"Info Edge (India) Limited Q1 FY16 Results Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Info Edge (India) Limited Q1 Results Conference Call. Joining us on the call today are Mr. Hitesh Oberoi – Managing Director and CEO; Mr. Chintan Thakkar – CFO; and Mr. Sanjeev Bikhchandani – Vice Chairman. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hitesh Oberoi. Thank you and over to you, sir.

Hitesh Oberoi: Good Evening and Welcome to our First Quarter Results Conference Call. As always, 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 for the quarter, for the standalone company, net sales in Q1 were Rs.172 crores Vs Rs.145 crores in the same quarter last year, an increase of 18.5%. For Q1, operating EBITDA was at Rs.24 crores, having declined 51% year-on-year; operating EBITDA margin was at 14% Vs 33.5% in Q1 last year. This is mainly due to the increase in investment in 99acres, mostly in advertising, but also investments in data quality and our platform. Marketing spend was up in Jeevansathi as well. This is in line with our long-term strategic goals. Other income is higher given the larger corpus and income from some FMPs which matured in this quarter. Going forward, the other income maybe lower given the decline in interest rates. PAT was at Rs.28.7 crores, down 28%, operating PAT was at Rs.11 crores, down 60% year-on-year and operating PAT margin was at 6.6% Vs 20% in the same quarter last year. Deferred sales revenue has increased to Rs.187 crores as of June 30th 2015 Vs Rs.175 crores as of 30th March 2015.

Moving on to the Recruitment business: As you are aware, now onwards, since we have moved to segmental reporting, we would be giving out PBT margins. The Data Sheet with this change since Q1 of last financial year will be uploaded on our website.

Moving on to the Financial Highlights for the Recruitment business: In Q1 of this year, Recruitment top line grew 20% to Rs.125 crores. PBT margins in Recruitment were at 51.25% Vs 51.7% in Q1 of last year. We had mentioned in the last call that given the expected hike in service tax rates, collections growth in Q4 was much higher than expected. Our average revenue growth for Q4 and Q1 in Naukri is about 23%. In Naukri in Q1, we added an average of about 12,600 fresh CVs every day and the Naukri database grew to about 42 million CVs. CV Modifications in Naukri went up to 166,000 per day. In Q1, we serviced 33,700 unique customers in Naukri Vs 31,000 in Q1 of last financial year.

We are happy with the recovery we are seeing in Naukri India Domestic Corporate sales – thanks to the recovery in IT – markets like Bengaluru are growing at around 30% while the non-IT markets like Mumbai and Delhi are growing at about 16-17%. As the Indian economy accelerates, we are hopeful that growth in the non-IT sectors will pick up as well. Thanks to our gain in traffic share – 70% for the last quarter. Our successful transition to mobile which is now 55% of our traffic. Our growing customer base and our new products and services like the Career Site Manager, the referral hiring platform and e-Hire which are helping us tap into new revenue streams, Naukri Corporate business to do well for the next few years if the economy continues to improve. Margins should improve in the Naukri business if the business starts to grow at more than 20% p.a.

Moving on to the Real Estate vertical: In 99acres, top line grew by 12% year-on-year in Q1 to Rs.25 crores. For Q4 and Q1, we averaged around 20% growth, again, important because this is more representative of the market since some collections got preponed in Q4 due to an expected increase in service tax. In Q1, 99acres made a loss of about Rs.35 crores, up from Rs.4 crores in Q1 of last year. This loss like I mentioned is mostly on account of increased investment in our platform, data quality and advertising.

The Real Estate market, as you know, continues to be very-very depressed. Demand for new homes, especially in markets like Noida, Gurgaon, Mumbai and Hyderabad continues to be very weak, transactions are down year-on-year, new launches in most markets are down 80% and unsold inventory in most cities is between 2 to 4-years at current sale rates. At the same time, the activity in a portal market continues to be at an all-time high. Real Estate portals continue to spend aggressively on marketing every quarter.

As some of you may have noticed, we have also scaled up our marketing spend substantially; we expect losses to go up in this business therefore for the next few quarters. Having said so, we are well capitalized and continue to be super-capital efficient compared to other competitors in this space. We see a great opportunity in the market in the long run and will continue to defend and in fact try and improve our leadership position in this business.

In Jeevansathi, net sales in Q1 grew 14% to Rs.11 crores while in Shiksha net sales grew 25% and reached Rs.11 crores in Q1.

We had pointed out in the last call that we have consciously scaled down our investment in the Jeevansathi business in the last 2-years. Since then we have made reasonable progress on the mobile platform in Jeevansathi; about 65% of our traffic is now on the phone. We had also said that we plan to experiment with a few marketing ideas in Jeevansathi over the next few months and losses will go up in the short-term as a result. Revenue growth will follow but with a lag. As a result of these experiments, if we hit upon a new and more efficient business model to grow our business faster in the long run, we may up our investments significantly in the business going forward. We will keep you posted on the developments on this front.

As far as the Education vertical goes, we continue to work hard on the product. Over the last 12-months we have substantially improved our content and our SEO. This year we continue to focus on user-generated content, student tools and the Mobile App. Our user base in engagement continues to grow at a healthy rate. We do not expect to lose a lot of money in the business and continue to be a leader in this market.

Moving on to our Investee Companies: Our Investee Companies continue to witness solid growth. During Q1, we invested about Rs.152 crores in Zomato in April 2015 and maintained our stake at 50.1%. We invested about Rs.25 crores in Meritnation and our stake now is around 59%. We invested in Rs.2 crores in Happily Unmarried and our stake now is around 37%. The total amount invested in investee companies till June 30th 2015 is now around Rs.760 crores. Additional funding by existing investee companies may be required from time-to-time and we will evaluate each on its own merit. We continue to evaluate new investment opportunities as well.

To Summarize: As the economy improves, we expect to benefit in the Recruitment business. Our competitive position in Naukri is being further strengthened through improvements in products and our continued focus on client needs. We will continue to invest more in this business mainly in product development to help strengthen our leadership position. The underlying Real Estate market is in a slump in more cities. The competitive intensity has changed a bit but the existing players expected to continue to burn cash. We remain committed to this market and will continue to invest more in this business. Mobile Sites and Mobile Apps have witnessed improved traction with more and more users accessing our sites through them. This continues to be a focus area for the company.

We are now ready for any questions that you may have. Thank you so much.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. Our first question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: I have three questions: First question on Real Estate. Just wanted to understand the competition in this space, how has that changed since you pushed up your marketing spend, how have competitors reacted? Are you seeing also any shift away from offline advertising to online given the slowdown in general revenues? Question #2 is, how should we look at the marketing spend for 99acres, how much did you spend this quarter, any guidance you could give in this direction? Third question is, in light with the improving economy, would you consider 20% as the steady state growth for Naukri Pr is there room to move up to 25% or more?

Hitesh Oberoi: To answer your first question, our competition in Real Estate continues to be sites like Magicbricks and Commonfloor. Magicbricks of course is a strong competitor and they upped their spend significantly last quarter, especially on marketing. The other competitors like Housing and CommonFloor, India Property have also been aggressive in terms of marketing. We continue to maintain share. So, I do not know whether this intensity will increase or decrease going forward, but we are committed to maintaining our share in this vertical.

Sachin Salgaonkar: But, if there is any change you saw since you upped the marketing spend, did they also spend more or nothing changed from there?

Hitesh Oberoi: Actually, Magicbricks was very aggressive on television in April and May, they sponsored IPL. We have also made a new commercial; we have been on TV for the last few weeks.

Competitive intensity has sort of decreased a little bit in the month of July and towards the end of June. But, who knows? People maybe working on new strategies. CommonFloor has become a little more aggressive than they were last quarter; Housing is a little less aggressive, but this would all change in the next 2 or 3-months, we do not know how this will pan out. So, our marketing spend on 99acres went up significantly, we are not giving out the exact number, but, our losses in this vertical were around Rs.36 crores this quarter, most of it was on account of advertising spend going up, of course, we continue to invest in our platform and improving our data quality as well. To answer your question on Naukri, our average collection growth for the last 2-quarters has been about 23%, some collections got preponed in the last quarter, because of an expected increase in service tax, the same happened in 99acres as well. Going forward, a lot will depend on what happens to the economy. If the economy improves from here on and sectors like non-IT start hiring then our growth rate in these sectors should go up. Right now, while we are growing at 22-23%, it is because the IT sort of companies are growing or markets like Bengaluru which are predominantly IT, are growing at a faster rate than markets like Delhi and Mumbai which are growing at about 16-17%. To your question of shift from offline ad to online, we are not seeing any shift as such. Most companies have a sort of basic plan for online performance advertising. So, even we continue to spend on performance advertising everyday and that is true of all our competitors as well. Those spends have also gone up because people are bidding more for key words than they were earlier. And the branding spend you see on television is sort of off and on. So, sometimes companies are on television, sometimes they are off television. So, my sense is that a base level of performance advertising from all competitors will continue. And TV advertising which is a little more expensive and does not translate into a sort of immediate traffic will be a function of what companies want to invest in the business in the long run. And whether they want to build a brand right now or whether they want to wait it out when the market recovers.

Moderator: Thank you. The next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.

Parag Gupta: Just two questions: Firstly, on Real Estate, you did mention that your losses have gone up in this quarter and are likely to go up in the following quarters as well. So, if you could just give us a sense of, is this going to be again a lot more aggressive advertising or are the spends happening on other counts as well? And where do you see some of these investments kind of tapering off? Second is I know that you guys have the QIP fund still left with you. But, is there any sense of additional fundraising by any of your other investee companies and how do you see your cash flow positions emanating from that?

Hitesh Oberoi: To answer your first question on 99acres, we continue to invest in marketing and brand building, that is of course just one of the pillars but we continue to invest aggressively in data quality, in user experience, in improving our platform. So the user experience and data quality and platform investments will continue. The marketing investments will to an extent be determined by what happens in the market out there, whether competition is aggressive or not. So what happened last quarter was that not only that we invest more but some certain markets slowed down because Real Estate is very-very depressed, so for example, Delhi NCR, transactions are down, maybe 20-30% compared to last year and maybe 50-60% from their peak and new launches in markets like Delhi NCR are down 80-90%. So, that impacted our business. While we grew at a reasonably healthy rate in Mumbai, Bengaluru and Pune, but growth slowed down considerably in the Delhi NCR region. So, if the market starts to improve from here on, then that should sort of positively impact our top line and if competition is not very intense going forward, then we would not have to spend as aggressively on advertising as we did last quarter, but it is the wait-and-watch situation. So if both these happened, of course, our losses will go down, but if we are forced to invest aggressively and top line growth also does not follow, then of course, losses will continue to be heavy.

Sanjeev Bikhchandani To your second question, several of our investee companies are contemplating raising more money. Our sort of brief to them has been to get other investors, and if we need to participate in order to make it all happen, we will look at it. But in general, we are saying that, look, augment our sort of money with external investors' money because given the size of our balance sheet, given the requirements of 99acres and our other internal businesses, it would be useful to get external investors in to those of our companies looking for money.

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

Gaurav Malhotra: Just a couple of questions on the Property side. One is, Hitesh, you mentioned that the strategy is to retain market share or the strategy will be to increase market share, if you could just give us some details on that.

Hitesh Oberoi: No-no, I said, ideally we want to grow our market share unless of course this is very expensive to grow it and marketing is not the only sort of thing that we are doing to grow market share, we are investing in our platforms, we are working on data quality, we are improving our mobile experience. So, we are doing a host of things to improve our market share, but in the short term of course market share depends a lot on marketing activity and we are committed to at least defending our market share, and, of course, in the long run we would want to grow it but not just through marketing, but through the other sort of things we are doing earlier.

Gaurav Malhotra: Any sense on how much traffic share has changed in the last 2-3-quarters?

Hitesh Oberoi: So we have been averaging at about 34-35% share if you go by comScore; in the month of April, we dipped to about 29% because competition was very aggressive, in the month of June, we are back at 38%. This is if you take the market to be 99acres plus Magicbricks and CommonFloor plus India Property plus Makaan plus Housing. So in a market of six sort of sites, we are at 38% in June and 35% if we average over the last quarter.

Gaurav Malhotra: Again, on this whole market share. During the slowdown even Recruitment top line had slowed, you were still continuing to invest to gain market share, there the competition was quite less compared to what it is in Property, so that market share which you sort of got you manage to retain it. However in Property, the market share seems to be fluctuating and the competitive intensity is much higher. So would it not make strategically more sense to wait for the improvement in the Property market as a whole and then invest rather than invest now in any which ways once the property market invest, the other guys will also start investing for market share, any thoughts on that?

Hitesh Oberoi: The investment in products, investment in the platform, investment in mobile, investment in data quality, user experience, I think these should continue because I do not think we can afford to sort of relax in these areas. So, this is a major part of our strategy in 99acres. So, this will continue irrespective whether market is slow or not. Yes, marketing spends in a slow market do not make a lot of sense, but we are not the leader as far as these spends are concerned, we are not going to be stupid about spending in this market to gain market share, but we would want at least defend our market share even in a slow market.

Moderator: Thank you. The next question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: Firstly on 99acres in FY15, what proportion of your revenues came from Delhi NCR region?

Hitesh Oberoi: About 30%.

Arya Sen: What is your sense on your market position or market share across the different major cities which is Delhi NCR, Mumbai and Bengaluru, how different would it be in these different cities? And to what extent would that determine the mix in terms of different growth rates in the different cities determine your overall growth rate?

Hitesh Oberoi: We believe we are leaders in Delhi NCR, Mumbai, Chennai, and Hyderabad, these are the four markets where we are leaders. We are not a very clear leader in our view in markets like Pune and Bengaluru. We are like I said even though we grew at about 10-12% in Q1, we saw a slightly higher growth in markets like Mumbai, Pune, and Bengaluru. So, these are the markets we will continue to invest in aggressively; in Delhi NCR, we are seeing a serious slowdown in the market, which also impacted our growth rate. I do not know if that answers your question. I cannot give you exact numbers, but our strategy is to continue to invest aggressively in the markets which are still growing.

Arya Sen: Is there a substantial difference in the growth rates in Delhi NCR versus Mumbai and Bengaluru?

Hitesh Oberoi: For us, yes, because we were already a leader and we were in fact a dominant player in Delhi NCR, so we have been hurt by the slowdown maybe more than our competitors, but in the markets like Mumbai, Pune, Bengaluru, where we can still gain share, we are still growing well. This can all change, it all depends on what happens to these markets; today, Delhi NCR is in a very bad shape, tomorrow, if things slow down considerably in Mumbai and Bengaluru also, things could change, but as things stand today, we still have some scope to grow in these cities.

Arya Sen: Is it possible to give the share of revenues coming from Mumbai specifically and Bengaluru?

Hitesh Oberoi: For competitive reasons, we would not like to disclose this information.

Arya Sen: The other thing I just wanted to check is some numbers overall; one is the Collection for this quarter was what; against Rs.175 crores in the last quarter?

Hitesh Oberoi: Like I mentioned, Collection growth is very-very high in Q4 because people expected service tax to go up and therefore some Collections got preponed. So Naukri Collections in Q4 of last year were actually up 33%, similarly, 99acres Collections also went up significantly. So, as the Collections to the company in this quarter grew at 11% YoY; Collections grew by 33% in last quarter and 11% this quarter year-on-year.

Arya Sen: Deferred sales revenue was Rs.179 crores, is that correct?

Hitesh Oberoi: Deferred sales revenue has increased to Rs.187 crores.

Arya Sen: On Policybazaar, what was the full year FY15 revenues?

Hitesh Oberoi: We do not give out the numbers for our investee companies separately except the subsidiaries.

Arya Sen: Going back to the property part, you said that you are not the clear leader in Bengaluru. Who would be the leader in that market according to you?

Hitesh Oberoi: Bengaluru is split in three or four ways. The leadership position in that market keeps changing depending on who is best and who is not. Our sense is that while nationally we may have a 35% traffic share, in Bengaluru, our traffic share is maybe in the 20s.

Moderator: Thank you. The next question is from the line of Prince Poddar from UBS Securities. Please go ahead.

Prince Poddar: Just 2-3 questions from my side Firstly, the Career Site Manager the client count if you can tell us and how are these revenues panning out — is it still more from the mid-sized segment versus the large segment or smaller segment? The second would be if you can give a rough breakup of ad spend between 99acres versus others during the quarter? Third would be, any fresh update on Zomato, what are the strategic directions or what revenues we are planning in the next few quarters?

Hitesh Oberoi: We do not give out product wise numbers, but as far as the Career Site Manager goes, I do not have the exact number with me right now, but we have around 1500 customers who are live as far as that product is concerned. So, it is very early days still because the product is only about 15-months old, so we have a decent renewal rate, we are meeting a lot of success with mid-size customers, we are not so successful with a very large customers but mid-size customers we are doing well. As far as the break-up, 99acres I have already told you, most of our losses in this quarter are on account of higher advertising spend and of course because of higher investments in our platform and user experience. We do not sort of want to give out the number for the ad spend for 99acres separately right now for competitive reasons.

Prince Poddar: Continuing on Career Site Manager, would it be possible at least from the next quarter on to include some kind of metrics on CSM, any kind of metrics, that number of clients or number of hits, which would help us understand how the product is moving.

Hitesh Oberoi: We will think about it and we let you know.

Sanjeev Bikhchandani: On Zomato, we do not give out revenue guidance, but management expects high growth to continue, whether it is 2x or 2.5x or 3x, we do not know, it is still early. As far as strategic direction is concerned, there is a traditional revenue model which is advertising my restaurants, they are expanding that to include online ordering of food for home delivery, that pilot in India is doing fairly promising. In the future, they could add other products and other revenue streams. But for now, they want to also add revenue stream from the traditional revenue model in markets where the traffic hit us but have not yet monetized.

Prince Poddar: So this pilot on Food Ordering, are you trying to pilot these in other cities as well or…?

Sanjeev Bikhchandani: It is in 5 or 6 cities in India.

Moderator: Thank you. The next question is from the line of Shashi Dhar from MediaNama. Please go ahead.

Shashi Dhar: I am just trying to get some sense of numbers on Zomato. Could I get some segmental revenues or at least segmental traffic numbers from 23 countries they are present in?

Sanjeev Bikhchandani: We do not give out those numbers for competitive reasons.

Shashi Dhar: Just one question on perhaps strategy. Which of the 23 countries you are present in right now do you think is a better market for you considering that your primary market is India with the US, UK and Canadian markets?

Sanjeev Bikhchandani: No-no-no, our primary market is India, followed by UAE, this is where the bulk of the revenues have been coming from historically, but Zomato is a traffic leader in South Africa, in New Zealand, in Australia, in Canada, in Philippines, Indonesia and several other markets.

Shashi Dhar: Just one question again on Zomato. There were some media reports which said that they are looking to raise about 500 million. Where would they be spending it?

Sanjeev Bikhchandani: No, we have no comments on that, so we have no announcement to make on that one.

Moderator: Thank you. The next question is from the line of Srinivas Seshadari from Antique Stock. Please go ahead.

Srinivas Seshadari: Firstly, a question on 99acres again in terms of competitive intensity. You have seen some bit of a disruption in the leadership at Housing. So, if you could give your feedback on whether after that have you seen some bit of respite in terms of the spending levels or on the ground lot a of initiatives are being pushed by that particular company over the last 2-3-years, have you seen some bit of a slowdown as far as that specific player is concerned?

Hitesh Oberoi: They have certainly cut down on advertising. About 3-months or 4-months ago they are not as aggressive if you look at their advertising spend right now. But they were never sort of seriously trying to generate revenue. So, we are not seeing an impact there because they were not focused on generating revenue. But yes, advertising spends have gone down.

Srinivas Seshadari: Also, my question was on the kind of product innovation or whatever disruption they were causing, do you see that being coming off a bit after that, because of which you were obviously kind of chasing whatever was happening in the market to some extent in terms of verified listings and several other things? So on that front is there…

Sanjeev Bikhchandani: So housing, was never a serious player in terms of either revenue share or even if you look at comScore data on traffic share, except for the couple of months where it really dwarfed everyone else's advertising spends and that is when traffic went up but then immediately it began to go down as soon as the advertising cap was turned off. The traffic is not very sticky. There was a lot of buzz about Housing product features but that is mostly among people who were not looking for a house. Actually, if you do not have listings, and you cannot find the house, no matter how good looking the site is, it really cannot deliver, because the listing is not there. For that reason, while Housing generated a lot of talk and buzz, I think it was unable to translate that into either traffic or revenue or utility for the users simply because listing was not there. And yes, they were the first to introduce the listings and yes, quite candidly, we followed that cue and we introduced verified listings because of that, but I think today we have to wait and watch and see what happens in Housing, it does not needed a comment on how much do the investors invest and so it is the jury is out on housing.

Srinivas Seshadari: Just following on from there, basically… I do not know whether I am right in interpreting, but to some extent, things like offering free verified listings is a loss-leading activity, do you see the market moving more rational in terms of doing this on a monetized model where you achieve some kind of a balance as far as the revenue as well as the cost structure is concerned, do you see it moving or is it still early days to kind of see this happening, maybe if you take a 6- to 12-months view?

Hitesh Oberoi: I think it is still early days because there are the companies still investing in this space. So Housing probably we will see a change in phase at the top but they still have maybe $30-40 million they have added now what kind of money they have in the bank and CommonFloor is also still investing the space, Magicbricks is still aggressive. So, it will take some time for the dust to settle down. Yes, in the long run, I guess people have to move to a model where they make money but I think in the short-term these investments were required to enhance the user experience and to sort of get the people used to the idea of putting high quality stuff on the site. So, I think these are worthwhile investments which is why we continue to make.

Srinivas Seshadari: Just the follow-up question on 99acres. You recently announced this 3D Studio acquisition. Just wanted to understand how is it being leveraged as an offering - is it meant for mainly new developer projects or is it something which works at a more broader level and how do you execute it and how do you monetize that kind of offering? 36:21

Hitesh Oberoi: It is mostly meant for new projects. So, right now, of course, we are offering it as a free service to some of the developers we are working with, but long-term we could monetize this tool as well.

Srinivas Seshadari: But does it involve a lot of cost from your end or is it just a technology offering, which they have to kind of is very people-light model?

Hitesh Oberoi: No-no, there is a manual element to it, it depends on what all you sort of want to show case on the platform. So there is some stuff which can be done very cheap, but more sort of complex stuff requires manual intervention.

Srinivas Seshadari: So far we are kind of doing it as a free offering?

Hitesh Oberoi: Yes, the basic offering is free, a lot of the value-added stuff is also being provided for free at this point in time, but we will soon start charging for some of the more elaborate stuff.

Srinivas Seshadari: Hitesh, just one question on Jeevansathi. At least on the number of unique paid customers in terms of year-on-year growth is the highest in several years. So obviously there is something you are getting right. You talked about Mobile, which is working well and is driving a higher share of traffic now. Can you also talk about maybe some other things or is it mainly driven by the user interface that the product has started performing better or is there more to it than that in terms of what you are doing in market?

Hitesh Oberoi: We are focusing of course doing many things right. The Mobile experience that Jeevansathi offers is probably the best in the business. We are working on revamping our desktop site, you would hopefully see a new site in a few months from now. The Mobile App is also doing very well. We have been working on algorithm for matching, so that has helped us improve our acceptance rate on the site. Our TV advertising is doing okay, so we are able to have more profiles than earlier, so, therefore, the opportunity to match in the site increases. So, we are doing a bunch of things. Like, I said, we are experimenting. If we figure out something which is going to change the game for us, then we will up our investment. But for the time-being we are getting enough good signals so therefore we will continue to invest.

Srinivas Seshadari: The focus would remain on the kind of core Hindi and Western market or are you kind of trying to through Mobile since it is working well trying to broad base the offering to other communities, is that a feasible proposition or is it better to focus on the core audience?

Hitesh Oberoi: Maybe in the long run, but in the short-term for the next few quarters, we are likely to continue to focus only on the North and West.

Moderator: Thank you. The next question is from the line of Sandeep Muthangi from India Infoline. Please go ahead.

Sandeep Muthangi: I had a rather different question; I wanted to ask if you could give some information on Mydala. We saw some ads during the quarter, and in one of the ads I noticed that they have said they have 28 million customers. So I am just wondering, Sanjeev, if you could give me some clarity on what is happening at Mydala, any traction that they are seeing and stuff like that?

Sanjeev Bikhchandani: We would not be able to give out any more specific details on Mydala except that they are growing the top line on a significant rate and they have been cash-positive last year.

Sandeep Muthangi: Second question is on the cash utilization. We have seen ad expenditure going up during the quarter. My question was will the high ad expenditure continue and are you also seeing a healthy pipeline of early stage investments that you would want to deploy your cash in?

Sanjeev Bikhchandani: Hitesh will answer the first part of the question on ad expenses. We continue to look at early stage companies. Of course, after having seen so many investors, our ability to recognize and our judgment has been more fine-tuned. So we are passing the ball higher now. We have looked at companies and as and when we make an investment that is material, we will announce it.

Hitesh Oberoi: To answer your question on ad spend, our ad spend went up mostly on account of higher advertising in 99acres and Jeevansathi. 99acres ad spend will continue to be higher than it has been in the past, but whether we will sort of continue to spend as aggressively as we spent last quarter would also depend on what competition does in the marketplace.

Moderator: Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: What percentage of our revenues in 99acres would come from the builder community?

Hitesh Oberoi: It is in 50-60% range historically.

Sanjeev Bikhchandani: But going forward, builders are facing a slump because of new homes are not being purchased and because home loans interest rates are still going on. We will have to see how it goes going forward.

Dheeresh Pathak: Will this ratio be materially higher for the NCR market?

Hitesh Oberoi: Actually, the NCR market is mostly broker-driven. So, even primarily homes at NCR are sort of sold through brokerage.

Dheeresh Pathak: No, what I wanted to get actually was the underlying new construction related exposure to our 99acres revenue stream versus the resale and the rental broker exposures?

Hitesh Oberoi: A lot of brokers do everything. So when we bill them, they put up new home listing, also they put up rentals and this thing as well, they put up resales, it is very hard for us to say what are they actually paying us for. But, our sense is about 50-60% of our revenue…I just want to correct where I said earlier in the call it is not necessarily builder-revenue, but it is revenue which is from the primary segment, so it is brokers plus builders who sell new homes, so maybe about 50% is brokers and builders who sell new homes and about 40% is in our estimate is resale and rental. But we could be off a little bit like I said because some of the brokers do everything.

Dheeresh Pathak: But then in NCR, would it be fair to say the exposure to the primary market in NCR will be much higher, right?

Hitesh Oberoi: NCR exposure to brokers is very high because the brokers in NCR do everything and builders do not have sales team, they do not sell directly. As far as we are concerned, maybe broker share of our NCR revenue is as high as 70-80%.

Dheeresh Pathak: But you would not know your mix in the primary market in the NCR, like what percentage of your revenue comes from the primary market in NCR?

Hitesh Oberoi: No, we would not know, but my guess is it would be about 50%.

Sanjeev Bikhchandani: Anytime there are brokers who are selling primary and secondary you do not really know how much attribute to primary and that is why it gets hard to sort of allocate.

Dheeresh Pathak: There was a decline I think in the paid transactions in the 99acres. So that primarily would be NCR slowdown experience it is?

Hitesh Oberoi: Different markets are behaving differently in the Real Estate business, there are some markets they are still growing, and there are some markets where we are facing a challenge. So NCR market is very-very depressed especially Noida, Gurgaon and this is primarily new homes, yes the revenue has fallen in these markets.

Dheeresh Pathak: There will be a lot of degrowth I would assume in your NCR revenues because paid transactions were down on a blended basis and assuming NCR is only 30% And you said you grew in other markets… you took market share in various markets.

Hitesh Oberoi: We grew our business at 12% and in some markets we grew at higher than 12%.

Dheeresh Pathak: But NCR would be say, what…?

Hitesh Oberoi: NCR was the worst hit.

Moderator: Thank you. The next question is from the line of Shashi Dhar from MediaNama. Please go ahead.

Shashi Dhar: You said that you were focusing on trying to get Mobile hits on the App downloads. Could I get a sense of what percentage is coming from Mobile Web and Applications please?

Hitesh Oberoi: We do not give out numbers separately, but in Naukri, about 55% of our traffic is now on the Phone, in 99acres the number is around 45% and in Jeevansathi it is around 67%.

Shashi Dhar: Can I not get a break-up of what is App and what is Mobile Web?

Hitesh Oberoi: We do not give out the break-up separately.

Moderator: Thank you. The next question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: Hi, just a couple of more questions: One is, if I look at this revenues coming from others, which is outside of Jeevansathi, 99acres and Naukri, there seems to be quite a bit of seasonality in that and this quarter seems to be very strong. Which of the online properties is leading to that?

Hitesh Oberoi: The other is basically Shiksha, the Education vertical, and you are right, it is a seasonal business, so you see high sort of numbers in this quarter.

Arya Sen: We had got a previous data sheet where the EBITDA number for 99acres was Rs.36 crores of losses, which has now been put under PBT. So that Rs.36 crores is actually PBT loss is it instead of EBITDA loss, is that how we read it?

Chintan Thakkar: That is correct, we have now moved this quarter to segment reporting as per the requirement of Accounting Standard 17 and also we thought in the interest of full transparency of all the business segments that we are in, this year we have moved to segment reporting and the format also we are following is what is prescribed by Clause 49 as well as Accounting Standard 17. So, as per that, if you really look at our results, the data sheet would match with what we have already published.

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

Ankit Kedia: Sir, one more question on the new data sheet. The un-allocable expenses last full year it was around Rs.20-odd-crores and I see Rs.5 crores in the current quarter. So what is that related to?

Chintan Thakkar: So the expenses which are not really related to any particular business segment, it could be a generic expenditure which is mostly the headquarter expenditure so to say are the one which are unallocable. Anything which you can directly attribute to a particular business segment has been put in for that particular business segment.

Ankit Kedia: My second question is regarding headcount. Given that we are seeing some slowdown in 99acres. Would it be fair to assume that for the next couple of quarters our headcount would not increase steeply what we have seen in the last couple of quarters going forward?

Hitesh Oberoi: You are right, we do not expect any steep increases in headcount in 99acres not in next one or two quarters.

Ankit Kedia: Just one thing if I got that right, in the month of July, the competitive intensity was low and hence the marketing spends in that proportion would also be low compared to Q1?

Hitesh Oberoi: We continue to spend in July as well. Yes, you are right that competition has not been spending aggressively on advertising in television, but Digital spends are up and there are more people who are spending than earlier. So, it is difficult to comment on what is going to happen in the next 2-months and we will wait and watch and see what happens. We will sort of continue to spend at a base rate like I said earlier in the call, but beyond that, a lot will depend on what competition does.

Ankit Kedia: On revenues from IT and IT Services, in Q4, 31% of our revenues came from IT and in this quarter it has gone down to 29%. So just wanted to know, you said Bengaluru market is growing upwards of 30%. So why is that the revenue share from IT has come down during the quarter — is it to do with pre-billing which happened in Q4?

Sudhir Bhargava: Ankit, these small fluctuations keep happening, so do not read too much into a percentage here or there and also on Rs.100 crores base the absolute amount is a crore or a two, right. See these as direction arrows. So, if you recollect, 5-years back, when Infra and others were still performing okay, IT had gone down to around 24-25%, it has sort of steadily climbed up towards 30%.

Moderator: Thank you. The next question is from the line of Srivathsan Ramachandran from Spark Capital. Please go ahead.

Srivathsan Ramachandran: Just wanted to get your comments in terms of the competitive scenario you see on the Real Estate portals, is it typically the horizontal or vertical or do you see Google and Facebook pretty large in terms of competitive activity or possibly from an end market revenue share or market share point of view?

Hitesh Oberoi: When we say competition, we mean the Real Estate portals, not even the horizontals, because horizontal has not been clear as yet. So, competition for us is players like Magicbricks, India Property, CommonFloor, Housing and so on. We do not really right now count Google or

Facebook, Quikr and OLX as competition when we speak. It is not as if Google is investing aggressively in the Real Estate market neither as Facebook. Advertisers go everywhere so they spend on these portals as well. But our competition right now in this space is mainly with the portals which are focused on Real Estate.

Srivathsan Ramachandran: Just to dwell a bit deeper in that. In terms of the buying behavior you see do you think as things stand out a very broad level, would most of the Real Estate at least the developer community would be spending more on portals like Google, Facebook vis-à-vis vertical portals?

Hitesh Oberoi: Developers have large budgets and they continue to spend on various types of media; so they spend on print, they spend on television, they continue to spend on hoardings, I am sure they are spending on Google and Facebook as well. You are right, in that sense, we are a very small proportion of what the developer spends on media today.

Moderator: Thank you. The next question is from the line of Rajiv Sharma from HSBC. Please go ahead.

Rajiv Sharma: A couple of questions from my side: First is in terms of your Real Estate business, it has done EBITDA loss of Rs.35-36 crores and I understand you are doing this to maintain your traffic market share. So this traffic market share does it really correlates on one-on-one basis with the revenues and what if you are very conservative in this approach — will it have a similar impact on your revenue market share in your view? What should be the number where you think you will get very cautious, post that you will restrain to spend to maintain this share?

Hitesh Oberoi: Long-term of course, there is a correlation between traffic share and revenue share, we have seen that in Naukri, there is no reason why that should not happen in Real Estate. It is not as if revenue share changes every quarters because traffic share changes every month but with a lag these changes show, which is why we are focused and we want to sort of at least maintain if not grow our traffic share in Real Estate. To what extent will we go to defend our share ? We have raised Rs.750 crores by way of QIP. The primary reason for the raise was to invest in the 99acres business. Like I said, traffic share is not just a function of marketing, we need to continue to invest in multiple other areas. So that is also continuing. In the short-term, of course, these investments that we are making do not make a huge difference, but in the long-term, they will also start showing. So, we are prepared to go to any extent to maintain and defend our traffic share in 99acres.

Rajiv Sharma: The second question is on Zomato. So how do you read the competition in India in the Food Delivery space? On a three-year basis, what is the potential for India Food Delivery, Food Listing market? Where do you see Zomato revenue market share or what is your overall big picture about this market? Second is, how do you read this recent news of Foodpanda trying to take something in TinyOwl and other lot of verticals coming up in this space, what is your thought process? Also, if you could reiterate your views on investing further in Zomato, what is your thought around that?

Sanjeev Bikhchandani: Zomato is a company that has always been customer-focused rather than competition-focused. So they are really trying to come out with their own solutions and do it best and try and solve customer problems best and that has worked so far which is why it is the dominant market leader in Restaurant Discovery space. It is very-very early; I think it has been less than a couple of months since they have launched the pilot in the Online Food Ordering and their model is different; they do not deliver themselves, they simply take the online order and the restaurant delivers which means that if you are in a particular location, you can only order food from those restaurants which will deliver to you location, you cannot order from all the restaurants of your city. And the revenue model is they get a commission on the order from the restaurant. Thus far, the results have been very encouraging. We are not giving out specific numbers, but our sense is that they are already bigger than TinyOwl, they are smaller than Foodpanda but Zomato does not discount, anybody can non-discount it food orders of Foodpanda they are pretty close. Zomato will not discount at least in the immediate future because they would like to be revenue and positive margin focused and build brand rather than discount. Now, how large is the market going to be? The most honest answer is we do not know. What we do know is that the revenue potential of Zomato is going to be large because if they get 10, 15, 20, 30,000 orders a day, let us say a couple of years from now and they are making commission of between 7 and 10% on each of the orders, then it gets to be a fairly significant revenue stream. But, all this is speculative in the future and right now they are focused on continuing to improve user experience, rolling out more restaurants, rolling out to more cities, and upping the number of orders that they are booking for restaurants. As far as investments in Zomato is concerned, like I said, the same thing applies which I said earlier, which is on the mandate, all the companies that are looking for the funding is to get an external investor, largely because we are constrained by the size of the balance sheets and the kind of money that is coming to India, the kind of money our portfolio of companies are looking to raise. Given the size of our balance sheet and given our priorities in investing in 99acres, it would be difficult for us to give these companies all the money they need. Now, if you were to participate to some extent in the next round, in order to help make a round happen. Naturally, we will be open to it. We will support our companies, but it is unlikely that we will be doing it alone. And therefore, in Zomato, I have said this earlier in an analyst call that in all likelihood if there is a next round of a significant size, we will probably go below 50%.

Rajiv Sharma: Just a small follow-up. Earlier you mentioned about your various countries and UAE as the key market. So what exactly is going right in the UAE – it is the listing thing or you are expanded into the delivery thing as well ?

Sanjeev Bikhchandani: No, most revenue for Zomato right now is on its traditional model which is restaurants advertising to get more traffic to their own page on Zomato and therefore, getting more takeaway orders and so on. That is what the traditional model has been. A very small portion of revenue is coming from other models globally.

Rajiv Sharma: Hitesh, on the Real Estate thing again so a little hypothetical question, if this competitive intensity was to die down, but the slowness or the decline in demand in the Real Estate market was to continue, in that case, what will still be a time period before 99acres get EBITDA-positive on a steady state?

Hitesh Oberoi: For us to get EBITDA-positive, I do not think we can become EBITDA-positive by just cutting cost. So if the competitive intensity decline, yes, our cost will go down to some extent especially, the cost related to advertising and marketing, but we will have to continue to grow our top line at a decent rate to get EBITDA-positive. So, if the market slows down further and builders and brokers cut down on their budgets, even if competitive intensity goes down, breakeven could take longer than expected.

Moderator: Thank you. The next question is from the line of Pritesh Vora from Incedo. Please go ahead.

Pritesh Vora: On the Real Estate business, what is the long-term outlook — it is only depending upon the competitive intensity or do we have a business plan for this? Second question is what is its revenue model at present?

Hitesh Oberoi: We operate in the New Home space and also in the Lease and Rental space. So for New Home, the revenue model is mostly sort of advertising and marketing solutions on their side and for Lease and Rental, revenue model is mostly Listings. For New Homes we get revenue from brokers and builders, while for Lease and Rental we basically generate revenue from brokers. The site is free from owners. So, this is the revenue model. Now, our focus is of course to one, get a larger share of spend from builders. So the builders spend thousands of crores as marketing still, a lot of the money is spent on hoardings, a lot of money is spent on newspaper advertising. So hopefully, now some of these budgets will move online over a period of time. So, that is our hope. So, we continue to invest aggressively in our new homes platform, which is getting better and better every quarter. So, we get about 4.5 million to 5 million visitors on our platform every month searching for homes. So as the experience on the site improves we expect them to come back more and more often, we get more and more enquiries for our clients, and this will hopefully result in our clients increasing their expenditure on our site. Like we also work closely with about 15,000 brokers and as we deliver more and more enquiries to them, because of the product improvements that we are making and as we gain market share, hopefully, their spend on us also will improve. So, long-term, this is the plan to increase our traffic share, to increase the response that we generate for our customers, by improving the user experience, by improving the data quality on the site and hopefully, as a result of all this, these brokers and builders will spend more on our platform than they do on other media.

Pritesh Vora: Is there any burn level you will restrict yourself to that, "we will not spend beyond this," internally your target on this Real Estate business?

Sanjeev Bikhchandani: We will take it quarter-on-quarter. We have always been capital-efficient. We have always been sensible the way we spend, but we achieve our goals and that is our intention. Now, naturally, we cannot give up traffic leadership in this segment because that will not be a good thing in long-term. So, we will do what it takes. Having said that we will be sensible.

Pritesh Vora: On the capital employed, because all your three segments says asset minus liabilities are negative, so where this capital of Rs.1900 crores is currently employed and how this negative number for all the three businesses?

Chintan Thakkar: What happens is that when you are looking at this segment asset and segment liabilities, we do have a good amount of deferred revenue which kind of comes as a liability which is the principal reason why the segment wise if you look at capital employed is negative. So, it is the deferred revenue which kind of takes the number to negative. Since most of our assets which is kind of treasury, cash and bank and the investments in our investee companies, they all are not related to these segments that we have reported. So, that is why these are unallocated to businesses. So, that is why you will find a huge amount of assets and liabilities which are unallocated and you will see negative balances in each of the segments.

Moderator: Thank you. The next question is from the line of Jitendra Tokas form Citi Group. Please go ahead.

Jitendra Tokas: Could you please give again the top line numbers for Shiksha and Jeevansathi?

Hitesh Oberoi: Jeevansathi net sales grew 14% in Q1 to around Rs.11 crores and net sales in Shiksha grew 25% and reached Rs.11 crores.

Jitendra Tokas: Do you see Quikr as an emerging competitor for you guys in both Recruitment and Property. They are pretty well funded and they are investing in both these verticals.

Hitesh Oberoi: Our sense is that traffic on Quikr in the job segment is very-very low and so that is not a segment where we get a lot of our revenue from, there may be getting some traffic for low end jobs, but this is not really the segment we currently monetize, so we are not really seeing competition in the segment and in the customers where we operate from Quikr as far as jobs go. Even in Real Estate, while Quikr may have some traffic, we do not really encounter them when we go out and sell to brokers and builders and again, there my sense is again they operate in the low end rental markets and not so much in the buy and high end rental market, they are certainly not in new homes.

Moderator: Thank you. The next question is from the line of Ravi Menon from Elara Securities. Please go ahead.

Ravi Menon: If I could get the break-up roughly for the advertising and promotion costs between what you spent on print and on TV and Digital, how that has moved from last year to this year that will be great?

Hitesh Oberoi: We do not give out the breakup and a lot of these spends often depend on whether we have a new ad film or not and whether we want to be aggressive in that quarter. Print, I can tell you, most of our spends is either on Digital or Television.

Ravi Menon: If I could at least know the trend between last year and this year, was that been constant or have you shifted a lot to Digital?

Hitesh Oberoi: In Naukri, all our spend is mostly Digital, in 99acres and in Jeevansathi we have been a little more aggressive on Television this year than last year.

Nihar Shah: Just had a question on Meritnation. You have invested recently about Rs.25 crores in the company. Just wanted to know, what is your thought process on the future prospects for this company and if I take a look at the FY15 revenue number versus the FY14 revenue number, the growth has actually been marginal in the company. So just wanted to understand, over a 3-5-year perspective, what is the size of opportunity that Meritnation has and how does it sort of progress from here?

Sanjeev Bikhchandani: Last year, Meritnation had a tough time and growth was low, but in the last couple of months of last financial year and the first three months of this financial year they have been able to pick up growth substantially and now it is beginning to look healthy again which is why we invested because we had confidence that it is just turning around. They have launched some new projects, they have launched some new sales channels, they have launched some new way of delivering education, so they have been experimenting it and some of the stuff for interaction, I really cannot reveal more details on that, let them execute and then we will talk about it.

Moderator: Thank you. The next question is from the line of Rajiv Sharma from HSBC. Please go ahead.

Rajiv Sharma: Just one follow-up question I had was on Zomato that this whole delivery model, it will be restricted to the metros or it will be pan India whichever restaurants in whichever cities will be able to deliver, you will be going about it?

Sanjeev Bikhchandani: Right now they are in five or six large cities and they will take it as it goes, but yes, the ambition is to be there in most cities that they have listings.

Rajiv Sharma: Metros will be accounting for how much percentage of the listings in India for Zomato?

Sanjeev Bikhchandani: We do not give out the data, but I guess most listings will be in the top-5 cities.

Moderator: Thank you. I now hand the floor back to Mr. Hitesh Oberoi for closing comments. Over to you, sir.

Hitesh Oberoi: Thank you so much everyone for being on the call and have a great evening.

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