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“Info Edge Q1 FY 22-23 Results Conference Call”

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Moderator: Hi, everyone. Good evening, and welcome to Info Edge India Limited Q1 '23 Financial Results Conference Call.

As a reminder, all participants line will be in listen-only mode, and there will be an opportunity for you to ask question after the presentation concludes. Should you need any assistance during the call, kindly raise your hand on the screen. Please note that this conference is being recorded.

Joining us today from the management side, we have Mr. Sanjeev Bikhchandani – Founder & Vice Chairman, Mr. Hitesh Oberoi - Co-Promoter & Managing Director, and Mr. Chintan Thakkar – CFO.

Before we begin today, I would like to remind you that some of the statements made in today's conference call will be forward-looking in nature and may involve risks and uncertainties. Kindly refer to slide number two of investor presentations for detailed disclaimer.

Now, I would hand over the call to Mr. Hitesh for his opening remarks. Thank you, and over to you, Hitesh.

Hitesh Oberoi: Thank you, Vivek, and good evening everyone, and welcome to our first quarter earnings call. As always, we will start with an update on standalone financials, market conditions for each of our operating verticals, and then cover each business financials in more detail to be followed by Q&A. The audited financial statements and other schedules on segmental billing, revenues et cetera, along with the data sheet have been uploaded on our website infoedge.in.

Talking about our Q1 standalone financials, overall billings in Q1 grew to Rs. 524.2 crores, up 62.4% over Q1 of last year. Revenue in Q1 stood at Rs. 507.7 crores of 54.6% from Q1 of last year. Billing and revenues along with acquired businesses like Zwayam and Do Select stood at Rs. 537 crores and Rs. 521 crores respectively.

Operating expenses for the quarter excluding depreciation and amortization were Rs. 344.5 crores, up 53.6% over Q1 of last year. And operating EBITDA for the quarter stood at Rs. 163.1 crore versus Rs. 104 crores last year, a growth of 56.8 % over Q1 of last year.

And operating EBITDA margin for the quarter stood at 32.1 % compared to 31.7% for the same quarter last year. And operating EBITDA for Info Edge including acquired businesses stood at 165.4 crores, a year-on-year growth of 59%. Cash from operations for standalone business for the quarter stood at Rs. 164.5 crores compared to 110.4 crores for Q1 of last year.

Deferred sales revenue grew to 825.4 crores as of June 30th 2022 versus Rs. 506.9 crores as of June 30, 2021, a year-on-your growth of 62.8%, and the cash balance of Info Edge including the wholly-owned subsidiaries stands at Rs. 3,439 crores as of June 30th 2022 versus Rs. 3561 crore as of June 30th 2021.

Talking about the recruitment space, hiring sentiment across sectors remained strong. The Naukri JobSpeak index of the quarter was up 32%. Amongst the IT clients, we continue to see strong momentum. High attrition and a strong pipeline continue to drive recruitment into this vertical. Increased focused on fresher hiring was also noticed during the quarter.

As far as non-IT customers go, we saw a revival of hiring in sectors like retail, education, insurance, real estate, travel and tourism in the last two quarters. There seems to be a strong manpower demand

across sectors, and that is also driving up engagement of headhunters on the platform. The demand for talent continues to be high in both the metros and non-metros across skill levels.

Moving on to the real estate vertical, we witness a good momentum in new home sales across top cities in Q1. While home prices saw an upward trend in most markets, affordability continues to be solid. We expect reasonable number of new launches to continue in the residential buyer segment despite a recent increase in repo/home loan rates.

Rental supply also saw fast uptake in the market as more offices opened up to work from office or hybrid working models. Commercial spaces also sort of saw faster uptake with negligible/no impact of the third wave of COVID.

The matchmaking category recovered from last year's slowdown caused by multiple COVID waves. Users are back and engagement levels are up, you know, higher than what sort of they were during pre-COVID times. We also experienced a change in our target sort of audience in the last couple of quarters with the more prospects now increasingly taking a charge of the matrimony search process instead of their parents or guardians. This is more prevalent in the top metro cities where high intent dating space is also fast emerging.

Moving on to the quarterly financial of the recruitment business in Q1 of 2022-23, the recruitment segment billings were Rs. 415 crores, up 64.6% from Q1 of last year, while revenues were Rs. 387.1 crores, up 67.5% from Q1 of last year.

Operating EBITDA stood at Rs. 230.6 crores, up 80.2% from Q1 of last year. Margins stood at 59.6% versus 55.4% in Q1 of last year. Cash from operations for the recruitment vertical during the quarters stood at Rs. 235.4 crores, up from Rs. 148 crores reported in Q1 of last year. Billings for Naukri India for the quarter stood at Rs. 354 crores, up 72.3% year-on-year, while revenue for the quarter for Naukri India stood at Rs. 326.8 crores, up 76.3% year-on-year.

Recruitment segment billings including acquired businesses like Zwayam and Do Select stood at Rs. 427.9 crores, a growth of 69.7% year-on-year for this quarter. iimjobs and Hirisist also has reported strong 64.8% YoY growth in their billing numbers, closing at 15.3 crores, up from 9.3 crores reported in Q1 of last year. A well integrated gtm, a go-to-market with Naukri India team worked well for Zwayam and Do Select with both these businesses closing the quarter with billings of Rs. 6.25 Cr and Rs. 6.59 crores respectively.

The Naukri business, as you can see, continues to sort of grow strongly, and it's been now six quarters. Naukri India witnessed higher recruiter and job seeker activity during the quarter. On the job seeker side, we saw 23,365 new registrations per day last quarter, and we cross 10 million plus active install base on the Android app.

Our sales strategy for the quarter focused on creating awareness of value proposition of our products to drive value optimization with our customers. The quarter also witnessed 49% year-on-year growth in new client acquisition.

The other sort of vertical we have Ambition Box, which is our play in the career sort of reviews and rating space, grew handsomely to overtake the leading competitor in its space, and Ambition Box

reported 6.29 million unique visitors in Q1 2023, making it the largest careers and review and ratings platform in India.

Our marketing team recently launched a series of new digital video campaigns #mykindofNaukri targeting the Gen Z audience. This would further cement Naukri's leadership in traffic share and improve its top of mind recall amongst new generations of job seekers, that's the idea.

Moving on to the Shiksha business, in Q1, Shiksha billings grows 30.7% year-on-year and stood at Rs. 30.4 crores while revenue grew 37.4% year-on-year to Rs. 31.3 crores. The Shiksha business made an EBITDA of Rs. 6.2 crores during the quarter versus Rs. 7.7 crores in Q1 of last year. Cash from operations for the quarter stood at Rs. 5.3 crores against Rs. 8 crore reported in Q1 of last year.

The Shiksha business has now delivered strong and consistent revenue growth for the last seven quarters and has been generating cash. The delayed closure of academy year 2022 had an impact on new students registering on the platform. As a concerns regarding COVID subscribe, we expect the trend to normalize in a few quarters.

The new sort of private universities in India, we believe will offer an option to Shiksha to expand its footprint further. We also strengthened our study abroad business, which is relatively new, we saw strong recovery in students opting to study in the UK and the US, and we continue to invest in making our content more comprehensive and more student-friendly and in building deep domain expertise in this space.

Moving on to the 99acres business, billings in 99acres grew 173.2% year-on-year on a COVID impacted Q1 and stood at Rs. 61.1 crore while revenue grew from Rs. 49.2 crores in Q1 of last year to 66.3 crores in Q1 of this year. The operating loss for the quarter stood at Rs. 35.4 crores against a profit of Rs. 10 lakh reported in Q1 of last year. The business reported a cash outflow from operations of Rs. 46.6 crores for the quarter against a cash outflow of Rs. 36.4 crores in the same quarter of last year.

In 99acres, we recorded revenue growth across all major categories, resale, rental, commercial, and new homes. Concerted efforts were put in during the quarter to increase improve the quality of listings on the platform. The owner listings grew 7% year-on-year while broker listings grew 9% year-on-year. Premium listings continued to see good adoption from brokers. The review from the residents and recent transaction prices were further scaled up to help buyers and owners get more insights about the real estate market on the platform, and we continue to invest on platform content, client delivery, and marketing in this business.

Moving on to the matrimony business, due to certain free offerings launched in March 2022, billings in Q1 declined by 29.8% year-on-year to Rs. 17.6 crores and revenue declined 9.1% year-on-year to Rs. 22.9 crores. The operating EBITDA loss stood at 27.6 crores for the quarter against a loss of Rs. 23.2 crores in the same quarter of last year. Cash outflow from operations for the quarter stood at Rs. 49.8 crores against an outflow of Rs. 18.4 crores in Q1 of last year.

As we discussed in our last call, Jeevansathi has made chat for users free on the platform. The platform is seeing a strong traction in this feature resulting in more chats engagement on the platform. In addition, several TV celebrities and influencers across communities were roped in to drive the chat and is free on Jeevansathi message to our users. In addition to this, the business had continued to focus on pulling the platform experience and building brand salience in the year ahead.

As far as consolidated financial highlights of the company go, at the consolidated level, the net sales of the company stood at Rs. 547.3 crores during Q1 versus 328.6 crores for Q1 of last year. For the consolidated entity at the total comprehensive income level, there is a loss of Rs. 3,342 crores versus an income of Rs. 158.2 crore for the corresponding previous year quarter ending June 30, 2021. Adjusted for the exceptional items, PBT stood at the profit of Rs. 339.4 crores in Q1 '23 versus Rs. 45 crores in Q1 of last year.

Thank you. That's all from us. We are now happy to take questions.

Vivek: Thank you, Hitesh. We'll now move to begin our Q&A session. Anyone who wishes to ask question may raise your hand on the screen. We'll take your name and announce your turn in the question queue.

Moderator: Thank you, Vivek. So we have first question from Vivekanand from Ambit Capital. Vivek, go ahead and ask your question.

Vivekanand: Hello. Thank you very much for the opportunity. Sanjeev, now that we have instituted a clear-cut structure of making financial investments via AIF and the Zomato lock-in is now behind us, why not recycle capital by monetizing your stay? I mean, we've taken great pride in being early stage investors and having a solid track record of great returns there. So that's question one. Second one is for Hitesh. You now had a chance to work with strategic investments like NoPaperForms, Univarity for several years now, three years almost. So did these investments contribute to Shiksha's revenue scale up almost 2x of, I mean, more than 2x of pre-COVID levels? You know, this question is more in the context of investments made in the last 12 to 18 months like Zwayam, Do Select and more recently 4B Networks and Aisle Network? Thank you.

Sanjeev Bikhchandani: Yeah. Shall I answer Zomato question first, Hitesh?

Hitesh Oberoi: Yeah. Please.

Sanjeev Bikhchandani: So look, we don't need to sell Zomato stock in order to invest in start-ups. We have a fund in place. We have enough money on the balance sheet to put into those funds. We have half the money come from Temasek. And you know, the truth is that it's not easy to sort of find the Zomato or a PolicyBazaar, right? You invest today. Hopefully, five, seven years, one or two become highly successful. And while we can exit from these investments from both Zomato and PolicyBazaar, maybe Policybazaar a couple of months later, the truth is if you ask us to deploy that amount of money productively into early stage companies within two, three years, we will end up making some optimal investments in all likelihood, right.

Now we could sell and keep cash. We could sell and give cash back to shareholders. But you know, what I like to believe is that if the business has got legs, why not stay for a while? Now this is just my sort of belief. Obviously, the Board will decide. So we are in no caring hurry to sell those stocks. But you know, it's not as if we sort of vowed to sell a company the moment it goes public. If the business has got legs, perhaps we should hold on. And there's an ongoing conversation report all the time. It's not written in stone. It's up for review periodically.

But you know, what I also believe is that if the business has got legs and you hold on, you have a future, right. If you sell, you only have cash, and cash is valued at 1x. Future is valued at a multiple of

whatever the future is. Yeah. So we'd like to hold on if you believe the business has got legs. Yeah. Hitesh, you want to answer second question?

Hitesh Oberoi: Yeah. You know, I guess your question was around whether the strategic investments we made in companies like Univariety and NoPaperForms helped us sort of scale up the Shiksha business over the last two years. Is that correct?

Vivekanand: Yes. And the extension to that was the aspiration that you have across your operating businesses to make strategic investments and either, you know, either to enhance your revenue or bring down costs, right.

Hitesh Oberoi: So, listen. So there are, you know, two or three types of strategic investments we are sort of making. One is, of course, outright acquisition. So Ambition Box, which I sort of spoke about, was an acquisition we made a few years ago. iimjobs is a company we acquired 100% a few years ago. Zwayam is a 100% acquisition. So, you know, Do Select is 100% acquisition.

Now in these cases, of course, we are deriving tremendous value from the Naukri network because we are taking these businesses in and the hope is that we scale them up massively because of our distribution and other capabilities. Now, then there are companies where we are, you know, investors, but we don't really run the operation, you know, like Univariety, like NoPaperForms, like Greythr.

Now here right now it's not as if our internal businesses are cooperating or collaborating with these companies, you know, on a regular basis. There is periodically exchange ideas, but there is no sort of business cooperation between these businesses. The idea here is that, you know, we are in these companies. We like them and if they continue to scale up, we would like to invest. If they continue to scale and perform, then we would like to sort of own more and more of these companies over time if the entrepreneurs are okay with it. So that's the nature of these sort of investments.

Now, so let's see how this plays out, because now Aisle is somewhere in the middle now where in Aisle we own 76% now, and there is a path to getting to 100%. But we want the entrepreneur to run the show for some time because we believe that's the best way to scale the business, and we don't think we can take on that business internally and do a better job of what maybe that team can do right now.

So that's the third type of, you know, investment sort of we made where we own majority. We are working very closely with the entrepreneur. Ultimately, we would want to go to 100%, but we would like the entrepreneurs to run the show for some time. I don't know whether I was able to answer your question.

Vivekanand: No, no. This made a lot of sense. I guess, what you are saying is Shiksha scale-up versus pre-COVID levels primarily happened internally rather than collaborating with these start-ups.

Hitesh Oberoi: Yes.

Vivekanand: So Sanjeev, just one small follow-up. So you said that, sure, you can exit Zomato, PB, but deploying money, this kind of money in startups may lead you to not be that prudent if it has to be done internally.

Sanjeev Bikhchandani: Almost certainly will lead us to be not so prudent.

Vivekanand: So is that because of the perhaps the shallow nature of the startup universe still in India or is it something else? I'm just trying to understand this better.

Sanjeev Bikhchandani: No, let me put it this way. See, typically when you have a fund, right, you will say okay, find from three years of close of the fund, you will need to write all your first checks. Now if you are going to invest 10,000 crores, let's say, which if you exit from both these companies, you want to invest 10,000 crores, right. You are talking of investing 3,000 crores within three years, right, as first checks, and the remaining goes as follow-on checks. Now that's a tough ask, you know, because we like to go in early stage. Early stage if you want to invest 3,000 crores as the first institutional check into a company with the average check size say of 10 crores, you're talking about 300 investments.

Now 300 investments is a lot from a team management perspective, right, and sooner or later you will slip up, or you have to have a very large number of people working with you. And they are tough things to manage and 10,000 crores on early stage companies perhaps the risk level will also be different.

Vivekanand: Understood. Thank you and all the best.

Moderator: The next question is from Ruchi Mukhija from Elara Capital. Ruchi, go ahead and ask your question. Ruchi, are you there? We'll go to the next person. The next question is from Jaydeep Choraria, CIO from Advent securities. Jaideep, go ahead and ask your question.

Jaydeep Choraria: So Hitesh, my question was specific to 99acres. So 99acres we have mentioned in our investor deck saying that owing to hire A&P spends for this quarter, EBITDA loss is 35 crores. So I want to know if this is a one-off, will this sustain in Q2 of this year. And hence, this is the going forward trajectory of this business. We are burning close to 50 crores of cash per quarter here. So want to know how long will this sustain? And if it were not for this A&P spend, what would this number be for? This 35 crores of EBITDA loss?

Hitesh Oberoi: So, see, right now actually for a while now, this space will be very competitive and a lot of our competitors have been spending a lot of money, and there's a lot of new money which is coming to the space. And therefore, we've been forced to respond and also we've been out of media for a while last year because we were post-COVID we didn't spend as much money as we spent normally.

Now going forward, you know, the A&P spend will continue. It might moderate a little if the competitive intensity eases. And hopefully, our revenue will also look up over time. Our billings will sort of hopefully increase over time, but it's hard to say how this would play out at this point in time.

I mean, of course, internally we will target to sort of reduce our burn in the coming quarters, but one can't be sure. So I can't give you a number and say, listen, this is what burn is likely to be going forward. All I can say is we will try and optimize our costs, and we will try and grow revenue, and hopefully the burn will sort of overtime go down. But you know, if competitive intensity increase and all hell breaks loose, then we'll be forced to sort of respond to maintain our share.

The space has become a lot more competitive than it was, you know, a couple of years ago. At the same time, the real estate market is also bouncing back. So the market was in the dumps for many years for various reasons, but for the first time, you know, it looks like the real estate is sort of back. Prices are going up. You know, number of transactions have gone up in the last few quarters. So we're hoping that the real estate market will continue to be buoyant for some more time.

Jaydeep Choraria: That's helpful. Only point that I wanted to have a follow-up on was what was the absolute marketing spend that we incurred for this campaign that we have been doing for quite some time? I've been seeing the ads coming on CNBC and all of that.

Hitesh Oberoi: So it's good to hear that you've been seeing this ad because you are our TG. But how much do we exactly spend? Chintan, do we give out that break up?

Chintan Thakkar: I don't think we don't give out at the business segment level.

Hitesh Oberoi: Well, it was substantially higher than--

Jaydeep Choraria: See, the idea is just to know how much of this will wither away with time. So how do I look at this business going forward in terms of EBITDA and all of that?

Hitesh Oberoi: See, whether it will wither away with time, I don't know, because we, like I said, we continue to, we intend to continue to spend on advertising and promotion at least for some more time, right? And then a lot will depend on what sort of competition does in this space. But just to give you a sense, this number will be at least in around 30-35 crores a quarter.

Jaydeep Choraria: That's very helpful. And did we see any tangible impact on sales because of the campaign because it's been going around for quite some time?

Hitesh Oberoi: See like I said earlier, see, we're seeing a lot of competition in the space. So our competitors are spending a lot of money and that was beginning to hurt us. And you know, we had to respond to get our traffic share back. Now sales will follow, you know, over time. Sales don't, you know, because we sell subscriptions and, you know, clients sort of like to watch respond and see what happens to the response and then the basis the response they get on the platform, they sort of, you know, renew and upgrade over time. So whether this will result in more sale or not will be known to us only after a couple of quarters.

Jaydeep Choraria: Thanks Hitesh

Moderator: Thanks, Jaydeep. Next question is from Mohit Motwani from Edelweiss. Mohit, go ahead and ask your question.

Mohit Motwani: Thanks for the opportunity and congratulations for the great set of numbers. My first question is on the ad spends for Jeevansathi. So we have seen a quarter-on-quarter decline in ad spends and you have mentioned that, you know, you will maintain high expense because the competitive intensity is quite high. So does this decline in quarterly ad spend aligned with the fact that you are providing most of the services in Jeevansathi for free?

Hitesh Oberoi: You're right. So we have changed the model in Jeevansathi and we're experimenting with the new model. We've gone free on, you know, a lot of services which were paid earlier are now available for free, and that's helping us acquire more users. Our Hope in the long run is that if this model works for us, then we will not have to spend as much money on marketing as we used to spend earlier, right. And that's the goal.

Of course, you know, revenue is going to take a beating, but we believe that if we are able to get more traffic and if we are able to make more matches and have more marriages happening through the

platform, ultimately, we'll be able to figure out a way to monetize their traffic. But for a few quarters, you know, revenue will go down, and it's already down 30% over last year. But the hope is that, you know, our spend will also go down over time and after a few quarters, we should be in a much healthier position with a lot more users, a lot more traffic, and a lot more engagement on the platform. And then, hopefully, we'll figure out a way to monetize at some point in time.

Mohit Motwani: So how long do you plan to continue this freemium model for Jeevansathi and you know, what leads us to believe that, you know, once we start monetizing this after the free service when we start charging, they will stick with the platform? What leads us to believe that? Is it because they would be well accustomed with the features and what is the thought behind that?

Hitesh Oberoi: So this model as far as we are concerned at this point in time, this model is here to stay. We are looking to stay free for a long time, and then when we start charging, it is not as if we will sort of go paid again. We will probably figure out other services to charge for and other features and functionalities to charge for over time. But like I said, it's early days. Our hope right now is that this change in strategy will help us get more traffic, more engagement, will enable us to sort of, you know, get the network effect going for us, and will hopefully make us a largest player in this space after a while in terms of users and traffic and engagement. And once that happens, then, you know, monetization will follow.

Mohit Motwani: That's helpful. One other question on recruitment, right. So we are clocking a great set of numbers on growth front, and this is definitely because of how digitization has become a must today for the enterprises, right. So you're normalized in the last 10 years, if I see it has grown at 16, 17% of, you know, compounded annual growth rate. So do you expect this, you know, the current high growth phase to normalize in the next few years or you expect this to continue, high growth levels to continue for a foreseeable future?

Hitesh Oberoi: See, it's very hard to say. Depend on two, three things. One, of course, you know, the IT market. So IT is in our sense now close to more than half our sort of revenue, and if the IT market continues to do well, then the business will continue to grow fast with that part of the business. And right now, you know, IT sort of drove our growth, was responsible for our high growth rates last year and continues to be, I mean, IT hiring has slowed down a little bit in the last one or two quarters, but it continues to be strong. So that's one.

The second, of course, thing which impacts our growth is, you know, the economy and how fast the economy grows. Now when we went into COVID, the economy had started slowing down for the last couple of years before COVID and during COVID also. You know, we didn't see much growth because the economy was growing at 4, 5% per annum.

So right now we are seeing a, you know, surge in growth in non-IT as well because the market is opening up. The businesses were shut because of COVID. Now they're back to sort of operating like they used to earlier, but if the economy starts growing faster than it was growing earlier, then that should also help.

The third thing, of course, you know, like which I spoke about is that we are driving better price realization for ourselves, because we are sort of, you know, helping our clients understand the value that we're delivering to them. And that is helping us realize better prices. And also because the

economy is sort of doing well and you mentioned digitization, everybody's going digital. We are adding more customers than we were adding earlier.

Lastly we, you know, got these new sort of set of products, you know, like I mentioned, you know, Zwayam, Do Select, iimjobs, Hirst. So we have a much bigger portfolio of products today than we had earlier. And we are hoping and expecting that these new products in our portfolio will continue to grow at a fast rate going forward. Today, they're, of course, a very tiny proportion of our business. But hopefully, they'll grow much faster than the rest of the business even if there is a slowdown tomorrow.

Mohit Motwani: That's all helpful. Thank you for taking my questions.

Moderator: Thank you, Mohit. Next question is from Srinath from Bellwether. Srinath, go ahead and ask your question.

Srinath: Hi, Sanjeev, just wanted to, you know, ask you what are your views on the ESOPs that have been issued by the newer tech companies in and around listing? And subsequently these ESOPs have, you know, seen large write-offs that kick in. Of course, there's an accounting angle to it, but they're front-ended. But from a good governance practice, in the context of good governance practice and in the context of, you know, our ownership in this space, you know, how should one look at these large ESOP issuances?

Sanjeev Bikhchandani: Yeah. So I think it's important to look at each case separately. Okay. Because each case is individual. I would not like to generalize. But a couple of things. See, first of all was the disclosure prior to the IPO or during the IPO document and the road shows, they're different. This is the situation. This is going to happen or this has happened, has been. It's a prior disclosure. It's one thing. There's no prior disclosure. It's quite another. And no prior disclosure is a problem. Okay.

The second thing I'd like to point out is that if founders have been diluted too much, right, will they have an incentive to stay for three, five years post the IPO, seven years post the IPO to at least run the ship? And if they have incentive, but maybe some amount of ESOP is justified, and this may not be just in, you know, tens of thousands. It could run into 1, 2, 3, 4% of the company. And if the dilution was forced upon them simply because of the competitive environment and, you know, competition raising too much money, and you have to raise in response, then perhaps a more sympathetic view can be taken, which is what has happened in a couple of cases that we were involved in.

The third is was the right process followed in granting the ESOP? Did the founder grant himself the ESOP or herself the ESOP? Or was there an NRC accomplishing committee where there were no Executive Directors involved and it was either independents or investor directors, but the NEDs who were involved and not related to the promoter? Now those are the touchstones I would use to determine what is excessive and what is not.

Srinath: Thanks, Sanjeev. That was really useful given the, you know, confusion as in the listed analysts are finding it a bit difficult to make the bridge because of the concept of adjusted EBITDA is kind of new to us. So, you know, it's nice of you to share your view. Hitesh, wanted to kind of get an understanding of impact of the tech sector to us now including, you know, tech hiring by tech companies as well as tech hiring by non-tech companies like banks and so on. So where is that now? And you know, how is that broadly growing?

Hitesh Oberoi: So you see tech hiring was on fire for the last four or five quarters. And you know, attrition rates at most companies peaked, and talent is hard to get. You know, offers are getting rejected left, right, center, all kinds of stories around people getting double, triple the salary they were getting earlier.

So now, of course, the startup hiring market has slowed down because of what we're seeing around us, but startups are not a big part of our revenue sort of stream. Now are we anecdotally, what we are hearing from our sales team etc., is that, you know, tech hiring has slowed down a little bit. Having said so, attrition rates are still reasonably high at most companies and talent is still hard to get, right.

So it's not as crazy as it was maybe three quarters back where companies were, you know, attrition rates were running at 40, 50% in most companies and offer sort of rejection rates were 70%, 80%, 90%. But it's still very, very hard to hire in tech. And there are still enough jobs in the market for people who are looking. But has it slowed down over the last two, three, four months? Maybe it has a little bit. Is it likely to slow down further going forward?

I suspect it's going to be a function of what happens in the US. There was some talk of a recession in the US and companies became cautious as a result. I don't know whether they are seeing business slow down. But you know, because of the talk sort of companies have become a little careful. If, you know, the US market turns and if, you know, the US starts growing once again, then perhaps who knows? I mean, you know, we may go back to the market we had two quarters back. Very difficult to say what is going to happen going forward. Clearly, in the US, there's no slowdown in hiring on the non-tech side, you know.

So I was in the US for a couple of weeks, and there are so many people who I've met. There's a huge shortage of talent in at least, you know, areas like retail, hospitality, travel. You know, there's a complete shortage. IT hiring did slow down. I mean, there was some talk of a recession and because, you know, the NASDAQ went down with 30% and startups correct for 70, 80%, there was this sort of whole thing around tech hiring slowing down.

But my sense is that if the US goes back to sort of growing like it was growing earlier, then this talk will go away and, you know, companies which have become careful will start hiring once again as aggressively. But even right now like I said, you know, it's not as if hiring in tech is easy. It's still very, very hard.

Srinath: Got it, and it's still about 60 % of our revenues in tech and in non-tech also?

Hitesh Oberoi: If you include the tech guys who are getting hired in non-tech companies.

Srinath: It's still over about 60%.

Hitesh Oberoi: Yes, it's still about 60% if you include the tech guys who are getting hired in non-tech companies.

Srinath: Got it. My last question is on 99acres. So after, you know, some understanding of the Policybazaar business model, won't a business model similar to that, you know, how do you see that kind of fitting in the real estate space where there's a lead generation, and then subsequently a call center offline, you know, feet on street where we do our own kind of, you know, transactions,

subsequently build an ancillary landscape in real estate with other tech products that we could sell builders and kind of take a much more ecosystem approach to this? Of course, you know, the burns will be significantly probably 5x, 6x higher than where it is now, but would that also translate into us kind of having a significant better pie of the real estate space? You know, any idea on how one should kind of look at a completely holistic approach of, you know, working on the industry or just looking at a listings platform, Hitesh, Sanjeev whoever, you know? I was just curious.

Hitesh Oberoi: very good question and you see there are all kinds of players who exist in the real estate space overseas and in India as well. There are brokerages. There are, you know, marketplaces like ours. We've invested in a company called 4B Networks. They are trying the aggregation model, which is very different from any of these models.

See, we've toyed, you know, we actually experimented with a brokerage model many years ago. We had set up a company called All Check Deals and we ran that business for a while and then we shut it down. While you are right in saying that, you know, if we go end-to-end and sort of do the transaction, we can monetize a lot better. But then it's also more expensive, you know, if you go down that path. You have to invest in a sales team. You have to do transactions. You have to sort of, you know, so it's a different business, a different model.

Our belief so far has been that perhaps it is possible to create more value in the marketplace model, but then the thing with these models and especially marketplace models is that, you know, you have to be the number one player. You have to sort of, you know, be a leader in the market. You know, if you're a number three player, you don't create value. And you know, so you have to break away from the rest of the pack to be able to create disproportionate value.

As a brokerage perhaps many brokers can survive in the market and do well. But if you are, you know, if you want to be a marketplace, then you can create disproportionate value, but then you have to be a leader, like we are in Naukri. So, also the two models compete with each other. So it's very difficult to do both. So, for example, if we become a brokerage ourselves, you know, our clients may sort of not like it, and they may not want to advertise with us. So it's a choice.

So far, you know, we are of the view that we should perhaps continue to sort of invest behind the model. We have sort of, you know, sort of been working on for the last few years. So we could make investments in sort of other models, like we have investment in 4B Networks, but inside the company, we would like to persist with what we will be doing for years. It may not be a good idea now to sort of give up on this model and start something from scratch. And I mean, we do believe that it's going to be very difficult to be able to do both.

Srinath: Got it. Thanks, Hitesh and thanks, Sanjeev for taking your time off and giving a very detailed answer to all my questions. Thanks a lot.

Moderator: Thank you, Srinath. The next question we have Aditya Suresh from Macquarie. Aditya, go ahead and ask your question.

Aditya Suresh: Thank you so much for the presentation, for your candid responses and also the great numbers this quarter. So I had two questions. So first was on the Naukri business, and I guess the question really is about the sustenance of the strong growth, right, and based on kind of what you're showing as billings and deferred revenue and the likes, would be fair to conclude that what you're

showing as sales that momentum probably sustains at least for the next few quarters. And if so, therefore, your margins also kind of sustain. And I guess the context of what the question really is that your EBITDA margin is really been between 50% to 60%, and today we're closer to the peak of your Naukri business. And so I'm just wondering about the sustenance of that EBITDA margin in response to where you're seeing revenues at? That's the first question and the second question as well.

Hitesh Oberoi: So listen, we've had a great six quarters in Naukri. Last year it was primarily because of IT hiring. This year what we have, I mean, in Q1 of this year, our Naukri India b2b business billings grew by 80% actually, right? So even the billing growth has accelerated. You know, we were growing at 60, 70%, and now last quarter we grew at 80%. Will this sustain? I don't know.

See, what we are seeing is a non-it hiring pick up, but there are some murmurs around IT hiring slowing down. In Q1, we saw IT hiring also peak, non-IT hiring also peak, which is why our billings grew by 80%. I don't know what is going to happen to IT hiring going forward. If IT hiring sustains, if it continues to be as strong as it was last year, then, well, maybe we can maintain these growth rates. But it's a wait and watch situation.

So margins, you know, a lot will depend on how much we want to, so, you know, given that we're making so much money in Naukri, I mean, last to last quarter, we generated about 300 crores of cash in the Naukri business last quarter, which is our weakest quarter actually, our smallest quarter, we generated 230 crores of cash in the Naukri business. So, clearly, we can invest a lot more in Naukri. We are, for example, you know, back in media after a long time, not because we have to be in media, but we think it's a good idea to sort of, you know, be in media and sort of continue to be top of mind in the market.

We're investing behind new verticals like JobHai and Big Shift, which we're building in-house. These verticals don't make any money. Ambition Box, we're investing in Ambition Box, does not make any money. We are investing behind Zwayam. We are investing behind FirstNaukri. We are investing behind Do Select. These are tiny businesses right now. We're investing in Hirst, again a tiny business. So there are lots of new sort of verticals, you know, adjacent verticals we are investing behind inside Info Edge so that when the market slows down, you continue to sort of and these new products continue to sort of get us growth going forward.

So the margins, you know, we can improve our margin substantially. We can go to even 70% EBITDA margin if we stop investing in these businesses. But we've taken a call to invest more, but at the same time we don't want to sort of compromise too much on margin. We would like to maintain the margin in a certain range so that, you know, so that we are sort of disciplined about it also.

Aditya Suresh: Thanks, Hitesh. That's very clear. And I guess, in terms of the other verticals, do you have any updated kind of plan in terms of is any kind of upper limit in terms of the amount of losses you might be able to fund here? Or does the position remain that, I guess, we'll see how it goes and we kind of wait for the consolidation to happen?

Hitesh Oberoi: So I think we should, let's take the Jeevansathi business. So I think we should give it another two, three quarters to play out because we've just changed our model. You know, if this model succeeds, if this model succeeds, then our take on the business is that it may not require the kind of marketing spend, you know, we've been doing in, you know, in this space going forward.

But it's a wait and watch. I mean, we don't know whether this is going to succeed or not. We'll have to give another two quarters to see how it goes. You know, we are okay with the losing revenue, sacrificing revenue. As long as we get the net effect going, we get traffic, we get engagement on the platform, we'll figure out a way to monetize later. So we're trying to change the game here, but a lot will depend on how competition responds, what happens over the next two, three quarters. So let's wait and watch. Clearly, we don't want to invest much more than what we were investing last year, right? So the idea here is to change the game so that we don't have to make those kind of investments in the business to prove it. So that's the Jeevansathi vertical.

Now 99acres, see, the truth is we lost some ground in 99acres over the last two years because of COVID and we want to regain that ground. The space has become a lot more competitive. There are many new players in the space. There's NoBroker. There's Housing. There's SquareYards. There are a bunch of other people who are trying. The market is looking good after a long time. So, you know, and we've got some things we're working on and with those, if some of those sort of things work out as planned, then we are hoping that our burn will go down with every sort of passing quarter, but those things have to work out. So, again, I think, we'll have a much clearer answer on what will happen in this business perhaps maybe three quarters from now .

Aditya Suresh: Thanks, Hitesh, to your candid responses. Much appreciated. Thank you.

Moderator: Thank you, Aditya. Next, we have Vivekanand from Ambit Capital. Vivek, go ahead and ask your question.

Vivekanand: Yeah. Thank you for the follow up. So, Hitesh, you said that you will persist with this strategy in Jeevansathi. So what's your take on the time it takes for this model to scale up traffic without the kind of intensity of A&P that you were doing in the past? I'm asking this question in the context of, you know, similar web traffic data which doesn't really indicate that much of a change in the Jeevansathi domain? I understand that the mobile app data isn't captured here, but if you could just help us understand, you know, how patient you will be with respect to this?

Hitesh Oberoi: You're from Aventus, right?

Vivekanand: No, no. I'm from Ambit.

Hitesh Oberoi: Ambit. Sorry. Okay. So listen, so 90% of the traffic in Jeevansathi is on the app. So the similar web data has no relevance. So now we went free about three months, three-and-a-half, four months back, and we have seen an increase in traffic on the app. We are seeing more registrations. There is reasonably good word of mouth around the fact that we are free. We are seeing more matches happen on the platform. Now is it enough to change the game? It's hard for me to say. It's only been three, four months? Have we cut down our ad spend? A little bit, right, from where we were a few months ago. But we want to give it a good shot. You know, we want to sort of keep ad spend high for a while. We want to sort of be free for a while, and we want to see what happens.

Now this may never work out, right. This could just this could fail. So, you know, there's a caveat. It's not as if we are sort of 100% sure that this model is going to succeed. It could fail, but we want to give it a good shot. If it starts to succeed, you know, at least on the traffic front, we'll have a clearer answer two quarters from now, right? On the revenue front, it could take longer, because we will have to

figure out new ways of monetizing this traffic because, you know, if it starts to succeed, we would not want to go paid once again. We would like to keep the chat free.

Vivekanand: That's pretty useful. Just one additional question in this context. So till now we have only explored a model of subscription for this service. Is it possible to, you know, think about say alternative, perhaps advertising or transaction business models here? Or is it too early to even talk about these things?

Hitesh Oberoi: See, our team has started thinking about it and there are sort of, you know, other models around. You know, if you sort of look at what's happening in China and sort of other markets, there are some other models. So we are studying those models, and we are trying to figure out what we can do here. But like I said, see, the short-term focus, the focus of the next two, three quarters is traffic growth, more engagement, more matches, more registrations, more monthly active users on the platform. The idea is that so and like I said we'll start worrying about, you know, revenue later. And the hope is that once we get to that point, we won't have to spend as much money on marketing as we are spending right now.

Vivekanand: Okay. That part is clear. So just to understand this better, you know, you think that you will reach a stage where you will not have to spend as much in advertising on a sustainable basis. Is that what you mean when you say?

Hitesh Oberoi: That's a hope. That's a hope. If we are free that's a strong value proposition, and that should drive a lot of sort of, you know, traffic on the platform once there is word of mouth, right? So we have to get the word of mouth going. We have to have, you know, get more traffic, get more matches happening through our platform. You know, then that creates word of mouth and that automatically gets more users.

So now whether that will play out like they are expected to play out, and whether it will play out in one quarter or three or six is hard for me to say right now. What I can tell you is that we are seeing more traction than we were seeing three months back, and we don't have, and we are not spending as much money as we were spending earlier already.

Vivekanand: Okay, understood. Thank you very much for the detailed explanation.

Moderator: Thank you, Vivek. The next question is from Vijit Jain from Citi. Vijit, go ahead and ask your question.

Vijit Jain: Hi. Thank you for the opportunity, and my question is on the education business. Just trying to understand, you know, with this new business model that you are trying in there, is there going to be a lot of seasonality here around college recruitment seasons and, you know, overall, you know, your two cents on how that is evolving?

Hitesh Oberoi: So there's no new business model in Shiksha. We are following the same model we had, you know, we were following earlier. It's just that because of COVID, the education sort of seasons have changed, you know, so because of delayed sort of Board exams and delayed JEE exams and, you know, and so many other things have been happening. The seasonality has shifted a little bit, right? And hopefully, I think things will be back to normal by next year on that front.

What has changed a little bit in the Shiksha business is that we are, you know, slowly and steadily scaling up our study abroad business, which was a tiny part of our business till some time back. And we are investing a lot more behind that sort of vertical, and in that vertical, the model is end-to-end transaction, right, So we actually counsel students and we sort of send them overseas. We handhold them and send them overseas, unlike the Shiksha domestic business, which is primarily a lead gen business where we sort of generate leads and sell them to customers, and then the customers sort of close on their own with like the 99acres business. So I hope that answers your question.

Vijit Jain: Yeah, sure. Thanks, Hitesh. Hitesh, my second question is in the recruitment business, you know, you did mention, you know, the non-IT sectors are starting to, you know, come back mean the contact-based services post opening up. I'm just wondering among the bigger non-IT sectors, non-tech hiring, which are the ones where you think the momentum is fairly strong even when you are just for, you know, the low base of last few years? So is it financial services? Is it infrastructure services? Which are the categories where you're seeing growth, you know, even versus say an FY19 or FY20?

Hitesh Oberoi: So some non-IT sectors have done really well over the last few years for us, but tiny sectors on our platform to start with. But I don't know whether it's because the sectors are doing well or because there's more digitization and more and more people are moving online are sectors like education, sectors like health services, you know. So these two sectors, for example, you know, our JobSpeak Index, you know, has gone through the roof over the last two, three years, right? There are some other sectors also which are doing okay like banking, financial services, insurance, but you know, they're not like on fire. And if you adjust for COVID etc., maybe they're okay. They're like they were earlier, but some of these sectors have done really well over the last two, three years.

Vijit Jain: Thanks, Hitesh. Those were my questions.

Moderator: So we are done with the questions so far. We may wait couple of more for 30, 40 seconds. If there are more questions, please raise your hand. Vivek, that was the last question we had.

Vivek: Thanks everyone. On behalf of Info Edge, we conclude this call. Thanks. You may disconnect the call now.