"Info Edge (India) Limited Q4 & Annual Results Conference Call"

May 3, 2013

MANAGEMENT: **MR. HITESH OBEROI - MD & CEO, INFO EDGE (INDIA) LIMITED**
MR. AMBARISH RAGHUVANSHI – GROUP PRESIDENT, FINANCE, INFO EDGE (INDIA) LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and Annual Results Conference Call for Info Edge (India) Limited. We have with us today on the call Mr. Hitesh Oberoi – CEO and Mr. Ambarish Raghuvanshi – CFO. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing '*' followed by '0' on your touchtone phone. At this time I would like to hand over the conference to Mr. Hitesh Oberoi. Thank you. And over to you sir.

Hitesh Oberoi: Thank you, Shyma. Good evening and welcome to our fourth quarter and annual results conference call. We will first take you through the quarterly and annual financial performance of the company, then we will cover each business in more detail, in the end we will be happy to take questions.

Moving on to the financial highlights of the quarter – for the company as a whole, net sales in Q4 were Rs. 117 crores versus Rs. 106 crores in the same quarter last year, an increase of 9.6%. For Q4, Operating EBITDA was at 39 crores, having declined 8.5% YoY. Operating EBITDA margin was at 33.7% versus 40% in Q4 last year. Other income also decreased on account of lower returns from financial investments as a result of lower interest rates and a lower corpus. PAT was at 35 crores, down 11.5%, operating PAT was at 24 crores, down about 5% year-on-year. Operating PAT margin was at 20.7% versus 25.6% in the same quarter of last year. Deferred sales revenue has increased to Rs. 121 crores versus Rs. 100 crores as of December 31, 2012. We continue to be cautious for the financial year 2013-14.

Moving on to the financial highlights of the full year 2012-13 – net sales for the 12-month period ended 31s March 2013 were Rs. 438 crores versus Rs. 377 crores in the same period last year, an increase of 16%. For the 12 months operating EBITDA was at 147 crores, which was up 3.6% year-on-year. Operating EBITDA margin was at 33.9% versus 37.9% in 12 months of last year. PAT before the exceptional items that is 99labels write-off was at 131 crores, up 7%. Operating PAT was at 93 crores, up 3.5% year-on-year. And operating PAT margin was at 21.5% versus 24% in the same period last year.

Moving on to the performance by business, we will first cover recruitment. In Q4 of this year, recruitment top line grew 4% to 88 crores. EBITDA margins in recruitment were at 49% versus 54% in Q4 of last year. In Naukri, the EBITDA margin was at 54%, down from 58% in Q4 of last year. For the full year, the Recruitment business grew its top line by 11% and the EBITDA margin was at 49% versus 51% of last year. In Naukri, in Q4, we added an average of 12,000 fresh CVs everyday and the Naukri database grew to over 33 million CVs. Average CV modifications were at 116,000 per day. The Naukri JobSpeak Index was at 1304 in March 2013. In Q4, we service 26,000 unique customers versus 25,000 customers in Q4 of last year, and for the full year as a whole, we serviced 48,000 customers versus 46,000 customers last year.

In the 99acres business, top line in Q4 grew 41.6% YoY to Rs.15.5 crores. For the full year top-line grew by 48% to Rs.51 crores. In 99acres, we made a small profit in Q4 but in the full year lost about 80 lakhs. Paid listings in Q4 were at 4.3 lakhs versus 3.2 lakhs last year.

In the Jeevansathi business net sales grew 27% in the full year over last year. We had an EBITDA loss of Rs.7.5 crores in full year 2013.

In Shiksha – net sales grew by 29% year-on-year for the full year. The growth in net sales was a lot lower than collection growth because of the changes in sales mix; we had more deferred products being sold this year compared to last year. However, because the base is small, such changes result in large changes in percentage terms.

Moving on to our investing companies – Our investee companies continue to witness solid growth. In Q4, we invested Rs.30 crores in Meritnation and moved to majority. We invested Rs.55 crores in Zomato and moved to majority. We invested an additional 2.5 crores in PolicyBazaar. We acquired MakeSense. MakeSense will be merged into Info Edge and was acquired for about Rs.8 crores. We provided for our entire investment in 99labels of about 29 crores. The investing companies' financials are also available on our website, www.infoedge.in . Additional funding maybe required by investing companies and we will evaluate this from time-to-time. We also continue to evaluate other investment opportunities in the Indian internet market.

To summarize, the job market continues to be tight. This may continue to be the case till the economy starts looking up again. Our competitive position in Naukri continues to be strong and if growth comes back we will benefit. In the meanwhile, we will continue to invest more in the business, especially in product development going forward to continue to maintain and strengthen our leadership position. 99acres continue to grow in an uncertain market and we will continue to invest more in this business as competition increases. We will continue to invest more in Jeevansathi and Shiksha as well. As mentioned in our earlier calls, if top-line for the company grows at 20% or so, we will yield margins and below 15%, our absolute profits will decline as well. We are now ready for any questions that you may have. Thank you for being on the call.

Moderator: Thank you. Participants, we will now begin with the question-and-answer session. The first question is from the line of Sagar Rastogi from Credit Suisse. Please go ahead.

Sagar Rastogi: In Q4, there was an acceleration in year-on-year growth for your job index number. If I take the average of the three months as the index for the quarter which I see as a proxy of volume for you, whereas the revenue for recruitment solutions that growth has sort of seen a deceleration. So just wanted to get a perspective from you on how to lead this dissonance, is it because of changes in pricing or higher discounts or is there just no correlation that I am drawing?

Hitesh Oberoi: I am sure there is some correlation but I do not think it is a linear correlation. A lot of our revenue comes from the database product as well; a lot of our revenue comes from branding solutions. So it is possible that listings will increase but companies may cut down on spending on the higher value products. While there is some correlation, I do not think we can sort of take it as a proxy for our revenue.

Sagar Rastogi: Could you comment on the pricing situation vis-à-vis last quarter and also the same quarter last year?

Hitesh Oberoi: What we are seeing is almost zero growth in the number of customers. So the number of customers we did business with grew from 46,000 to 48,000 last year. Our collection growth has been sort of flattish. There has been no growth in collection in Naukri corporate sale. So my sense is that we are not growing volume nor is there any change in the price that we are able to get from the marketplace at this point in time. It is a very flattish sort of scenario right now.

Ambarish Raghuvanshi: So we are not giving more discounts than we did in the past. It is pretty much business as usual, similar pricing as last year. The pricing has been pretty flat for the last 15 months or so, and that is probably a reflection of where the markets are today. It is difficult to take a price increase but at the same time, we are not yielding on price by giving more discounts.

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

Gaurav Malhotra: We have been hearing a lot of media reports talking about LinkedIn growing aggressive in India. So just wanted your views on how you see the threat and what is Info Edge doing to counter this threat?

Hitesh Oberoi: So we continue to invest aggressively on building our platform. Like I mentioned in the call we will continue to invest in product platform in Naukri, we will continue to sort of invest in strengthening and improving our user experience, we continue to add more and more services to our customers. So we see LinkedIn as a threat as well and we will continue to invest, that is the only way to counter it in the medium term. So we may yield margins by short-term if the market does not look up. But hopefully it will benefit us in the long run.

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

Srivatsan: Just wanted to get your thoughts on 99acres, it has seen a good year and a relatively with very tough macroeconomic background. So in terms of deferred revenues or booking do you see any specific pockets that are doing well, not doing well, more detail will be helpful?

Hitesh Oberoi: So we had a good year. Our business last year grew by 48%. We saw growth in almost every market we operate in. Today, we operate mostly in the top 13-14 cities in the country. But this growth has come up from a low base. So that does not mean necessarily that the real market is doing well in every city. It is just that we are underpenetrated and we are still adding new customers so that is getting us growth. Of course, a lot of the real estate activity is still in the north. So that continues to be our largest market, but we are growing our business in every city we operate in.

Srivatsan: On the 99acres, any change in competitive dynamics at this point of time because we have been seeing, at least on the regional radios, far higher advertisements from 99acres and others?

Hitesh Oberoi: Yes, of course. In the last few months, competitive activity in this space has increased dramatically. Sites like MagicBricks and a few other players have started spending aggressively and that also means that we have to sort of invest more in this business to sort of maintain and strengthen our position in the market. There are at least 7-8 serious players in the market at this point in time, some of them have a lot of cash, some of them of course may drop out in the long run if they are not able to sustain their activity but right now, this market is hypercompetitive and we need to continue to invest aggressively to sort of maintain and strengthen our position in this market.

Srivatsan: You did mention that there is a pretty serious competition. It will be helpful if you could just give us some insight as to what would be the top two or three reasons basis which the customers make their decisions on whom to go with?

Hitesh Oberoi: There are two parties we deal with. We have the buyers who visit our site, and we have the dealers and the builders who pay us to list properties on our site. So in the long run, of course, we have to be the preferred site for buyers and buyers should want to sort of visit your site and search and contact sellers. So that is something which is very important in the long run. But to ensure that you are that site, you have to invest in almost virtually in every area need to sort of spend on marketing and brand building to get buyers, you need to invest on in sales so that you have all the supply and all the listings available on your web site. So it should not so happen that you spend money on marketing but when buyers come to your site they do not find any data on your site. So you need to invest aggressively on the sales side, on coverage to get more and more customers to list properties on your site, you need to of course offer a lot of good quality tools on the site to people who visit your website so that they have a great user experience on the site. So, in a nutshell, you need to get all the listings, you need to have high quality listings, you need to have genuine listings and you need to get a lot of buyers through your brand building, SEO, SEM efforts to ensure that the people who list properties get a great response. And once you do that then the whole virtuous circle gets going and because you generate more response you get more sellers and because you have more sellers on your site, you have more buyers and so on and so forth.

Srivatsan: In terms of traffic share, where would we be vis-à-vis competition?

Hitesh Oberoi: Traffic share in this business, one, and it depends on what you define competition. So if you define competition as a top-3 or top-4 players there is a different traffic share. If you define competition as 20 players it is a different traffic share. But so far we have been defining competition as 4 or 5 players and our traffic share has been in the 30s for a while now. I think at the highest point we were 37, 38, at a lowest point we have been 30, 31 as well. So that share keeps fluctuating on a monthly basis depending on competitive activity but we are in that range.

Moderator: Thank you. The next question is from the line of Anand Rai from VC Circle. Please go ahead.

Anand Rai: My first question is how would you explain the dip in operating margins since your expenditure is growing faster than the revenues in the core business?

Ambarish Raghuvanshi: This is what we had announced last year and what Hitesh just reiterated that if top line grows at less than 20%, we will be yielding on margins and that is exactly the way it has panned out because growth has come at about 16% whereas expenses have grown at about 23-24%. And that is part of the strategy which is what we just said that we are investing in product, technology, engineering, brand in some of the businesses like 99acres, Jeevansathi, and in sales in some of the businesses like 99acres, we have invested in a new office in Noida where we have a capacity of 1200 people, we have invested about 35 crores in that. So, yes, across several areas, we have made investments which are for the medium to long term and that is the reason why margins have actually dropped.

Anand Rai: But why are the profits on the core business coming down for the full year?

Hitesh Oberoi: The profit from the core business, I do not think it is down. EBITDA margins are down, but absolute profit actually went up.

Sudhir Bhargava: That is also because a lot of the investments go through the P&L route. So if you hire people or you spend on innovation, instead of it being capitalized it all goes through the P&L.

Anand Rai: Now, on the whole, how are the subsidiaries doing? Because it looks like they did well last year.

Hitesh Oberoi: Which subsidiaries are you referring to?

Anand Rai: I was talking about the subsidiaries on a whole.

Hitesh Oberoi: The investee companies do you mean?

Anand Rai: Correct.

Ambarish Raghuvanshi: We have a chart which explains some of the companies that we have invested in on how they performed, on what their operating revenues for the year were and at least for the companies which are our subsidiaries, for the associate companies we have clubbed them into one bucket, and that will give you a sense for where the top line and the margins were.

Anand Rai: Where can I get this chart?

Sudhir Bhargava: This is on www.InfoEdge.in .

Anand Rai: My last question is now considering you acquired a majority in Zomato, can you share whether Zomato is in losses as of now and when can we see it becoming profitable if it is at all in losses?

Hitesh Oberoi: Ssubsidiary companies are right now losing money, that is why they need more investments, but they are investing for growth, they are investing for the future and we do not expect any of them to breakeven even in the short-term, not Zomato, I do not expect Zomato to breakeven in the next 12 months because they are entering new markets, they are sort of investing behind growth in those markets, but both the subsidiary companies we have Meritnation and Zomato are dominant players in their category, they have market leadership and we are very bullish about their prospects in the medium term.

Moderator: Thank you. The next question is from the line of Rohan Samant from Multiact. Please go ahead.

Rohan Samant: I just wanted to understand a bit on your thought process where you guys decided to take a write-off on 99labels and you guys just mentioned that you would want to continue to invest in Jeevansathi. Now, Jeevansathi has been loss making. So can you just share a bit that as to why is it that you want to continue investing in Jeevansathi when it is continue to making losses. So where would you stop investing and take a write-off?

Hitesh Oberoi: In Jeevansathi, we have been writing off whatever we have been investing every year. In the sense we show that as a loss. So, Jeevansathi is an operating business, 99label was an investment, they two need to be treated differently. We continue to invest in Jeevansathi, because we believe there is a future. At the end of the day there are just 10% of India is on the internet and penetration is only going to increase the time. We maybe a No. 3 player, but we are still growing at 27-28% year-on-year. So we see an opportunity and we will continue to invest in this business at least for the next couple of years. It is an operating business, it has to be treated differently from an investing company in terms of the way we sort of account for losses and investments.

Ambarish Raghuvanshi: And as far as 99labels is concerned, it is a recognition of two facts. You have to put together the fact that eCommerce businesses are somewhat challenged right now in India, both from a scalability and from unit economics. The other issue is that the funding environment has become a little sort of pessimistic, become weak and eCommerce businesses by definition need investors with lots of capital, deep pockets and that has not been forthcoming. So, 99labels issue was not so much, unit economics alone, but it was also about the lack of access to incremental funding. And since we were not prepared to put more money behind the business where unit economics were not totally proven, and we were seeking for investors and those who are not forthcoming. That is the reason we decided to provide for the entire investment.

Rohan Samant: And another question is on, basically in Meritnation, who are we trying to target and what is the model out there?

Hitesh Oberoi: We are targeting students. It is the K12 market and the model is subscription, so people subscribe to their content for 6 months, 12 months and so on. The market that we are targeting is students in Class V, Class VI, Class VII, Class VII, Class IX and so on.

Rohan Samant: And basically they will have exams on the web site? Would that be how it is?

Hitesh Oberoi: Yeah, they have a lot of content for these children; videos, test, quizzes and so on.

Rohan Samant: And lastly, on PolicyBazaar, do we have an intense competition there or how is it in that business?

Ambarish Raghuvanshi: PolicyBazaar does not have too much of competition. There are players but they are much, much smaller than PolicyBazaar. It is a dominant business by far in that category.

Rohan Samant: Are you seeing uptick out there or…?

Ambarish Raghuvanshi: The top line is growing and collection cycle is slightly longer than in other businesses, it takes 3 or 4 months to collect. The issue is that it is a regulated industry, it is regulated by the IRDA and that has its own challenges.

Moderator: Thank you. The next question is from the line of Aarti Mishra from CLSA. Please go ahead.

Aarti Mishra: Most of my questions have been answered. Just really quickly on 99acres. You mentioned there is a small EBITDA level profit that you made in this quarter, but we still have full year loss of 80 lakhs. Just want to check going ahead, will we still see big swings in profitability from ad spends or is at least breakeven point going to be predictable from here on, do we see at least zero EBITDA margins from here on for 99acres?

Hitesh Oberoi: A lot would depend on competitive activity in the space. It is a large category, it is an emerging category, there is a lot of action. Every now and then we have new players entering and spending a lot of money. So we would certainly not want to part with our leadership position in a hurry and therefore we will do whatever it takes to stay ahead of the pack, which would mean more investment in this business going forward.

Aarti Mishra: And the full year revenues for 99acres, just for book-keeping purposes was?

Hitesh Oberoi: I think 51 crores.

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

Ankit Kedia: I missed the revenues of Jeevansathi for the full year.

Hitesh Oberoi: Jeevansathi grew by 27% year-on-year.

Ankit Kedia: And A&P spends increased during the quarter. So any guidance for the next year on the A&P spends?

Hitesh Oberoi: Yes, of course, advertising and promotion spends increase next year as well and a lot would depend on competitive activity in different businesses. We do not expect spends on Naukri to grow too much but in 99acres and Jeevansathi and Shiksha we definitely expect higher spend next year.

Ankit Kedia: And two of our subsidiaries, Zomato and Applect, the incremental funding who had valuations above 600 crores. So we further try to invest more money or are we looking to prune down our investments if we get a good exit in these?

Hitesh Oberoi: No, we are not looking to exit Meritnation and Zomato. We are strategic investors. Partly the valuations were high because we had to pay a control premium to get over 50%, but I think what you should look at is that we now own a large part of these companies for very little investments, and these are the top two sort of players in their respective categories and they are both doing well and they are both growing handsomely.

Moderator: Thank you. The next question is from the line of Amit Agarwal from SPA Securities. Please go ahead.

Amit Agarwal: All my questions have been answered, just one. Do we have any roadmap regarding the incremental investments that we wanted to make in the investing companies at least in FY14?

Hitesh Oberoi: What I said was that additional funding maybe required by investing companies and we will evaluate each of these opportunities from time-to-time on merit and we will continue to look for other investment opportunities. But investors are often lumpy, last year suddenly, we invested a lot of money in just one quarter but there are times when we do not invest at all for 2-3 quarters, so it is very hard to predict what the outlay will be for the next year. But, we will continue to sort of look at companies both in our portfolio today and even new opportunities as well.

Ambarish Raghuvanshi: So the total amount invested right now is little over 280 crores and about 150 crores was invested in the last financial year '12-13. Half of it is in Zomato and in Meritnation. So those two companies are reasonably well funded based on current business plan at least for the next maybe 24 months, but beyond that we do not know. And the other companies, we will evaluate on a case-by-case basis.

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

Nitin Jain: On personnel expenses declined by 320 basis points during the quarter despite you adding 157 employees during the quarter.

Ambarish Raghuvanshi: You are comparing this year-on-year or you are comparing it with quarter-on-quarter?

Nitin Jain: Quarter-on-quarter.

Hitesh Oberoi: I think that is mainly because our revenues in Q4 are higher than our revenues in Q3, sequentially they grow up substantially, while our headcount does not increase substantially quarter-on-quarter.

Nitin Jain: Quarter-on-quarter there is increase of 157 employees.

Hitesh Oberoi: In Naukri?

Ambarish Raghuvanshi: No, across the company.

Nitin Jain: I am talking about standalone numbers excluding other…

Sudhir Bhargava: No, this number includes some of our AllCheckDeals subsidiary also, the employee numbers that I gave out in the data sheet.

Nitin Jain: This is not a standalone?

Sudhir Bhargava: The financial results are standalone; the data sheet employee number that you see includes people from AllCheckDeals as well.

Hitesh Oberoi: Also what happens in Q4 is that we do a lot of campus hiring. So a lot of these people join in Q4 at various times, some may join in January, some may join in February, some may join in March. So maybe headcounts went up a little bit because of that. But a large part of our manpower expenses are also on account of variable pay and if people are not able to meet their targets on a quarter variable pay comes in lower as well.

Nitin Jain: Was the variable pay lowest this quarter?

Ambarish Raghuvanshi: The increase is about 18 lakhs in employee cost. What you are saying is that while headcount has gone up by 157, personnel expenses have not gone up in proportion with that, is that the question?

Nitin Jain: Right.

Ambarish Raghuvanshi: That might have been towards the end of the quarter or freshers who join which bring down the average to begin with and so on. There is no real significant reason why that might have happened.

Nitin Jain: So there is no reason like in sales bonus…?

Ambarish Raghuvanshi: No.

Nitin Jain: And I also noticed that advertising and promotion expenses have increased by 255 basis points during the quarter.

Ambarish Raghuvanshi: That happens in any quarter when we are on television and at least two of our brands were on television during the quarter. So for a while there was a small campaign for Shiksha, there was a campaign for 99acres and a campaign for Jeevansathi. So putting that altogether, Q3 is our weakest quarter when it comes to advertising because there were lots of holidays and we do not advertise too much. So coming off a quarter where you are not very active on television to a quarter where television forms a big part of your advertising strategy, there certainly will be a jump in ad expenses in the fourth quarter.

Nitin Jain: So do you include sales people cost in employee cost, or is it part of advertising and promotion?

Ambarish Raghuvanshi: Salaries are in employee cost.

Moderator: Thank you. The next question is from the line of Robert Sheridon from Ward Ferry Management. Please go ahead.

Robert Sheridon: I have three questions; the first is on the recruiting side of your business. How do you guys think about the addressable market in terms of number of recruiters and number of corporates that you have signed up, it looks like your customer base has been pretty stagnant over the last couple of quarters? So I am trying to figure out how you think about where you want to be in the next 3-5 years. The second question is on your investee companies. So just looking at your financial sheet here and it looks like just over 80% of your revenues are from five of your associate companies which have kind of lumped together. Are you able to give any more color on the breakdown in operating revenue and EBITDA for each of the businesses? And then third question is also on the investee companies. Are you able to talk about the valuations what you put your most recent fund raising around for each of the companies?

Hitesh Oberoi: I guess your first question was on the customer base for Naukri. What we have seen traditionally is when the economy slows down we do not add as many customers as we do in a good economy. Till the economy was growing well we were adding about 8,000, 9,000 new customers every year. This has slowed down last year because the economy has slowed down. Many businesses we were working with are not hiring, many businesses shut down shops, all have happened when the economy slows down. If the economy starts growing once again at 6, 6.5, 7% a year I am sure this number will grow at maybe 5,000, 7,000, 8,000 customers per year from here on. That is what we have seen in the past. Second question was on investee companies and you wanted the numbers to be given separately, right?

Robert Sheridon: Yeah, most of your revenues, by far the majority of revenues are from five companies which are trying to come together, so I was just wondering what the breakdown might be there?

Hitesh Oberoi: We do not give the breakup for the associate companies separately but I think on our website we have given the revenues that we get from our subsidiaries, the two subsidiaries where we have majority.

Ambarish Raghuvanshi: These are small fledging companies and there are other investors in some of these companies and they have issues about disclosures and so on.

Robert Sheridon: Are you able to say which is the biggest is there one which is like…

Ambarish Raghuvanshi: The companies which have been around longest which are eTechaces and Canvera. So they are the companies which will have a large portion of the top line. But almost everyone is currently making losses, which is why they are still raising further rounds of funding.

Hitesh Oberoi: PolicyBazaar and Canvera are the biggest out of these.

Robert Sheridon: And the third question which is on the valuations of the last running rounds of each of the companies?

Sudhir Bhargava: Robert, what we have given out is the aggregate that we have invested and the eventual percentage shareholding. For example, in Zomato, we hold about 58% and the aggregate invested is around Rs.860 million.

Robert Sheridon: But I would imagine as you put more capital in over time the valuations are probably ….?

Sudhir Bhargava: Yes, it has been moving up, you are right.

Hitesh Oberoi: You are right in the case of both Zomato and Meritnation. We sort of invested at a much higher valuation in our last round than we did it in the earlier rounds. We also had to pay a control premium because we went above 50% in both these companies. That is all I think we can reveal right now.

Moderator: Thank you. The next question is from the line of Ankur Rudra from Ambit Capital. Please go ahead.

Ankur Rudra: Can you elaborate on whether the revenue models for Zomato and Mydala have matured to something more scalable?

Hitesh Oberoi: Zomato, we are pretty confident of the model and the company is scaling up nicely. Mydala, I think we are more confident of Mydala than we were maybe some time back. I think they have figured out the mobility piece and their revenues are scaling up nicely at this point in time.

Ankur Rudra: Can you elaborate on both the revenue models if possible?

Hitesh Oberoi: Zomato charges restaurants for listings and for advertising, while Mydala makes money from merchants and also from consumers who take their deals.

Ambarish Raghuvanshi: So a big driver for Mydala in the last 12 months has been working with the telecom operators to offer deals to the users of those telecom companies. So their user base and offering deals and coupons and things like that. That has been a big driver of revenue growth in the last 12 months, while their merchant platform business has also grown. So they have got several businesses but there are 2 or 3 which are really large are the mobility piece and the merchant platform.

Ankur Rudra: Zomato, is the listing bigger or the advertising you have on the web site a more scalable part of the revenue model?

Hitesh Oberoi: Advertising is where they get most of the revenue from.

Ambarish Raghuvanshi: A lot of the listing would be actually free. Restaurants would be listed but real money comes for when you want ad space.

Ankur Rudra: So it is not similar to for example, JustDial where you provide leads, it has not scaled to that or you do not want to plan to keep it that way?

Ambarish Raghuvanshi: They keep experimenting with different models. They have done lead generation-based model to begin with and so on. But right now where the business is growing is through advertising.

Ankur Rudra: While we were on Mydala, can you also give me a sense on why you are more optimistic on that because that is also eCommerce business?

Hitesh Oberoi: That because the revenues have grown nicely over the last 12 months.

Ankur Rudra: As opposed to in 99labels revenues were not growing?

Hitesh Oberoi: 99labels was an eCommerce company. So they were shaping products, they were stocking them, that is a different model altogether while here they are charging merchants for being on their platform and it is like an ad network and they run their deals, they run their offers and they make money from those coupons.

Ankur Rudra: No Inventory involved whatsoever?

Hitesh Oberoi: No.

Ambarish Raghuvanshi: It has evolved into a merchant marketing platform at the moment. So they do not really deal in physical goods at all.

Ankur Rudra: I understand that historically you highlighted consistently that some of your investing companies will be less successful and as evidenced by 99labels, can you maybe highlight where you are looking for monetization of the rest of the portfolio, any sort of timeline would be helpful?

Hitesh Oberoi: I do not understand what you mean by monetization but the companies we like and which are doing well and which do not require a lot of capital we would like to own more and more of.

Ankur Rudra: You would not want to for example, spin off any of them?

Ambarish Raghuvanshi: Not yet.

Ankur Rudra: Finally, on Jeevansathi, I noticed although your volumes measured by the unique paid customers has been rising nicely. The number of profiles acquired daily has been somewhat decelerating for the last I guess a couple of years. Is there any change in the business mix or the way you are selling which is causing this?

Hitesh Oberoi: So we have been investing more in the business and we have been focusing on the north Indian market and I do believe that we are getting stronger in this market, so our market share in this market has increased over a period of time and that gets us more conversion.

Ankur Rudra: So the number of users acquired daily is not very indicative of popularity of your website?

Hitesh Oberoi: Not really, it is also about the quality of users, it is also about where the users come from, we can always acquire a lot of users but they could be from different communities, but on the other hand, if we have 1,000 registrations on your site everyday and all of them are from one community versus being from 20 different communities, it is a different ball game. So what we are focusing on is getting more and more registrations from the Hindi belt from the north and that has been working for us for the last few quarters.

Ankur Rudra: What proportion of your business would that be, given that you are focusing only there now?

Hitesh Oberoi: I cannot give out those numbers.

Ankur Rudra: Finally, if you can give me any sense of CAPEX for next year?

Ambarish Raghuvanshi: Next year I do not think we are looking at very significant CAPEX because the large CAPEX this year was the new building and that is pretty much done. There maybe some of the offices outside Noida and a couple of offices we may be moving into new premises where we have run out of space in existing. What we have said is that as a guiding principle, the amount on depreciation is equivalent to the amount on CAPEX. That is pretty much a good thumb rule to use.

Moderator: Thank you. The next question is from the line of Abhishek Shindadkar from ICICI Securities. Please go ahead.

Abhishek Shindadkar: I just have one question regarding the investee companies. First of all, thanks for giving the financial separately. And it seems that the operating revenues have grown nicely between '10 and '13, but as also is the case with the EBITDA losses. So could you help us understand as to what could be the inflexion point in terms of revenues for some of these subsidiaries and associate companies which would lead to reduction in the EBITDA losses?

Hitesh Oberoi: So that will be a function of the strategy we want to pursue. For example, let us take, Zomato. If Zomato wants to just be in India, I am sure they can break even very quickly. But right now, they want to target international markets, so they have set up a shop in several international geographies. And if they continue to do that, the India business will become profitable but they may lose money on the rest of the business. So it would depend on the strategies these companies want to pursue going forward.

Abhishek Shindadkar: But anything you could elaborate on some of the other names as well? I think Zomato and Meritnation have seen a good ramp up in the revenue. So at what percent or at what revenue level they could curtail the losses?

Hitesh Oberoi: Like I said, the business they are currently in, let us say, if you take the Zomato India business or you take Meritnation K12 business, they can break even in the next 12 to 15 months if they just want to do this piece. But I am sure they would want to invest in the future, they would want to enter more and more markets, they would want to launch new products and that will result in the breakeven taking longer than if it was the business as usual. It is very hard to say, it would depend on the strategy they want to pursue.

Abhishek Shindadkar: I apologize for sticking on this one, but what I wanted to understand is what is the comfort level in the minds of the management where you would think that from there on the strategy would be more towards breaking even rather than expanding, given that the revenues are growing at exponential rates here?

Hitesh Oberoi: These companies have enough money to last for at least 2 or 3 years given their current losses. So I think they will continue to be aggressive for the next 12 to 18 months on their investments.

Moderator: Thank you. The next question is from the line of Nandish Dalal from IIFL. Please go ahead.

Nandish Dalal: My question is regarding your roadmap in PolicyBazaar. So your new investment unlike your other businesses have, PolicyBazaar has 2 more investors, so do you view this as a financial investment or strategic one and how do you see monetizing this PolicyBazaar investments in future?

Hitesh Oberoi: We are now one of the several investors in PolicyBazaar. So I guess for investors to along with the promoters determine what should happen in the company, but you are right and it is going to be very hard for us to go above 50% in PolicyBazaar in the near future.

Nandish Dalal: So it could be a potential spin off in the future?

Hitesh Oberoi: Let us see what happens.

Moderator: Thank you. The next question is from the line of Pankaj Murarka from Axis Asset Management. Please go ahead.

Pankaj Murarka: Can you give some more color on the growth outlook for 99acres and Jeevansathi going into the next year?

Hitesh Oberoi: 99acres grew by 48% last year and Jeevansathi grew by 27%. Ideally, we would want to sort of maintain these growth rates going forward as well. But a lot would depend on competitive activity in these verticals and a lot would depend on the economy as well especially in the case of 99acres, a lot would depend on how much we are willing to invest in these businesses and like I said in the call at least 99acres we would want to continue to be aggressive. Even in Jeevansathi, we were happy with the results we got last year from our strategy and we would want to pursue with that strategy for a while.

Pankaj Murarka: So my impression is that in both these businesses, the overall growth does not matter because it is more about penetration and the online businesses in both the segments are a small percentage of this overall thing. Are you trying to say that if the environment would have been better the growth could have been much higher?

Hitesh Oberoi: Of course, the environment does sort of tend to play a role. For example, a lot of our businesses, new project launches and for a lot of new projects get launched, there we tend to make a lot of revenue from those launches, on the other hand if the builders do not have enough money or if demand is weak and they delay launches, it does impact our business. But you are also right, that we are still under penetrated, we are still able to get a lot of new customers and that is why we were able to grow 99acres at 48% last year in a market where real estate actually declined by 20-25%. Even in Jeevansathi, as more and more people come online that helps our business and right now only 10% of India is online. So you are right, to some extent, we will be able to grow these businesses even if the economy does not grow that much but yes, the economy does have an impact.

Pankaj Murarka: So the inference I am drawing from this is that both these businesses will continue to report or witness strong growth going into the next year in the context of what we have seen last year?

Hitesh Oberoi: Provided we keep investing and provided there is not that much competition and we do the right things.

Pankaj Murarka: Secondly, Jeevansathi, while some of these operating numbers are showing some traction and the last time or the quarter back when we discussed you said that you have taken 2 years of window from board to go out and invest aggressively into the business. So from your perspective, how is the business shaping up? And is there a tail risk that Jeevansathi might go the 99labels way?

Hitesh Oberoi: We are happy with the progress we made in Jeevansathi last year. I think even though we are No. 3 in the market, we were able to grow our business 27%, we are working on new models, we are working on new strategies, Like I said earlier, we are focusing on the north Indian market. So if we get one more year of solid growth and Jeevansathi we would be able to grow at more than 30% this year as well, then of course that will mean that the business will start looking very different from what it looks like right now.

Moderator: Thank you. The next question is from the line of Sagar Rastogi from Credit Suisse. Please go ahead.

Sagar Rastogi: Can you give some idea of how big your addressable market is for Naukri, maybe in terms of number of firms if not in terms of revenue?

Hitesh Oberoi: The number of companies we must have done businesses in the last 5, 7 years must be close to 100,000. But many of these are small, many of these do not exist today, many new companies set up shop every year. I think we worked with about 48,000 companies last year. But the number of companies we must have met, approached, called upon, must be close to 100,000 if not more.

Sagar Rastogi: I was just trying to understand as to blue sky scenario where would Naukri turn into a sort of a mature business, so are we seeing that effectively all those 100,000 customers get on to Naukri, there would not be additional customers for you to…?

Hitesh Oberoi: It is not just about the number of customers because the customers we add at the bottom do not give us too much revenue to start with. It is about the amount of hiring which is taking place in the market out there. Now, for example, if a company has 10,000 people and in a slow market their attrition rate maybe 10% and therefore to stay at the same number they just need to hire 1,000 people, and they may not grow on top of that number. That means just 1,000 people to be hired. On the other hand, in a good market, a 10,000 people company may have an attrition rate of 15%, in which case they need to hire 1500 people to stay at the same number plus they want to grow on top of that. So they may want to go to 12,000 people from 10,000 people, that means 3,500 people to be hired in a good market as opposed to maybe 1,000 people to be hired in a bad market, and that is really what gives us the kicker. So when this happens, when the market starts growing faster and the gross hiring in most companies doubles or triples. And when that happens get where the prices we are able to sell more solutions and in general, because there is more sort of economic activity, there are more companies that have set up shops, there are more companies who want to expand and that gives us the kicker.

Sagar Rastogi: There is some correlation to the number of hires, but I understand that, you essentially sell licenses, right. Using that license someone could hire 500 people, that same person could hire 1000 people using the same license, right, so…

Hitesh Oberoi: No, but in general, what we see is that while there is no direct correlation, but the revenue we get from a company often depends on the number of hires the company sort of makes in a year. So some of our biggest customers are the large IT Services companies and the large banks and the large insurance companies and so on. And some of the smallest customers we have are the companies which have a very few employees. The truth is that if you sort of want to hire a lot of people you are willing to pay a lot more, you do not ask for great discounts, the truth is that when you want to hire more people you have more recruiters and therefore you want more licenses as well. The truth is that in a tough market you need to attract the right talent and therefore you need to spend more money on brand and other activities. You also do whatever it takes to get people. So there is a correlation between overall hiring numbers and what company spends on Naukri, it may not be a direct correlation.

Sagar Rastogi: For FY14, at what level of revenue growth do you think your margins could stay stable? You had given similar guidance for FY13, if you could give…

Hitesh Oberoi: What happened in FY12-13 is that our collection growth in Naukri was flattish but we benefited from the deferred revenue which came in on the last year. We will see no such benefit next year from deferred sales. We would not get a lot brought forward next year. So if collection growth in Naukri corporate sales is which is still 70% of our business is below 20%, then our margins will suffer is what we feel.

Ambarish Raghuvanshi: If I can just modify that, we will see some growth from deferred sales revenue but it will be lower than what we saw in '12-13 because if you notice that on the balance sheet there is about 122 crores of deferred sales revenue, certainly, yes, there will be some growth in revenue terms. If revenue growth is below 20% I think a similar thumb rule can operate like what we did for '12-13.

Moderator: Thank you. The next question is from the line of Anubhav Jain from CIMB India. Please go ahead

Srinivas Seshadri: This is Srinivas Seshadri. Just a couple of book-keeping questions. Firstly, I see that your G&A costs have gone up this quarter. To my understanding, this particular line item was supposed to stabilize and then hopefully go down when the new campus gets fully rolled out. So can you give some color on what has happened this quarter and the outlook for the next year?

Hitesh Oberoi: Even in this quarter we paid double the rent because we continue to occupy some of the other offices because we had a notice period and we moved into the new building as well. So, a rental cost will start going down hopefully from Q1 of this year.

Srinivas Seshadri: And on a full year basis, what kind of benefit should one see from that?

Hitesh Oberoi: We are also taking one or two new offices in some of the other branches where we are running out of space. So you will some benefit. I really cannot say right now how much the benefit will be, but of course, certainly, G&A expenses will not grow as rapidly as they grew this year.

Srinivas Seshadri: Can I also have the deferred sales from Naukri, how much it would be as a percentage of the overall deferred sales?

Hitesh Oberoi: We give deferred sales. Most of it is Naukri and that number right now on the balance sheet is 121 crores.

Ambarish Raghuvanshi: Most of the deferred sales revenue would refer to Naukri, to some extent to 99acres, and to Shiksha. But we do not break it down by business.

Moderator: Thank you. We have the next question from Ashish Kacholia from Lucky Investment Managers. Please go ahead.

Ashish Kacholia: I just wanted to ask you, if there is any possibility of Naukri going the Monster.com way, where their business model kind of became obsolete due to the arrival of LinkedIn, is there any chance that something like this could happen with…?

Hitesh Oberoi: I do not think the Monster model has gone obsolete, because Monster is just one company in the job space, there are many other companies in the job board market which are doing really well. There are at least 2 or 3 companies in China, like 51job and SEEK in Australia; they are just doing really well. There are so many other sites in Europe which are doing well. So I do not think the problem is with the model. Yes, of course, LinkedIn is a threat and we all doing stuff to compete with LinkedIn but I think in the case of Monster it could be many other things as well. They were in maybe 25, 30 countries; they were not leaders in those countries, so that also created its own pressures. I think it would be very sort of early to say that this model is under threat and this model is not going to last. For certain types of hiring, we work very well and that is why customers come back to us. Maybe for some other type of hiring, LinkedIn does a really good job.

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

Hitesh Oberoi: Thank you all for being on the call. Our results are available on www.InfoEdge.in . Have a great evening and see you next quarter.

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