bombay and Bangalore?
- Hitesh Oberoi:** Like I said a lot of our revenue comes from the top eight cities, Delhi is about a third, maybe plus minus few percent. The top five or six cities would be more than 50% - 60% of our revenue.
- Arya Sen:** Okay. And if I look at your number of employees, it has gone up to around 3,700 I mean any broad sense of how many are dedicated to Naukri and 99Acres, your largest businesses?
- Hitesh Oberoi:** Yes, so at least more than 70% of the headcount increase in our business over last year, is on account of 99Acres.
- Arya Sen:** 70% of the increase is on account of 99Acres?
- Hitesh Oberoi:** Yes.
- Arya Sen:** What would be the base of employees who are more or less working on 99Acres?
- Hitesh Oberoi:** We don't give out that number.
- Arya Sen:** Okay. And thirdly, I mean if I look at the number of paid transactions in 99Acres for the quarter, so September quarter both this year and last year seems to have been seasonally stronger. What is the reason for that?
- Hitesh Oberoi:** In general it is a growing business, so it continues to grow quarter-on-quarter. And also I mean there is no real reason but it is possible that because of the festival season in October November we get some additional sort of transaction happening in September, but in general I think it is only because we sort of keep going from quarter from quarter to quarter. So I am sure in six months from now we will do sort of more transactions than we did in September.
- Arya Sen:** Okay. And lastly I mean if I look at your revenues from other which is outside of 99Acres and Jeevansathi that seemed to have been quite high last quarter and this quarter it seems to have fallen, I mean it was about Rs.9 crores last quarter and Rs.6 crores this quarter, I mean was there any one off item in the last quarter in the combination of Siksha and all check deals and bridge and all that?
- Hitesh Oberoi:** So other is mostly Siksha and... we will get back to you on that one.
- Arya Sen:** Sir one last question. What is happening on Zomato, what sort of traction are you seeing and particularly outside of India what sort of traction are you seeing, any color on that?
- Sanjeev Bikhchandani:** I think Zomato is now in 16 or 17 countries, it is dominant on traffic share and it is making money in India and the UAE. It is the market leader in several markets like South Africa, New

Zealand, Poland, The Czech Republic, Slovakia, Philippines, Indonesia, Sri Lanka and there are other markets where it is too early to say or it is in one or two markets where it is facing up climb like UK. So I think overall the results have been very-very good on Zomato so far and we are confident on its success going forward.

- Arya Sen:** And are you looking at acquisition as a major tool for driving growth in Zomato or...?
- Sanjeev Bikhchandani:** This year it atleast, the acquisitions have been made in New Zealand, in Poland, in the Czech Republic and Slovakia, none of them will give significant revenue, they might going forward next year. But I think acquisition is part of that strategy, should one come about at the right price, and there will probably be a standalone one or two cities kind of website. But it is not that they only do acquisitions, there is substantial organic market entry and growth happening.
- Moderator** Thank you. The next question is from the line of Prince Poddar from UBS. Please go ahead.
- Prince Poddar:** Firstly sir you mentioned that deferred sales number at Rs.147 crores, is that correct?
- Hitesh Oberoi:** Deferred sales Rs.147 crores versus Rs.155 crores last quarter.
- Prince Poddar:** Okay. And secondly sir The Naukri Job Speak Index has been quite lower in August which is not actually depicting what is happening in the market which is actually improving, what has led to this drop in index?
- Hitesh Oberoi:** There is no drop, see it is up 18%, around 18% 20% year-on-year.
- Prince Poddar:** Yes, but on a Q-on-Q basis it has dropped a lot or month-on-month basis.
- Hitesh Oberoi:** So there are some fluctuations on month-to-month depending on holidays and depending on sort of various other things. I think what you should look at is the general trend from quarter-to-quarter that is I think more important and more indicative of what is happening in the market place.
- Sanjeev Bikhchandani:** Actually one of the thing, we think there was a pretty good decent bounce back in Q1 of this financial year Y-o-Y in the economy. The economy after bouncing back there has not improved with the same rate in quarter two in our sense.
- Prince Poddar:** Okay sir. And the third one sir, in the 99Acres the number of paid transactions has been 21,000. So where do you see this number in two to three years' time and what kind of average revenue per paid listing trend do you see going ahead?
- Hitesh Oberoi:** See there is a huge untapped market in 99Acres, we are just beginning to sort of get into this market. Maybe there are a couple of 100,000 brokers out there, a lot of them of course don't have access to the internet, a lot of them don't have PCs, a lot of them are hard to reach. So a lot will depend on how fast some of these brokers move on to the internet and whether they buy

access to our portal or not and how well we are able to service them and sell to them. So it is very hard for me to predict what this number could be three years from now, it also depends on the state of the market. We have seen in the past that when the market is good there are many more people who become brokers and there are many new businesses set up and which start in a market which is bad broker shuts shop often. So a lot will depend on the market, a lot will depend on how fast brokers move to the internet and a lot will depend on how well we sell to them. It is very hard to predict what is going to happen three years from now.

**Prince Poddar:** That is true. Just one indicative percentage, among this 21 paid transactions how much have come from brokers and how much from others or is it almost all brokers that kind of indicative?

**Hitesh Oberoi:** No, see we do not give out numbers by segment but a lot of this would be developers and builders as well.

**Prince Poddar:** Okay. So basically it is mostly developers, builders, and brokers?

**Hitesh Oberoi:** And the owners also how sort of pay us.

**Prince Poddar:** Yes, that is my main question sir. Are owners also paying you, the owners of flat?

**Hitesh Oberoi:** See, most of the stuff for owners is free but some of them can upgrade to a premium listing by paying a small fee so there we are asking to some owners to pay us as well.

**Prince Poddar:** Sir, there has been a lot of media articles about Zomato fund raise and things like that. So is there any base in that I mean is any such thing happening because the kind of valuations these articles are talking about is humongous, I mean it is huge. So is there anything happening on that side?

**Sanjeev Bikhchandani:** Well, Zomato is a company which has a lot of investor interest in it and therefore investors cautiously talk to them. I think there was an article that appeared in the Economic Times which says Zomato is raising money at post money evaluation of \$1 billion, we immediately denied that and told Zomato that article is speculative. Zomato is doing very-very well, investors keep talking to them. We do not believe that they will get \$1 billion round valuation in the next two to three months. And we have no announcements to make in this regard right now

**Prince Poddar:** And also that news about InfoEdge might be offloading its stake that is also...

**Sanjeev Bikhchandani:** We denied that, if you look at the three businesses that really move a needle for us in all our internal businesses and the investee companies, they are Naukri, 99Acres and Zomato and we would not let go of that.

**Prince Poddar:** Perfect. And the last question from my side, sir these acquisitions Zomato has made recently the four acquisitions...

- Sanjeev Bikhchandani:** There have been three acquisitions, one of the acquisitions is in two countries, in Czech and Slovak Republic Slovakia and then there is an acquisition in Poland and there is an acquisition in New Zealand.
- Prince Poddar:** Right. So these acquisitions are these already market leaders in the sense how are the positions in their individual...
- Sanjeev Bikhchandani:** They are dominant traffic leaders in their markets, not big enough revenues, they are small companies which are not well-capitalized and we were able to get these companies at a price which was correct.
- Prince Poddar:** So traffic share is they are almost leaders in their market?
- Sanjeev Bikhchandani:** Yes, they are dominant leader, not almost leaders but dominant leaders.
- Moderator:** Thank you. Our next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.
- Srinivas Seshadri:** The first is a couple of questions on Naukri. Firstly, given that the growth rate has stepped to around 19% and Sanjeev earlier commented that the domestic economy after a spurt of growth has kind of looks like it is stabilized, so do you think...
- Sanjeev Bikhchandani:** It may have stabilized for a quarter, it may pick up again, let's see what the government does on reforms, there are many-many moving parts.
- Srinivas Seshadri:** Sure. So as you see it now do you think there is comfort on more acceleration beyond 20% at this stage or do you think I mean based on, so IT has already done pretty well so you need the other parts of the business to start firing up now to deliver better growth. So is that feasibility there in Naukri to move beyond 20% growth or do you think maybe at least in the near term growth could be around these levels as you see it now?
- Hitesh Oberoi:** That is hard to say because a lot would depend on what happens to the economy. So if the non-IT sectors especially sectors like infrastructure start doing well then of course growth could pick up, on the other hand if something happens to the IT sector and IT slows down then we could struggle to hit 20% as well. So right now it does appear that we will be in this ball park range of about 15% to 20% if things continue to be the way they are.
- Sanjeev Bikhchandani:** But with oil prices falling, with the prospect of therefore inflation falling and possibly interest rates easing out in India over next couple of quarter's maybe you will see a boost to the economy especially the government announces some policy reforms.
- Srinivas Seshadri:** Okay. And the second part of the Naukri business where I had a question on was if you see the OPEX for the Naukri business it is up by nearly 19% in line with the revenue growth and margins are stable. Historically at least in the last four or five quarters the spending rate has been much lower than this so wanted to understand the areas where you are now investing in the Naukri

business, are there areas where you are recruiting some significant number of people or spending on some technology projects or brand or something, if you can give some color on what has driven this OPEX growth and what is the likelihood of that growing at this pace going ahead?

**Hitesh Oberoi:**

We are not adding too many people, we have added a few people of course in the last few months but it is not as if we have really grown the workforce in Naukri but yes we are investing substantially behind our product and our platform and the mobile piece I just spoke about, the new products that we are developing. So all this requires a lot of investment initially, we also made a couple of acquisition so I am sure we are amortizing that piece as well, but hopefully some of these will start yielding results as the market recovers and we sort of start selling these products to our customers. The career site manager I mentioned is already doing very well, we have more than 700-800 customers of that product, again this was an acquisition and then we got the team in-house, then we developed the product, moved it to our platform, improved it to go to market. So there was a lot of product development cost and like I said we expense everything in the quarter in which we incur the cost, we do not sort of defer it. So some of this is that, some of it is of course we are experimenting with some new things which are still in the pipeline which have not hit the market as yet and hopefully once we hit the market it will sort of help our business. So it is not as if we are adding a lot of people in sales and operations and some of those roles, we have added a few but most of this investment is on the product and technology front.

**Sanjeev Bikhchandani:**

Yes, I will add one more thing. You see our increments take place in April and therefore there is a step function in cost there and your revenues were at 20% and typically you are growing over the quarters and therefore quarter four ends up being a big quarter. So you grow 20% in quarter four that is actually a huge increase and your salary base is stable at that stage. And therefore if you look at overall margin for the year around 20% growth for the year with increments taking place in April you probably add margin in the second half of the year and not in the first half of the year. And that will average out some margin increase, so long as cost stay at this level.

**Srinivas Seshadri:**

Okay. But just to clarify on that you are saying that the cost increase also will be kind of whatever you have seen apart from what do you call the normal salary increment, that cost increase could kind of slowdown a little bit from here on based on what --?

**Sanjeev Bikhchandani:**

No, increments are once a year right, they are in April.

**Srinivas Seshadri:**

No, I meant the non-increment part.

**Sanjeev Bikhchandani:**

If you add a few 100 people in Naukri in the middle of the year salaries won't go up.

**Srinivas Seshadri:**

Okay. So it is fair to assume that now in terms of the cost base it will not rise much from hereon on absolute basis?

**Sanjeev Bikhchandani:** unless we advertising more, it will not rise much for maybe a quarter or so but we evaluate our business prospect from quarter-to-quarter and if we see an opportunity and we want to invest in the few new things, if we want to build our brand or sort of put some money into advertising we will do that. So I can't say for sure that this is what the cost is going to be for the rest of the year as well, but yes we are not looking to add too many people right now in the Naukri business.

**Srinivas Seshadri:** Sure. And Hitesh, this second or maybe Chintan can take it, the second question was on the staff cost so if you look at the period and headcount it is up by close to 35% year-on-year but the staff cost if up by only about 27% which implies that there is a deflationary impact in terms of the new employee. So is it because of the profile of people you are hiring maybe on the verified listing or something where the pay scales are much lower than the company average and is that a trend to look to going forward in terms of overall average employee cost mix?

**Hitesh Oberoi:** I cannot say for sure whether this is going to be the trend but you are right, we have added about a 1,000 people in the last one year and yes, a lot of the hiring has been in roles like verification which are low-end but a lot of this hiring has also been in very high-end roles like technology and product and analytics and so on. So I think what you are seeing is a result of the mix, whether this is going to be the trend going forward is hard for me to say.

**Srinivas Seshadri:** Okay, fair enough. And Hitesh if I may just ask one more question on 99Acres, so there are couple of trends which are visible in our operating metrics so if I look at the proportion of paid listings versus total listings it was about 82% last year, it has dipped about 73% and again in terms of probably the overall revenue also it has gone down a bit in terms of the growth rate. So is there any kind of phenomenon you are saying because of many of these sides scaling up in terms of traffic they are giving freebees in terms of listings, etc., that you had to kind of I mean also even if not dilute then maybe people are less inclined to pay you for the same service as a year before. Are you seeing some kind of a quasi pricing pressure or say a reluctance to pay on part of the customer for the same service as what it was a year ago?

**Hitesh Oberoi:** So like I said it is different in different markets so in markets like Delhi we have sort of seen low growth last quarter, I suspect the reason for this is that the market for real estate in Delhi NCR is very-very sort of weak right now as we speak, there are hardly any transactions taking place in Noida and Gurgaon, there have been no new launches, even property prices have come up a little bit. This is not the trend everywhere but in some markets we see that we have a problem, Chennai for example has been slow as well and so has been Hyderabad because of Telangana, etc., has been slow for while. So in some of the markets we operate in general real estate activity is actually at an all time low. Having said so we continue to work hard to gain share from other media firms.

The other thing which is happening is as we sort of grow our business and like I said we are investing behind customer experience, we are investing behind acquiring quality listings, and we are investing behind many other things, we sort of are trying very hard to get owners to list more and more on our site and owner listing are by and large free, we don't charge for owner listings. And yes, there is some pressure on the owner side because of competition because every

site is free for owners and therefore we were sort of getting some owners who were paying us, it is possible that the number of owners who were paying us has come down because they can now list for free everywhere. But owners are very small part of our revenue we do not really sort of depend too much on owners for revenue. So what we are probably seeing is one, of course the result of the market being slow in certain geographies to sort of our focus is more on owners to get higher quality listings and owner listings are mostly free and thirdly yes, maybe in some markets there is more competition and more competitive activity as well which sort of results in people delaying their purchase decision based on sort of because they want to try out one or two new places, that could happening as well. But it is not as if we have picked up this a lot of this from our sales team till now.

- Moderator:** Thank you. Our next question is from the line of Pinku Pappan from Nomura. Please go ahead.
- Pinku Pappan:** In 99Acres we have seen your traffic data up to the month of July where you had 30% share, have you seen any improvement in this traffic in the recent months, I am saying up to maybe September?
- Hitesh Oberoi:** So I guess you are referring to ComScore, are you referring to ComScore traffic share?
- Pinku Pappan:** Right, exactly.
- Hitesh Oberoi:** So traffic share as measured by ComScore, right. So we saw dip in our traffic share as measured by ComScore in last quarter because of massive sort of competitive activities especially from MagicBricks. But what we have seen in the past is that this is not normally not a permanent shift so as and when we sort of start spending more we get back our share but we did not really respond last quarter aggressively to their advertising burst on television, we of course will be like I said in the call earlier we may be forced to respond aggressively to competition, we see a lot of competitive activity and this means sort of more spending on advertising and more losses in the short-term. So our traffic share for the year as a whole till day, we must have been sort of averaged around 35%-36% in sort of months in which we are aggressive we probably go to 37%-38%, in months in which competition is there so we go around 31% to 32%. I think what is important is to see the traffic share for the year as a whole because traffic share on a month-to-month basis can vary a lot depending on competitive activity.
- Pinku Pappan:** Got that. And secondly of the Rs.750 crores that you raised in the QIP, are you earmarking some portion of that towards investing in Zomato?
- Sanjeev Bikhchandani:** No. We have clarified during the road shows that the QIP money will be earmarked for 99Acres and kept aside as a war chest. If at the end of two or three years we find that some of it is not being used we may then look at it for other uses. We have enough money in the company to fund our current portfolio companies as well as new portfolio companies required. So if there is any investment in our portfolio company it will come from us, it will not come from the QIP money.

- Pinku Pappan:** Alright. And lastly can you elaborate on Zomato's plans to set up operations in some of the mature markets like Western Europe or US for that matter?
- Sanjeev Bikhchandani:** So Zomato is not making any announcements on this at the moment but they have speculative reports in the media that they are looking to go to the US in the next few months, those are incorrect. They may look at other markets but not the US.
- Pinku Pappan:** Do you have any timeline for the US entry?
- Sanjeev Bikhchandani:** No.
- Pinku Pappan:** Okay. But it will be a market that will be considered right some time in future?
- Sanjeev Bikhchandani:** Well look, the way the restaurant discovery listing restraint market is, the way the global market is, is that the US is 50% and the rest of the world is 50%. So it is too big a market to ignore over a five to 10 year period but that is like very speculative in the long run, let's see how they do with the current markets, and got into the new markets that they want to get into.
- Moderator:** Thank you. We have the next follow-up question from the line of Gaurav Malhotra from Citigroup. Please go ahead.
- Gaurav Malhotra:** Sanjeev just one question from my side, given how much money is being injected in the Internet sector and valuations are doubling, tripling every few months and you have also mentioned that Zomato is one of your key areas of focus. Now in the last round of investments you did give up some stake but remained at 50.1%, so the question is how much are you willing to go to retain this stake?
- Sanjeev Bikhchandani:** We will evaluate that on a case by case basis and we will see how the company is doing and what the risk levels are and how it is trending. But yes, as far as we are concerned we would like to remain above 50% but I cannot be more specific than that until a specific situation presents itself.
- Gaurav Malhotra:** The other question is since now that valuations across the board have gone up so one should assume that the number of new investments in investee companies would progressively sort of reduced significantly or you are still evaluating opportunities as they are coming?
- Sanjeev Bikhchandani:** We continue to evaluate opportunities but over the last couple of years we have not done a new company actually. And that is because our bar has gone higher than before and we also understand this, having done nine investments over the last five-seven years, having seen may be 400 business planned for us we have perhaps learnt also ourselves and our judgment is actually better, so we are perhaps a little more selective now than we were earlier but we might do more companies but we have got six in our portfolio right now, 6 will not become 12 in a hurry but 6 would become 7 or eight or 9. But like I said it will be really compelling and good for us to invest.

- Moderator:** Thank you. Our next question is from the line of Miten Lathia from HDFC. Please go ahead.
- Miten Lathia:** On the advertising cost last quarter saw an increase and we still lost share on 99Acres, so given the dynamics in the markets if you were to go back to our traffic share of 37%-38% what would be sort of normal sustainable advertising cost that you would have to incur?
- Hitesh Oberoi:** See, it depends on competitive activity, we lost share last quarter because competition outspent us maybe 6:1 on television. Now if they start doing this every quarter we will be forced to respond and that maybe will of course a crazy amount spend on 99Acres, so it is very hard to say what is going to happen. If they don't sort of spend the same amount of money next quarter and we spend sort of little more than what we have been spending we may gain that some of the shares. So right now it is a crazy market and it is very hard to predict what competition is going to do but we will be forced to respond if people are sort of over regressive in the market.
- Miten Lathia:** Would it be safe to assume that the levels that we have reached are probably now a good base and it can only go higher from here?
- Hitesh Oberoi:** Can't be sure, depends on what happens. We are of course doing our best and investing in 10 different areas to improve our position in the market place but so is competition and there are lots of competitors out there, we do not know what they are planning, what they are thinking. So of course if things continue to be like they are we could improve our share but if competition feels like this is a \$5 billion market and it is okay to spend \$500 million to sort of in the end to create a \$5 billion company and they go wild, we have seen what is happening in e-commerce, we have seen what is happening in general classifieds so if it gets into that kind of a situation then there will be a war out there for the next two three years.
- Sanjeev Bikhchandani:** I would just like to add one thing, we have just uploaded on our corporate site [www.infoedge.in](http://www.infoedge.in) and also on the stock exchange sites. A letter we have written today to the shareholders which details out the things we are doing in 99Acres in terms of how we are planning to improve product, improve data, invest in brand and all of those things, in some detail. The link is on our home page on the right hand side, October 16<sup>th</sup>, 2014, Shareholder letter, if you just take two minutes to read that you will get a very good idea of our plans on 99Acres in the next six to nine months.
- Miten Lathia:** Sure. Just an add-on on that question, is there a number we can put to the penetration of brokers that we would have achieved on these top eight cities by now?
- Hitesh Oberoi:** No, like I said there are so many brokers out there we do not even know what the real number is. We probably deal with maybe 20,000 brokers in total, maybe there are 40,000 brokers in Delhi NCR alone, who knows. There are brokers we have identified we do not work with, there are brokers who we have not identified who exist in the market, there are new brokers setting up shop every day, there are brokers who shut down. So my sense is that the number of brokers out there is at least 100,000 if not 200,000 but whether all of these will move to the internet, whether they will have access to the internet, they may have access to internet today or not is hard to say.

But yes, over a five, seven year period if you sort of look at this, the truth is India will have the property market will explode, there are so many people who do not have homes, there are new developments coming up everywhere, there are brokers setting up shop everywhere, and there are more cities into which we will penetrate. So the market potential is large but it may take a few years to get there.

**Miten Lathia:** I think a previous participant had asked this question about the Shiksha revenue showing a very sharp dip quarter-on-quarter, I don't know if you sort of figured it out.

**Hitesh Oberoi:** Yes, so we had a few issues on the Shiksha sort of side but I think we are slowly fixing those. But like as I have said on previous calls as well, the Shiksha product needs to improve a lot and we are working very hard on this. But hopefully we have got something right, we are working on few more and business should improve from here on. The good thing is that Shiksha is not losing a lot of money so it is not a space where we have invested hundreds of millions of dollars, so we still have some time to fix things. And we are getting there, we had a couple of tough quarters in Shiksha which sort of impacted collections the impact of which is now being seen in revenue but things are improving and hopefully in a couple of quarters the growth rate should look up.

**Moderator:** Thank you. Our next question is from the line of Ketan Shah from Comgest. Please go ahead.

**Ketan Shah:** Sir in your shareholder's letter you talked about UX Design which helps in customer experience and it said that it will come up in next two to three months or few months more, so is this map based interface will be a part of this?

**Hitesh Oberoi:** Yes, so in the letter we have also mentioned that the map search version one is almost ready and we will sort of make it live soon but it is a test that we are going to conduct because we are not 100% convinced that the map search is the way most consumers want to experience and search the site. So we will make it right, we will make sort of give consumers a choice, see what they prefer and then take it forward from there. So version one like I said is already sort of almost ready and we will make it live in the next couple of weeks and version two is something we have started working on, if we get good traction on version one then we will sort of work harder on version two and make that live after that. The UX revamp is a general sort of thing, we are working on revamping our homepage, we are working on changing our regular sort of search, working on improving our search result pages and our property retail pages, so that is something which is sort of under development and over the next few months you will see some of these changes going live on our site.

**Moderator:** Thank you. We will take the next question from the line of Ankit Kedia from Centrum broking. Please go ahead.

**Ankit Kedia:** One question on the A&P spends, in the recent budget there was a service tax on A&P, did that impact to a certain extent on our A&P spends given that a certain chunk would be on Google ads and other?

- Hitesh Oberoi:** That is from the 1<sup>st</sup> of October I think.
- Ankit Kedia:** Okay. So probably from quarter three onwards our A&P spends could be much higher than the regular because of the service tax? And what percentage of our ad spends would be internet related ad spends?
- Hitesh Oberoi :** So we also get a set off on the service tax we pay to our suppliers because we also collect service tax on the services we sell. So there will be no real impact on the expense side because of this increase in service tax on online advertising.
- Ankit Kedia:** Sir what percentage of our A&P spends would be online?
- Hitesh Oberoi:** We do not give out that information, it varies from quarter-to-quarter, and it varies by business. In some businesses it is close to 90%, in some businesses it is close to 20% and it changes from quarter-to-quarter.
- Moderator:** Thank you. The next question is from the line of Nandish Dalal from IIFL. Please go ahead.
- Nandish Dalal:** My first question is actually about 99Acres. Last quarter you had highlighted that competition is increasing and you expect more funds to come in the online real estate market, so have you witnessed any fund in-source in the online real estate market especially for smaller players like housing and commonfloor.com? The second question is regarding Jeevansathi, could you highlight the progress over there because the growth has significantly deteriorated during the quarter? And my last question is, actually in the last call you had highlighted that Mydala is looking for fund expansion, so could you just update about is there anything going on in Mydala and do you expect it to close?
- Sanjeev Bikhchandani:** To answer your first question, there has been a fund raise which CommonFloor has raised over 30 million this quarter, I believe housing is looking for funds, MagicBricks has been investing in this space aggressively, we have raised Rs.750 crores by way of QIP to invest primarily in 99Acres. So there is a lot of activity and a lot of investor interest in the real estate space for sure. To answer your question, Jeevansathi, even we are trying to figure out how to sort of get Jeevansathi to grow faster than what it is going at right now, we are experimenting with a few things. But it is a tough market, we are a number three player and we are experimenting, our mobile app is getting good traction, our mobile traffic is almost half our total traffic now and we are figuring out how to sort of monetize better, but progress is slow, we are still at it, yes.
- Sanjeev Bikhchandani:** As far as Mydala is concerned, no, we have no announcements to make at this stage, they continue to be in conversation with investors.
- Moderator:** Thank you. The next question is from the line of Nilesh Surana from Mirae Asset. Please go ahead.

- Nilesh Surana:** This is further to clarification on earlier question on Zomato fund raising, I mean should there be a fund raising and your intent to maintain about 50% stake. That would mean that you would participate in the fund raising, will that be the correct interpretation?
- Hitesh Oberoi:** That is if we do maintain overall majority, naturally we will participate to the extent of that we need to maintain majority in next round. If on the other hand we decide we don't mind to be in the minority, we may still have to participate to some extent because typically the practice is at least some new investors will require early investor to participate.
- Nilesh Surana:** And what is the quantum of the money they need?
- Sanjeev Bikhchandani:** I mean frankly they have got enough fund to last for a while so they can go without a raise also. So for the fact that they can do a raise is not known, the fact that how much raise will be is not known, who will come is not known, valuation is not known but all we know is that we denied was that we want to sell and go to minority that is not true and they are being in discussion to raise at a billion dollar post money valuation that is also not true.
- Nilesh Surana:** So given the current cash situation and the immediate business plan for next say two, three years, is it sufficient or they need fund earlier?
- Sanjeev Bikhchandani:** It depends on how fast they want to grow, so if they want to go into 10 or 12 new markets or new countries over the next few months, the burn will go up and then they don't have money to do this for years. If they decide that we will make do in this money then obviously it is on the growth and expansion. Now given the sort of ambitions of Zomato and the size of the opportunity and the fact that there is wide empty space out there and they seem to have a play book that results in traffic leadership in 9 to 12 months on depending how they go into markets and possibly monetization in 15 to 20 months. It makes sense to expand faster rather than slower, so their only constraint it seems to be having today is management bandwidth, given the talent that they have, the leadership they have, how many markets can they go into how fast and execute well. And I guess to some extent they are playing it by ear but given the right opportunity they might raise.
- Nilesh Surana:** Okay. And I mean if the valuation is very high maybe few months down the line or few years down the line, would you stick at 50% stake thing or you can in fact probably monetize also?
- Hitesh Oberoi:** We will take that call as we go along, but like I said there are three businesses that move the needle for us right now and that is Naukri, 99Acres, and Zomato. So naturally we will reluctant to let go off any of that.
- Nilesh Surana:** Okay. And my second question is on 99Acres, let's say the current run rate of top-line is 24-25 crores per quarter, could you give any sense how much it is coming from related to new home sales, I mean whether it is from builder or broker listing associated with new home sales and how much is from the... any data point you can throw on that?

- Hitesh Oberoi:** Well, our sense is that at least half the market if not more is new homes, it is different in different cities so in the South the market is primarily for new homes, in the North and West we get a lot of resale and rental revenue as well.
- Nilesh Surana:** And trend wise over years you see that coming down and the secondary home sales or whatever will pick up or it would remain like this?
- Hitesh Oberoi:** So far we have not seen a decline, we have not seen the trend change a lot in the last few years so my sense is that the new home market will continue to be an important part of the business maybe 50% or maybe 60% or 70% is hard to say. But we are committed to sort of developing our product and generating business in all segments.
- Sanjeev Bikhchandani:** And I will just add a clarification, see, you got to distinguish between number of listings and revenue and if you look at mass media spends on real estate which is we estimate between 2,500 crores and 3,000 crores, the bulk of this spend comes from builders and builders only do new homes. What it means is that most of the revenue on advertising is for new homes, but the number of listings it probably does not grow because do a lot of resale at rental and those are usually existing homes. Now in North India brokers also do new homes, so when a broker becomes a client and he gives us money he can use the listing for either new homes or for old homes and we don't know. So therefore as Hitesh said while revenue would be 60%-70% or maybe even more from builders or for new homes whether it is builders or it is brokers, the number of listings may not be in that proportion.
- Nilesh Surana:** Okay. And direct advertisements from builders, is it a significant portion of the top line or it is more indirect?
- Hitesh Oberoi:** No, it is a significant portion of the top line but it is different in different markets like we have said also. In the south a lot of the builders advertise directly while in the North a lot of them often are directly brokers. So we deal with brokers, we deal with builders, we deal with owners, we operate in new homes, we operate in resale, we operate in rent, we are targeting all segments of the market. Often what happens is the new home market is very hard to predict, it is quite large market of course but like I said sometimes because of various circumstances like for example if there is a change in government or there are elections or for example people don't get permissions or whatever for whatever reason new home launch activity could slow down in a certain market at a certain point in time and then take off at some other point in time. The resale and rental market is relatively speaking a little more stable, it may not be lumpy it is more predictable.
- Nilesh Surana:** Okay. And on competition did I hear it correct that the competitors in this space the TV ad spend was 5-6x yours?
- Sanjeev Bikhchandani:** No, I said MagicBricks last quarter was very active on TV, was very aggressive on TV and on television they outspend us significantly maybe 5x-6x last quarter.

- Moderator:** Thank you. We have the next follow-up question from the line of Prince Poddar from UBS. Please go ahead.
- Prince Poddar:** Yes sir, just a little color on the lead distribution system which you have mentioned in your letter to shareholders, what is happening on that front?
- Hitesh Oberoi:** What we have mentioned is that we have just sort of launched a very basic version and we are working on a superior version and we are getting good feedback from the market on the product that we have launched. But it is still a long way to go, it is just a new product, it is just like less than couple of weeks in the market. Our lead in real estate is very valuable, a buyer who is really interested in buying real estate is probably worth a couple of lakhs to some broker or to some builder and if we have a good way of managing our leads and if we help our customer then it is better, it can result in a significant kicker to our business.
- Prince Poddar:** And you can also have share of that I mean because it is a long way to go but, that's what I was referring to what is happening on this end.
- Hitesh Oberoi:** So we have made a good start but it is very early, it has just been a couple of weeks like I said, the initial response is encouraging. Let's see how this plays out over the next couple of years.
- Moderator:** Thank you. We have the next question from the line of Sunny Agarwal from Aditya Birla Money. Please go ahead.
- Sunny Agarwal:** Sir my question is on Zomato, right now you are monetizing only through advertisement, any other way we are looking to monetize Zomato and any internal target as far as the top line and operating EBITDA is concerned in medium to long-term?
- Sanjeev Bhikhchandani:** They don't have a loss or EBITDA targets or profit target, I think right now they are operating on two fronts, one is to get to traffic leadership in as many cities as possible. The second is after the traffic leadership, how fast can you push markets into monetization and then profits. As of now the management thus for the last 12 to 18 months seems to have been prioritizing getting to traffic leadership in markets because they believe that monetization will follow, if it follow you six months later it is fine but traffic leadership if you do not get to or if you lose to somebody else it is very hard to get to it. Now they did Rs.31 crores last financial year that is March '14 and they have sort of their targets and they have told us and that was 3x by the way of previous year which was about Rs.11 crores, a little less than 3x. They say they want to grow at roughly at the same rate this year. Now whether or not they will be able to do it remains to be seen, there are still six months left, it is a early stage company and they could miss the numbers if they couldn't meet the numbers but growth is very-very high and even if they miss the numbers it is still going to be very high growth, but we don't know, they might pick the numbers. So that is the kind of priority that they have, they will first get to traffic addition in many-many markets and then afterwards they will try and monetize as much as possible. I think now about in eight or nine markets where they have leadership are not on monetization, they want to focus on

monetization of those markets for the next few months while at the same time opening new markets.

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

**Hitesh Oberoi:** Thank you all for being on the call. Have a great evening and a very Happy Diwali to all of you.

**Moderator:** Thank you sir. Ladies and Gentlemen, on behalf of InfoEdge limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.