

Info Edge (India) Limited

Annual Report – Financial Year 2023

Chairman's Speech

Dear Shareholder,

It gives me great pleasure in once again addressing you all at the 28th AGM of the Company.

As I speak, the global economy is going through a structural transformation with several advanced economies witnessing significant economic slowdown, while several new economies emerging as growth drivers. The good news is the World Health Organization announced in May 2023 that it no longer considers COVID-19 to be a 'global health emergency.' Supply chains have largely recovered, and shipping costs and suppliers' delivery times are back to pre-pandemic levels. However, the forces that hindered growth in Calendar Year 2022 persist. Inflation remains high and continues to erode household purchasing power. Policy tightening by central banks in response to inflation has raised the cost of borrowing, constraining economic activity. Immediate concerns about the health of the banking sector have subsided, but high interest rates are filtering through the financial system, and banks in advanced economies have significantly tightened lending standards, curtailing the supply of credit. According to IMF's World Economic Update in July 2023, global growth is projected to fall from 3.5% in CY2022 to 3.0% in both the calendar years 2023 and 2024.

Since Infoedge is largely an India focussed business group, the global economic and business dynamics will have some indirect repercussions in terms of capital flows, market valuations of its investments and the demand dynamics of its different businesses. Importantly, India stands out as a bright spot in terms of economic fundamentals and growth projections. In fact, with a strong recovery in the second half, India's GDP grew by 7.2% in FY2023. The growth levels are lower than the 9.1% growth recorded in FY2022, but that was on the back of a COVID-driven economic contraction in FY2021. Going forward, according to a United Nation's estimate, even as higher interest rates and weaker external demand will continue to weigh on investment and exports, India is expected to grow by around 6.7% in CY2024 and this level of growth is expected to persist in the near term. This makes India one of the fastest growing economies of its

size in the world. Clearly, while one appreciates that short term challenges exist, India stands out as a potential economic outperformer in the global context.

A major positive externality of the pandemic has been the impetus it has provided to adoption of online activities in the country. It can easily be said, in terms of internet penetration, the country has reached levels that it would be at 5-7 years from now if the pre-COVID rate of penetration growth was maintained. According to the latest IAMAI-Kantar study for CY2022, fifty-two percent of Indians, that is, 759 million are active internet users, who are accessing the internet at least once a month. This number is expected to grow to 900 million by 2025. In a population of over 1.4 billion, this is for the first time that the majority of Indians have become active internet users. Out of 759 million 'active' internet users in India for 2022, 399 million are from rural India, while 360 million are from urban India, indicating that rural India continues to drive the growth of the internet in the country. In fact, urban India, with approximately 71% internet penetration witnessed only 6% growth, with most of the overall gain in numbers coming from rural India, which witnessed 14% growth rate over the past one year. It is estimated that 56% of all new internet users in India will be from rural India by 2025. Clearly, India already has a large online population, which is also expected to grow over the next few years. Info Edge is a Company with a portfolio of businesses in the internet space and this development provides major impetus to our future business prospects.

In addition to the growth in connectivity, India in line with global developments is witnessing accelerated adoption of certain technology changes. The primary development is in the field of Artificial Intelligence, which is poised to disrupt many existing business processes. Info edge has been focusing on adoption of these new technologies to support the next generation of productive tools being deployed in the organisation. Consequently, there are steady investments in data science, artificial intelligence and machine learning capabilities. These are essentially driven by initiatives around generative AI and machine learning. All these efforts continue to augment our user experience, brand building on social media and our go to markets initiatives for new products and services. It gives me pleasure to highlight, that within naukri.com today there is one of India's largest Data Science Labs with over 50 highly qualified data scientists. They are regularly working on leveraging AI/ML to improve matching algorithms and recommendations.

The Government of India and its regulatory framework continues to play a proactive role in the growth and development of the internet-based businesses industry – our area of operations. As I speak, there are certain ongoing developments in the Indian Internet regulatory environment, which will potentially impact the business. These include:

- The Digital Personal Data Protection Bill 2022, has been passed in the Parliament and has recently become an act. This act will affect the way industry processes personal data going forward.
- Separate laws for regulating the digital space are being formulated, which includes the Digital Competition Bill and the Digital India Bill to regulate competition, and encourage online safety, trust and accountability in the digital medium.
- The Telecom Bill 2022 is proposed to replace the Indian Telegraph Act, 1885, the Indian Wireless Telegraphy Act, 1933, and the Telegraph Wires (Unlawful Possession) Act, 1950. This new bill can potentially impact our business if we provide a communication service through any of our websites.

For our business operations, we recognise two important things that drive the space where we operate. First, it is very important to continuously stay focused on our objectives while regularly innovating and staying ahead of the curve in terms of competition in the market. Second, the business is largely about seeding and germinating new ideas continuously, which requires a sense of ownership and freedom amongst the team members executing the initiatives. Consequently, it is imperative for Info Edge as a Company to evolve as a business with structures and processes in place that can support these twin objectives. This also means that there are strategic limitations in the size and depth of internal teams that we support and develop. Consequently, in addition to our core businesses, we have developed a mechanism of making investments into external teams developing new businesses, and over the last few years this mechanism has evolved and become more structured.

As you all know, our Company is organised around three groups of businesses:

- The **Core Business Verticals**, namely recruitment, real estate, matrimonial and education. They are managed through focused internal teams. While each of the businesses in this portfolio has attained market leadership, they are in different stages of growth and profitability in line with the markets where they operate. In these businesses, the focus is to enlarge the bouquet of services and create greater

revenue streams, while continuously striving to maintain market leadership. This is the core stand-alone business, which is primarily focused on growth and cash generation.

- The core activities are supported by series of **Strategic Investments in the Operating Business**. The investments range from 100% ownership to majority ownership to even minority investments depending on the relevance, long term vision and operating partner's goals. These are primarily into services and products that add value and complement the core offering and is essentially an integral part of the developmental roadmap of the four core business platforms.
- We are prudently utilising our cash surplus to **make investments in new age products, platforms and technology investments** that will focus on sustained value creation over a period of 10-15 years. These investments, that were traditionally done as direct external investments primarily through subsidiaries is today channelled in a structured way through Alternate Investment funds, where we also have global renowned partners like MacRitchie Investment Pte Limited an Indirectly wholly owned Subsidiary of Temasek Holdings Pvt Ltd.

Let me take you through developments in each of these businesses.

The performance of the core business is well reflected in the standalone financials of the company.

- Revenue from operations increased by 38.2% to Rs.21,586 million in FY2023
- There was 75.5% growth in operating PBT from Rs.4,190 million in FY2022 to Rs.7,356 million in FY2023 – and operating PBT margins have increased from 26.8% in FY2022 to 34.1% in FY2023
- Profit Before Tax from ordinary items increased by 54.5% to Rs.9,107 million in FY2023 and Net Cash flow from operations was Rs.7,875 million in FY2023

The fundamental foundation of all our operating businesses remains strong. Since most of the contracts or subscriptions to services on the websites have a duration for a year or less, billing and deferred sales revenues are robust indicators for the Company's expected financial performance in the next financial year – FY2024. Total billing increased by 26.8% to Rs.23,663 million in FY2023, while the Company ended FY2023 with a deferred sales revenue of Rs.10,185 million – a growth of 24.3% over Rs. 8,196 million.

There were certain headwinds faced by our core recruitment business on the market front. After two strong years of growth, we have started witnessing a slowdown in global IT sector hiring. Many technology companies across the world announced layoffs as they right sized their workforce after unprecedented hiring in the last 2 years. Though this trend may continue for a few months of FY2024, there are also significant new opportunities and roles emerging within the sector driven by changing technology as companies get ready to adopt and leverage advancements in machine learning and generative AI. Essentially, the global IT industry is undergoing some churn as it moves towards the next phase of growth that will require appropriate human capital. In this period, we as a Company have also laid emphasis and increased our client portfolio in the non-IT space and on hiring requirements of global capability centres/ back-offices that are now mushrooming across the country.

The flagship brand – Naukri.com – witnessed steady growth in FY2023. Segment billing with acquired businesses increased by 31.7% to Rs.19,258 million in F2023, while cash generation from operations increased 23.8% to Rs.12,722 million in FY2023. The Naukri site got around 21,000 new CV registrations per day in FY2023, while the number of CVs increased by 8.5% to 89 million by the end of FY2023.

Embracing our ethos of staying ahead of market developments, we undertook concerted effort to enhance our brand salience amongst existing users and focused on increasing reach of our digital-led engagement and social media campaigns targeting the Generation Z audience. Consequently, marketing spends on this brand increased by 152 % during FY2023.

Most of the other brands in the recruitment portfolio also got good traction during FY2023. iimjobs.com recorded customer growth of 18% with over 5,700 customers by the end of FY2023, while Hiris.com has grown rapidly and has more than 6,000 customers on the site today. Our SaaS based sourcing and screening recruitment solution, Zwayam, gained good traction in FY2023. Ambition Box with over 8.5 million users, 4.8 million company reviews, and 20 million plus salary contributions, has emerged as India's number one company reviews and salary insights platform.

The post COVID period has seen a rise in demand for workers in industries like manufacturing, logistics and construction with numerous businesses expanding their operations and opening new factories, warehouses and distribution centres across India. The sharp growth in online shopping and food delivery is leading to a surge in demand

for delivery executives and logistics personnel. Essentially, there is now a demand growing for blue collar workers and they are fast using the internet medium to seek new jobs. In this space, the Company has launched jobhai.com, which had steady growth through FY2023. The Company has extended its presence from its base market of Delhi NCR to 19 cities, and by 31 March 2023 it has over 4.2 million jobseekers on the site. Early indications do suggest an immense potential for growth in this segment.

The education space saw considerable Covid-related disruption. This is now behind us and FY2023 witnessed stability returning to colleges and universities. Especially, in terms of overseas education, there was a strong growth in the number of students going abroad. Shiksha.com, our offering in the education classifieds and support services space saw good traction in its domestic business and continued to grow around 20% in FY2023. As more private universities continue to get established in India, the requirement of establishing online connect with students will continue to grow. A few years ago, we also entered the study abroad space. While today this is a relatively small business, it is important to highlight that in FY2023 we got over 1,000 enrolments through our counselling team. In FY2023, shiksha.com billings increased 28.4% to Rs 1,239 million, while revenues grew by 28.9% to Rs.1,169 million. Cash inflow from operations was Rs. 211 million.

After a prolonged period of low growth and even a phase of contraction, the real estate sector witnessed growth revival. By the end of FY2023, unsold inventory levels reached the lowest over the last decade. There has already been a significant shift of advertising spend from traditional print media to online space in this domain, and this is expected to continue. Increased focus on digital advertising spends is more pronounced for new launches, which are expected to grow in FY2024 as older projects get sold out. In line with such market developments, our 99acres business witnessed broad-based growth across all categories in this vertical - new homes, resale, rental and commercial. Though competitive pressures have continued to increase, it is important to highlight that during FY2023 there was a significant increase in enquiries and leads on our platform.

Today, in this business we are focused on improving traffic share by fundamentally enhancing customer experience on the platform through strong emphasis on leveraging data science to create strong analytics driven customer centric content and insights on the platform, improving lead quality, enhance search engine optimisation, and developing new offerings. In FY2023, while improved market conditions played a role in

higher traffic, much of it was also driven by the business team's initiatives to improve the quality of content and customer interaction on our platform. These efforts were supported by a strong sales and marketing push. We will continue with this strategy for FY2024 as well.

For FY2023, 99acres billing increased by 34.8% to Rs.3,116 million, while revenues increased by 30.9% to Rs.2,845 million. The business continues to be in the investment stage and cash outflow was Rs. 722 million in FY2023.

As touched upon last year, we reworked on our business strategy in Jeevansathi. A strong network effect is the key to succeed in such matchmaking businesses. Consequently, there is an emphasis on significantly enhancing onsite traffic and customer acquisition. This is now being done by adopting a model focused on product-led customer acquisition rather than relying on large brand level marketing and advertising. In this endeavour, certain offerings like chat have been made free on the site. The loss in revenue on account of making certain such paid services free is being offset by lower marketing spends — as was evident in the second half of FY2023. The above strategy resulted in strong user growth and much higher levels of engagement and matches on the site in FY2023 and at the same time the marketing spends were also significantly reduced quarter on quarter. However, by adopting this new business model there were lower billings and revenues in the online matrimonial portfolio in FY2023. Despite these, segmental operating losses for Jeevansathi reduced from Rs.1,253 million in FY2022 to Rs.1,054 million in FY2023.

For our external value creating investment portfolio, while there are some direct investments, most are now being routed through special purpose vehicles or Alternate Investment funds. We have already launched three funds in partnership with our long-term investment partner Temasek Holdings (Private) Limited through its indirect wholly owned subsidiary namely MacRitchie Investment Pte Limited. These funds have so far made some 49 investments. The total commitment for these funds is around US\$ 212.5 million.

From the portfolio that we nurtured over time, two of the largest entities – Zomato and Policybazaar – got listed in FY2022. Our investments in these two entities are now governed by market dynamics. In that context, one witnessed a sharp fall in the price of these shares in FY2023 thanks to negative market sentiments for new age IT based businesses. The mark-to-market losses are reflected in our overall consolidated results.

However, we consider these to be notional in nature, and we remain committed to stay invested into these businesses and see the next level of value creation. Both businesses have shown positive trends through FY2023 and are moving towards becoming profitable at the operational level in FY2024.

While making these external investments, we are also very conscious of the fact that some ventures may not succeed and there are certain risks to these investments. The management has strong teams in place that constantly identifies, monitors, and manages these risks. The portfolios are managed as a bouquet of ventures where any individual poor financial performance by a venture can be absorbed by large investment pool. And, individual companies are continuously advised from an investors perspective and decisions on continued rounds of investments are taken in a well calibrated manner.

As a company we are well positioned. Our operational business portfolio performs with an asset light model where much of revenue come from advance subscriptions. Our business operations now generate over Rs.8 billion in cash (post tax) annually. The financial investments portfolio also has a well-defined approach and is now systematically structured through alternate investment funds with a strong global partner. Finally, we have a strong track record of delivering profits and regular dividend payouts to shareholders since our listing.

I am grateful to all our employees and stakeholders who have been pillars of strength through our business history. We are now a company with strong experience in our business domain and are focused on leveraging technology, especially AI and data science related tools to provide cutting edge solutions to our customers. Our markets are robust, and we are back on strong post COVID growth path. Look forward to your support for the next round of aggressive value creation.

Regards

Kapil Kapoor