Info Edge (India) Limited Q1 FY14 Results Conference Call

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Moderator Ladies and gentlemen, good day and welcome to the Q1FY14 Results Conference Call of Info Edge (India) Limited. Joining us on the call today are, Mr. Hitesh Oberoi – 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, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Hitesh Oberoi. Thank you. And over to you sir.

Hitesh Oberoi Thank you. Good evening and welcome to our first quarter end 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.

Moving on to the financial highlights of the quarter – for the company net sales in Q1 were Rs. 121 crores Vs Rs. 106 crores in the same quarter last year, an increase of 14%. For Q1, operating EBITDA was at Rs. 36 crores, almost flat year-on-year, operating EBITDA margin was 30% Vs 35% in Q1 of last year. Other income increased mostly on account of 13-month FMPs maturing in Q1. PAT was at Rs. 32 crores excluding exceptional item write-off of Rs. 2.6 crores on behalf of one of our Investee companies, Nogle Technologies. PAT otherwise was flat YoY. Operating PAT was at Rs. 21 crores excluding exceptional item, down 10% year-on-year on account of higher depreciation mostly on account of the new building which we have moved to and operating PAT margin was at 17.3% Vs 21.7% in the same quarter of last year. Deferred sales revenue has increased to Rs. 131 crores Vs Rs. 121 crores as of March 2013 and is at an all-time high. Cash from operating activities in Q1 was at Rs. 44 crores. We continue to be cautious for the financial year 2013-2014 due to domestic and global concerns which have an impact on recruiting decisions.

Moving on to business wise performance, please note that all such business wise numbers that are being given out are management estimates and are not audited. In Q1 of 2013-2014, Recruitment top line grew 8% 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. In Naukri, we added an average of 12,000 fresh CVs everyday in Q1 and Naukri database grew to over 34 million CVs. Average CV modifications were at 1,36,000 per day. The Naukri Job Speak index was at 1230 in June, almost at the same level as in June 2012. In Q1 we serviced 27,000 unique customers Vs 25,000 in Q1 of last year.

In the 99acres business top line grew 47% year-on-year in Q1 to Rs. 15.5 crores. 99acres made a loss of Rs. 3.4 crores at the EBITDA level on account of growing investments in sales, new offices and advertising. Paid listings in Q1 were at 4.3 lakhs Vs at 3.4 lakhs last year. In Jeevansathi net sales grew 17% year-on-year and Jeevansathi had an EBITDA loss of about Rs. 3 crores in Q1. In Shiksha net sales grew at over 39% in Q1 of this year.

Our Investee companies continue to witness solid growth. Again, some of the numbers that I am going to sort of share are management estimates and are not audited. The Investee companies' portfolio sales, not including the AllCheckDeals business, were approximately Rs. 35 crores in Q1, up over 65% compared to the same period last year. Losses at the EBITDA level in investee companies were at Rs. 16 crores, which is 10% lower than last year. Within this portfolio, the two companies where we have majority ownership, Zomato and Meritnation had combined sales of Rs. 8 crores and are growing at more than 150% year-on-year. These two companies lost Rs. 6.4 crores at the EBITDA level, which is approximately 25% lower than last year in Q1. During Q1, we also wrote off our entire investment in Nogle of about Rs. 2.6 crores. 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 continue to be the case till the economy starts looking up again. Growth is largely on account of the fact that we continue to gain share from other forms of recruiting and 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 in the business, especially in areas like product development and platform development going forward to maintain and strengthen our leadership position. Some of these initiatives we will roll out over the next 6 to 12 months.

In 99acres, the market continues to be uncertain, but 99acres continues to grow and we will continue to invest in this business. We substantially scaled up our sales operations and we will continue to invest in marketing and brand building going forward. We will continue to invest in Jeevansathi and Shiksha as well. As mentioned in our earlier calls, if top line for the company grows at 20% or lower as was the case last year, we may yield margins. We are now ready for any questions that you may have. Thank you very much for being on the call.

Moderator Thank you very much sir. Participants, we will now begin the question-and-answer session. We have the first question from the line of Srivatsan Ramachandran from Spark Capital. Please go ahead.

Srivatsan Ramachandran I just wanted to understand a little bit more on the strong deferred sales revenues in the broader economy. Is there a kind of a change or composition of the deferred sales revenue favoring more non-Recruitment businesses at this point of time? How is that vis-à-vis kind of broader economic environment we are in because typically that tends to be a more a lead indicator, so just wanted to understand it slightly better?

Hitesh Oberoi Actually, we had pointed this out last time as well. What happened last year was that we got a lot of collection on 31st March in 2012 because service tax rates went up from 1st April, and therefore some collections got preponed as a result. This did not happen this year. Therefore this year March 2013, we had very low collection growth in the last quarter and most of the collections came in April of this year and therefore deferred sales have gone up substantially this year in this quarter. So collection growth is very solid in this quarter over the previous year because a lot of the collections came in April rather than March.

Srivatsan Ramachandran In 99acres just wanted to understand is there any specific pockets where you are seeing, any weakness given we are relatively stronger in northern belt and other markets. So just wanted to know if there are any signs of weakness or still doing pretty well?

Hitesh Oberoi No, we are still going pretty strongly in all markets, of course, the north and west are big markets for us and there is more competitive activity in the south compared to the north and west. We are growing aggressively in all the markets right now.

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

Srinivas Seshadri My first question is regarding Naukri. In the last quarter you mentioned that the collections were kind of flattish. Could you kind of throw some trend at least in terms of whether that has improved relative to last quarter on a year-on-year basis?

Hitesh Oberoi Like I just said, what happened in Q4 of last year was that because the base was very high and the base was high because a lot of our collections got preponed in the previous year because of service tax rates going up. Therefore, we did not witness a strong collection growth in Q4 of '12-13 compared to Q4 of '11-12, and therefore a lot of our collections came in April this year as opposed to March. We witnessed strong collection growth in Q1, but did not witness any collections growth in Q4.

Srinivas Seshadri May be if you can share any number like how much Naukri collection might have been?

Sanjeev Bikhchandani Sanjeev here. I will just add to what Hitesh said. I think the question you are asking and what the previous question also was, does the stronger collection growth in this quarter signal a recovery or a key. I think what Hitesh is saying is, the way to look at it is to look at the 6-months data rather than 3-months data.

Hitesh Oberoi: So I will just share the 6-months data with you. From Jan 2013 to June 2013, collections in Naukri were up 9% year-on-year, though in the April to June quarter, they were up more than 30%.

Srinivas Seshadri Would you have a similar number for 99acres handy?

Hitesh Oberoi: So 99acres collection growth is also stronger in this quarter for similar reasons, but I think the 6 months number would be closer to 50%.

Srinivas Seshadri The second question is actually I am just looking at the kind of number of paid transactions in 99acres, that appears to have kind of significantly slowed down over the last couple of quarters prior to that you were doing over 50%. So is this some kind of a planned strategy in terms of exiting a long tale or is it a reflection of more value transaction happening, but at the cost of volume? Can you kind of throw some light on what these metrics mean?

Sudhir Bhargava: As I have told you earlier, this paid transaction is the number of invoices that we have issued. So I do not think there is any planned strategy there. That is just a matter of how frequently people are buying or what kind of products they are buying in one-go or separately.

Ambarish Raghuvanshi: By design we are not trying to reduce the long scale or so on, I think the focus of trying to get as many listings, to sign up as many agents and therefore to recruit as many sales people, that is part of the strategy.

Sudhir Bhargava: Has not dropped, right, it is very similar; Q4 was 12,500 this one is 12900.

Srinivas Seshadri Yes, correct I don't dispute that. What I was referring to was the year-on-year growth rate. Obviously, the…

Sudhir Bhargava: No, in the absence of reliable data to give with regards to unique customers, because this industry is very different versus say recruiting. I figured this as one metrics that could be shared in terms of what is the level of activity, the site or the business has, that is all.

Hitesh Oberoi What else will happen is that when people buy for the first time, may buy for 3 months or 6 months and once they get confidence they may buy for a year. So I do not think we can directly correlate number of transactions to the growth in business.

Srinivas Seshadri Just if I can squeeze in one more question, you mentioned earlier in your presentation that EBITDA losses for the portfolio companies are down by 10% year-on-year and for the majority owned companies about 25% year-on-year. Would you say one quarter data is too small to infer that? Maybe we are past the peak in terms of cash burn or is there some trend you are seeing.

Sanjeev Bikhchandani The thing about investee companies they are at early stage and how much cash they will burn will depend on the revenue they do. And the revenue targets are aggressive and we are hopeful that they will come close to that. But if a company or two falls short, then obviously that will come up the thing. And one quarter data somebody may have advertised, but in this quarter may not have advertised, so I would hesitate to sort of multiply everything by 4 and that is the annual trend. But in general we are expecting good growth in the top line and we are hoping that the burn comes down this year. Certainly if the targets are achieved burn will come down, but there are substantial hit and miss in early stage companies that.

Ambarish Raghuvanshi But most early stage companies they take about 4, 5 years and reach an inflection point. So I think a lot of our companies that we have invested in are 3,4, 5 years old now and are close to reaching that inflection point, but like Sanjeev said there could still be some sort of volatility.

Sanjeev Bikhchandani One more thing I would like to caution is that these are management estimates, these are not reviewed by any auditor, these are small startup companies getting to be medium size, but they are still small startup companies, they are working very hard and busy with growing the business, they do not have very large finance teams. So I would say this is a very rough approximation.

Moderator The next question is from the line of Gaurav Malhotra from Citi Group. Please go ahead.

Gaurav Malhotra Firstly, on the deferred sales revenue, I understand this is essentially the leading indicator of what the revenue growth will be, but it also reflects what kind of collection activity is happening on the ground and like Hitesh mentioned that this is right now close to an all-time high. And on top of that we are also seeing that Job Speak index has sort of stabilized and moved up in the first 2, 3 months of the year. Are there some early trends which we are seeing here or it is still too early to take that call?

Hitesh Oberoi: I think it is still too early. There hasn't been a significant improvement in the situation on the ground as far as recruitment activities go. That is what we get as feedback from our sales team. So I think we should watch for another one quarter before we can say whether the market is really improving. Right now from what I hear is the same as it was the last quarter.

Gaurav Malhotra So essentially this improvement is because of increase in market share, is that the way to look at it, right?

Hitesh Oberoi: Like I said in the last 6 months our Recruitment business has grown by 9% in terms of collections.

Gaurav Malhotra On your Jeevansathi, if I recall correctly, last quarter the management sounded a little bit more optimistic on the business, but this time again we are seeing that the growth has sort of tapered off again. So was last quarter a one-off or are we seeing better traction in Jeevansathi than what we were seeing 3 or 4 quarters back?

Hitesh Oberoi: Yes, Jeevansathi grew by about 17% this quarter year-on-year over Q1 of last year. The growth in Jeevansathi has come in a little below what we expected in this quarter. Partly also because I think we had a great Q4 as a result of which maybe some people preponed their payments and collections were good in Jeevansathi. And we are also experimenting with a new model in Jeevansathi. So some of that effect maybe trickling in. So we should watch for a couple of quarters before we are able to say that this business is going to go as fast as last year or not.

Gaurav Malhotra On the advertising bit, we are seeing that that number has been going up both on an absolute basis as well as percentage of revenues. Given the fact that top line growth has come off, is there some guidance that the management can give us in terms of that this is the peak in terms of how much marketing spend on an absolute or as a percentage which the company is comfortable in doing?

Hitesh Oberoi: The advertising spend went up this quarter because three of our brands were on television, so Shiksha ran a TV campaign, Jeevansathi was on TV, so was 99acres. Ad spend in Naukri is not going up; in fact ad spend in Naukri actually fell compared to last year in this quarter. In Shiksha the business is seasonal so there is a seasonality element to the advertising. So I do not think Shiksha marketing spend will be as high in Q2 and Q3 as it was in Q1. As far as 99acres goes, we want to continue to invest in the business for a while, we want to build our brand, we want to expand our sales operations, and we want to invest more in product and technology. So we will continue to maintain a reasonable spending level on the advertising side in Q2 as well. And partly all that will be determined by competitive activity. So if there is a lot of competitive activity, if competition starts to spend a lot of money, then we will be forced to react.

Gaurav Malhotra Are you seeing competition spending more or less versus say 3, 4 quarters back?

Hitesh Oberoi: Not in job, not in education, not necessarily in matrimony, but yes, there is more competitive activity in real estate than was the case 3 or 4 quarters back.

Moderator The next question is from the line of Sonam Gulati from VC Circle. Please go ahead.

Sonam Gulati First of all I wanted to know is why did you write-off the investment in Floost? What is the reason \ and rationale behind that?

Sanjeev Bikhchandani It is an impairment we recognized, it is a good team, but the company has built a decent product, but we did not see any business or revenue traction or lot of traffic coming in and so we figured the true and fair thing to do would be to sort of recognize that this asset is impaired, which is why we have done it.

Sonam Gulati How long will you bank on dividend income and other income. Your operating margins have also slipped and besides your dividend, the main business is not really flourishing, so what are your plans on that?

Ambarish Raghuvanshi This is part of our strategy which we have been announcing for the last 2 or 3 quarters and including at the end of the last financial year when we said that if top line growth is up 20%, we will be yielding on margins, especially because we continue to invest strategically across all business lines. So this is part of a deliberate strategy that even though there is a slow down, we are continuing to invest and that is what is reflected in the erosion in margin. So it is definitely by design.

Moderator The next is from the line of Rohan Sawant from Multi Act. Please go ahead.

Jinal Sheth This is Jinal Sheth from Multi Act. Just a few observations, just a couple of days back I was reading the Fortune India magazine and there was an interview with LinkedIn, and there were a lot of details given out there and they were also mentioning that this could be global, but they were talking about the fastest growing group is the college fresher basically. And then today I read your interview on Moneycontrol, where you state that LinkedIn is giving you competition. I know that it could be far away and at the end of the day this is a technology platform. So just wanted to understand how are you guys are thinking at current state and you are basically getting prepared from a longer-term perspective vis-à-vis the competition.

Hitesh Oberoi We have been saying for a while that we look at LinkedIn as competition and that is the reason why we are investing heavily in the business even during a slow down. So we do not want to sort of hold back on our product development efforts because we think they are important to compete with LinkedIn and we are a player in the market in the long run. So we are investing in multiple areas, we are investing in improving our search capabilities, we are investing in making the site more social, we are taking our site to mobile platforms, we have acquired two companies in the last 1 year to improve our recruitment management system and so on. So we continue to invest aggressively in improving our platform to deliver more and more value to our users, both job seekers and recruiters so that we can keep competition at bay in the medium term.

Jinal Sheth Any idea what would be their market share right now, I am assuming it would be small, but in terms of numbers from traffic share or?

Hitesh Oberoi We have no idea because they don't give out their India numbers separately.

Jinal Sheth But right now you think they would very small, is your assumption?

Hitesh Oberoi Yes, my sense is they would be right now, in terms of revenue maybe behind us, Monster and Times Jobs, but I cannot say for sure.

Ambarish Raghuvanshi: And also their traffic numbers would be for overall networking, what proportion of that relates to recruiting is tough to say. You might get some statistics about their traffic data for India, but that is not necessarily related to what portion of it relates to recruitment. So they are gaining traction that is for sure. Now, as Hitesh just mentioned that we have several initiatives in the pipeline, some which have already been activated to try and counter LinkedIn.

Moderator The next is from the line of Nitin Jain from Ambit Capital. Please go ahead.

Nitin Jain My question was on Jeevansathi. First, you said the revenue growth was 17%, and then you say that 9%, was it collection growth or?

Hitesh Oberoi No, I did not say 9% for Jeevansathi, I said 9% was the collection growth in Naukri over the last 6 months.

Nitin Jain The 17% growth was for Jeevansathi. And second in 99acres, the growth that you saw this quarter was pricing led or volume led. The prices were stable or did you witness any decline in pricing due to competitive pressure?

Hitesh Oberoi I do not have the details, I do not think we witnessed any decline in pricing. The growth was on account of adding one new customers and two on upgrading existing customers.

Nitin Jain So the pricing is stable?

Hitesh Oberoi: Yeah.

Nitin Jain: On advertising and promotion expenses you said that you will continue doing it in non-Recruitment business particularly 99acres. So you wish to maintain the same level of spending this quarter?

Hitesh Oberoi We take advertising and promotion decisions on quarter-on-quarter basis, what happens in the marketplace. So some of the spend is driven depending on what the competitors do. It depends on how we are fairing in the verticals. If we see the verticals very aggressively, if we see an opportunity, if we see to grow our share even further we advertise heavily. But yes in general we would like to advertise more in 99acres going forward as well.

Nitin Jain So in 99 acres you used to grow 40, 50% in the previous 2, 3 years, but this year it seems that you will be not able to grow at such high rates. So what do you expect?

Hitesh Oberoi What is the basis of that reasoning that we will not be able to grow at this high rate?

Nitin Jain Because there is increased competition and…

Hitesh Oberoi No, but we have grown at 47% in Q1, if the market holds and if we are able to execute well going forward, then we should be able to maintain this growth rate. But yes, there are lots of unknowns, so the market may deteriorate, yes, competition may intensify, but right now we are aiming for aggressive growth in 99acres.

Nitin Jain One last question, the amount of creditors has gone up from 357 million to 400 million this quarter and it is not going up for the last 2 quarters, 3Q it was 291 it went to 357, then 400, so the reason behind this?

Sanjeev Bikhchandani: We will come back to you on some details around this.

Moderator The next is a follow-up from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri Just wanted to understand how is the growth in corporate services and candidate services separately during the quarter?

Sanjeev Bikhchandani: The corporate services as Hitesh mentioned, the collection growth was around 9%.

Hitesh Oberoi: The candidate services in Q1 grew at about 10%.

Srinivas Seshadri Just a couple of accounting questions. One is that the admin expense appears to have dipped sequentially. So is that a reflection of lower rent out go or some other reasons for that?

Sanjeev Bikhchandani: No, it is largely because as we had mentioned till fourth quarter and partially in the first quarter we will grow, we had occupied more premises than we needed in Noida because there was an overlap and we had to give notice period to existing premises and we have vacated those and that is what is reflected in the lower sort of admin expenses.

Srinivas Seshadri So is this the right run rate or could it also dip further in the second quarter?

Sanjeev Bikhchandani: There will not be a very significant dip from this point onwards. There may be a marginal dip, but at the same time in some other offices we may be taking up more premises and so on. So on balance you can look at either this number or +/-5%.

Srinivas Seshadri And finally just a question on the treasury yield during this quarter. It appears to be pretty high, maybe around 12% or so looking at your last standalone balance sheet. So is that a function of seasonality in terms of maturity of certain instruments, etc. or …

Hitesh Oberoi: You are right. There are a lot of 13-month FMPs which matured this quarter.

Sanjeev Bikhchandani: As Hitesh mentioned that other income was up because of the 13-month FMPs which matured in the April-May period and give us that sort of significant increase in returns on those instruments.

Srinivas Seshadri So going forward we should assume some normalization of this on a full year basis?

Sanjeev Bikhchandani: That is right.

Moderator The next question is from the line of Mohit Jain from Trust Group. Please go ahead.

Mohit Jain Just two questions. One is on Jeevansathi model. Can you just help me understand what are the changes you are going through and when should we expect those changes to be fully reflected in the financials? And second is on the ad spend. You mentioned that ad spend is expected to come down because Shiksha is a seasonal business, but what should we assume in terms of run rate on an annual basis?

Hitesh Oberoi: So, as far as Jeevansathi goes, we are experimenting with the model we have some free stuff rolling on the side, so you should do some basic activities, you can get some stuff free for a while. It is already live. How would impact the financial only time will tell, I cannot sort of comment at this point in time. The objective is to get more people to engage in the site and to get them to do it faster. Let us see how this goes. But this also means that we are going to give some stuff free and that may impact revenues in the short term. As far as Shiksha goes, like I said, the education admission business is a seasonal business and our spend does go up is also seasonal therefore, we spend about 3.7 crores on Shiksha advertising in Q1 because you are on television, I think for the full year we may average about may be somewhere around 2 crores a quarter.

Mohit Jain: And overall ad spend?

Hitesh Oberoi: Overall ad spend, we take a decision on quarter-on-quarter basis competitive activity and basis how our business is moving here. So in Q1 we spent about 19.7 crores. Generally, Q3 is lower because we do not spend too much in Q3. Q2 probably will be little lower than Q1 because like I said we will not be spending on Shiksha. Q4 I cannot comment on right now.

Ambarish Raghuvanshi: There was a question some time back on why creditors were up. We have an explanation here that, it is largely accounted for by increased provision. Some for advertising where we get a credit period either for on television advertising and some for online advertising, and some of is it because increments to the internal management team, while they were effective from April were paid out in July and therefore some of this relates to the provisions created for increments.

Moderator: The next question is followup from the line of Gaurav Malhotra from Citigroup. Please go ahead.

Gaurav Malhotra: Just on LinkedIn, wanted to try digitization a little deeper, LinkedIn gives revenues based on the geography, Asia Pacific revenue for the March quarter was around say 130 crores and India is one of the largest markets in the region, and we keep reading of how they a database of almost 18 million resumes. Even if I do a very rough calculation I still get LinkedIn India revenues between 20-30% of Naukri which is still on the lower side but is still not insignificant.

Hitesh Oberoi: Can you explain this calculation because I do not quite understand it?

Gaurav Malhotra: LinkedIn is giving us Asia Pacific revenues…

Hitesh Oberoi: Which all countries?

Gaurav Malhotra: It includes India, Australia. Basically includes Pan Asia and Australia.

Hitesh Oberoi: China?

Gaurav Malhotra: China, I am not sure how big they are. But I know that India…

Hitesh Oberoi: Japan?

Gaurav Malhotra: That includes everything. So even If I take 10-15%, just a rough, and given the fact that they seem to be a lot more focused on India, they have 18-20 million resumes. So even If I do a very basic and it is a rough calculation, I still get revenues of LinkedIn India some number of between 15-20% which is on the lower side but not very low not insignificant. So the threat of LinkedIn is not new but it has already started and if it has in, what are you seeing on the ground, is there some pressure on the pricing front, any thoughts on that?

Hitesh Oberoi: Frankly, I do not know what LinkedIn India's revenues are because when Monster does more than a billion dollars globally and India revenue we know is less than $20 million. So India was may be less than 2% of total revenues for Monster. So I do not know how big India is for LinkedIn, yes, India is always very big when it comes to traffic, India is very big when it comes to numbers but that does not necessarily translate into revenue on the ground for many companies. As far as we are concerned, we feel LinkedIn as competition. We are heavily investing in our platform to safeguard our revenues and our share in the medium term from LinkedIn. Yes, they are already on the ground, they have a sales team, they are reaching out to customers. Are they impacting our business at the moment? I do not think so. Could they impact our business in the future? Yes, and which is why we need to keep investing.

Moderator: The next question is from the line of Miten Lathia from HDFC Mutual fund. Please go ahead.

Miten Lathia: Hi, on Recruitment business itself, if one were to get more granular about months and just to correlate revenues with our Job Speak index in a way, do you think we exited the quarter much weaker than we started?

Hitesh Oberoi: I would not just go by the Job Speak index. I do not know whether we exited the quarter frankly weaker than we started, but what I can tell you is that what we are hearing from people on the ground is the situation was like in the last quarter, so there is no serious improvement in terms of hiring outlook as far as companies are concerned. I would say it is the same sort of as last quarter.

Miten Lathia: The other thing is I think Srinivas asked this earlier the thing that is slowing down is the paid listings, the number of listings itself in 99acres. So paid listings is going between 50-70% for 8 quarters running before March ‘13 quarter, and the last two quarters we are seeing a perceptible slow down. What would you attribute that slow down to or is it just the base effect that is setting in?

Hitesh Oberoi: What we sell are subscriptions. So, for example, we sell 500 listings for Rs 25,000 a year. Now it is possible that people are putting up less listings than earlier so they may not be utilizing all 500, but because there is less activity in the real estate market, they are putting up may be 200 listings or 300 listings instead of 500 listings. That is one possibility. We are still adding customers, yet the number of customers we are adding may not be growing at 40-50% year-on-year. That I am sure has slowed down in terms of growth. But listings may have also slowed down because may be people are putting a fewer listings than earlier, but there are a fewer launches, there has been less launch activity as well, but because we bill for the year and people buy a subscription, whether they put up 200 or 300 listings or 400 listings we get paid the same. This I am just speculating, I do not know we will have to dig in with the details here.

Miten Lathia: Because the same thing is visible in the pay transaction as well, which Sudhir clarified that there are a number of invoices that you give out so they are not very representative of. Trying to just look at what is a good representative of revenue growth going forward?

Hitesh Oberoi: The other thing you have to understand in the 99acres business is that listings are just one part of it, right. A large part of revenue comes from marketing new launches and that revenue is not accounted for in listings. And that is the substantial part of our revenue. So it is possible that our revenue may grow at a faster rate than listings grow because we get more revenue from marketing new projects than from listings. But slightly more than half our revenue is actually not from listings.

Miten Lathia: More than half of the 99acres revenue?

Hitesh Oberoi: Correct, is not from listings. So it is from let us say featured products sold in the site, mailers sold, some banners sold, some branding solutions and these are often used to market new projects. So it is possible that we start generating more and more revenue from builders and brokers to market new projects. They do not really translate into any listings. But these products are high value than the listings products sold which are sold mostly to brokers who deal in resale and rental.

Moderator: The next question is from line of Ankit Kedia from Centrum Broking. Please go ahead.

Ankit Kedia: Hi, just wanted to know what could be the one-time other income due to the FMPs maturing during the quarter?

Ambarish Raghuvanshi: As we mentioned that about 5 crores came in, because they were deployed in 13 month FMPs in 2011-12 where the maturity happened in April-May. And as a result of that you get that sort of kink so there was that increase in other income because of that bunching together of those FMP maturity.

Ankit Kedia: Will it be fair to assume that the full year other income could be lower than last year?

Ambarish Raghuvanshi: It could be because one I think the yields are coming off, interest rates are coming down notwithstanding the fact that the huge increase in RBI, but that seem to have effected short term cycle. So let us see what happens on the interest rate scenario. It does look a little volatile but all things being equal yes I think we are looking at a marginally lower other income from treasury instruments in the current year.

Ankit Kedia: Secondly on the media cost inflation, is it fair to assume that the cost of acquiring new customers is getting more expensive by the day, and it will be more challenging in 99acres with increasing competitive activity to get new customers at the same cost?

Hitesh Oberoi: Our costs were high in Q1 because we were on television and three of our brands were on television, and television is not just a vehicle for acquiring new customers, it is also used to build the brand, it is also used to help our sales teams sell faster and better. So three of our brands are in TV in Q1, and that is why our marketing expenses were high in Q1. That is normally not the case otherwise.

Moderator: The next question is from the line of Vishal Shah from Allard Partners. Please go ahead.

Vishal Shah: My question is again on collection, you did mention that part of the collection, and higher collection growth this quarter was… because Q4 was low last year, but even if I go back to your Q3 comments you have been saying about flattish collection growth. So even a normalized 6 month collection growth of 9% is kind of a good outcome in the current environment. So do you see this high single digit collection growth sustaining over the full year.

Hitesh Oberoi: Naukri collection growth is indexed to GDP growth. If the economy continues to improve or if the economy improves every quarter then hopefully we will do well. On the other hand, if India grows at 5% once again then may be growth could slow down as well. So a lot would depend on hiring and that is index more to what happen in the US as far as the IT companies go, and as to what happens in India as far as the other companies go. If we end up doing 5.7, 5.8 or 6% GDP growth, things could improve from here on. On the other hand if we have a bad year once again, India grows at 5% then I do not see things improving.

Vishal Shah: So, you would say till the environment would remain uncertain and you would not be optimistic on the collection growth especially this quarter?

Hitesh Oberoi: Right.

Vishal Shah And one thing you mentioned earlier is that part of the growth is also from the fact that you have gained market share, the early 60s, your traffic share, has there been any change?

Hitesh Oberoi: We have been at 60-62% for a while now. What I said was that we have been gaining share from other forms of recruiting, probably for competition as well because the total recruitment spend is not going up.

Vishal Shah: And just wanted to know on the Mobile App, has that been pending an incremental traffic or is stable there?

Hitesh Oberoi: We are pretty happy with the growth we are seeing on mobile platforms. So our mobile traffic across all categories is increasing significantly month-on-month. And we are investing more in this area, we are producing high quality applications, we are redoing our sites, because we expect more and more users to use their mobile phones frequently to access all our property.

Vishal Shah: So is there any number which you could share like how much of this traffic actually comes from the mobile app?

Hitesh Oberoi: It depends on the category…

Vishal Shah: In Naukri?

Hitesh Oberoi: In Naukri I think today we are about 12-13% in terms of visits of the total traffic, but it is growing significantly month-on-month.

Sanjeev Bikhchandani: In the category like Jeevansathi it may be somewhat high.

Hitesh Oberoi: And Shiksha which is most primarily a youth sort of category, it could be even higher. So depending on the category our traffic varies between 25-30% of overall traffic.

Vishal Shah: Just a question on Zomato, I know it is still small but it has been expanding other geographies also, but Zomato, Indian operations would have turned profitable?

Sanjeev Bikhchandani: Yes, they have broken even but like I said these are management estimates and then there are allocation of overheads across geographies which we did not consider.

Moderator: The next question is from the line of Lokesh Garg from Kotak Securities. Please go ahead.

Lokesh Garg: Our question relates to essentially the statement that you have given in the call earlier as well which essentially if the company does not grow revenue line at a 20% run rate then it can actually cede margin. Essentially my question relates to the fact that even though it may not be a central projection today but if the environment remains weak, for a protracted period of time let us say 2, 2.5 years, does the company or is the company starting to think of a Plan B wherein without giving away competitive need to build platform, you could still try to retain margins at certain level?

Hitesh Oberoi: So, even with 8% growth in Naukri revenue, we did maintain Naukri EBITDA margin this quarter but ideally we would like to continue to invest in all our verticals, we are hopeful that growth will come back. If in the next 2, 2.5 years we do not see the economy growing, then we will see but still expect our younger business is to grow because they are underpenetrated, they are not in a mature market as yet, whether its Jeevansathi or Shiksha or 99acres, but Naukri will get challenged and we will sort of see what to do then.

Ambarish Raghuvanshi: I think this outlook is for this current financial year. If for some reason, the slow down persist for a while longer, then we will have to reassess, but as of now the forecast or projection we have made is really for 2013-2014. And you are right, "Could there be a Plan B?"

We will have to see whether that makes sense given the environment, for this year the plan is to continue to invest.

Moderator: We have a follow up question from Miten Lathia from HDFC Mutual Fund. Please go ahead.

Miten Lathia: On the products side, you mentioned that you are investing in a product. Anything very meaningful that you have done either to the Naukri product or the 99acres product over the last 3 to 6 months?

Hitesh Oberoi: So there are several stuffs which are in the pipeline which will be rolled out in the next 3, 4 months. In 99acres we re-did the mobile site and that is doing pretty well. There is a lot of stuff which has happened at the back end which is not visible to the consumers because it is not UI changes but that is helping the business. We have increased our SEO traffic, we have improved the architecture at the back end which will help us in a way faster going forward which is why you will see a lot of stuff going live in the next 3 to 6 months in 99acres, the site would have a different look and feel**.** Even in Naukri, there are several things in pipeline which will see the light of day in the next 3 to 6 months. There is something we are doing in the search side on the job seekers side. We acquired a company MakeSense that is going to go live by this month end. There is a referral platform which we have developed which we were taking that to market, let us see how that goes. There is stuff we have done to group the matching engine which are again not very visible on the site but that improves the quality of alerts we sent to seekers. We are revamping a mobile site. We are also launching a new Android App very soon. We have just soft launched a product for recruiters which is not very visible to consumers right now but that will be launched for consumers in the next 2, 3 months. That is something which we are very confident of. I think it is a good idea. We also launched a 'Salary Tool' sometime back which has not been fully opened up to the consumers, you have to login to see salary data for across companies. So that is also getting decent traction. Our resume management system at the back end called eApps which was earlier available only for selective customers, it was hard to architecturally scale, and we have done a lot of work on that one and made it free for all our high end customers so that we can get a better lock in from them. So there is a lot of stuff in the pipeline and there is a lot of stuff which we made live. The frontend stuff which is what most people see, we have not made too many changes to that, but you will see a lot of that also happening in the next 3 to 6 months.

Sanjeev Bikhchandani: Sanjeev here. I will respond to the last question you were talking about Plan B in the event if the slowdown persists. The short answer is no we do not have a Plan B. In my 23 year career as an entrepreneur this is the 5th recession. We have come out with recessions, doing fine in a stronger position competitively; we will come out of this one.

Moderator: As there are no further questions I would now like to hand the floor over to Mr. Hitesh Oberoi for closing comments.

Hitesh Oberoi: Well, thank you everyone for being on the call. Have a great evening.

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