

# Info Edge (India) Limited

## Annual Report – Financial Year 2022

### Chairman's Speech

Dear Shareholders,

I welcome you to the 27th ANNUAL GENERAL MEETING of the Company.

Today, the scourge of the COVID virus is firmly behind us. While new strains continue to evolve that affect different populations across the world, global medical science has risen to the situation and today there is much less impact on human lives. People have returned to the streets, workplaces have commenced, education institutes have seen students back in classes, shopping centres have witnessed renewed footfalls and life has returned to the pre-covid normal for most across the world. However, the long period of lockdowns and virtual commercial standstill has had an indelible impact on global economic activities.

In 2022, the Ukraine-Russia war has created another round of uncertainties especially in global energy trade and movement of materials across oceans. While the conflict has lasted longer than earlier envisaged, one is witnessing some early signs of normalcy in the region with some civilian freighters starting to operate in the region. However, in the aftermath of the COVID related issues, the Russia-Ukraine conflict has added to economic woes across several regions. Many global economies are witnessing some levels of slowdown with rising inflation. This has prompted an increase in interest rates across the board, which will impact future investments. Against this backdrop, the United Nations in June 2022 projected that the world economy will grow by only 3% in 2022 and 2023, which is downward revisions of 0.9 and 0.4 percentage points, respectively, from their previous forecasts released in January 2022.

Amidst the slight downbeat global economic conditions, the news in India is fairly encouraging. The economy bounced back from 7% degrowth seen in the largely COVID affected Financial Year 2021, to record 9% growth in Financial Year 2022, and the Economic Survey 2022 estimates that the projected GDP growth for Financial Year 2023 will be in the range of 8 - 9%. Coupled with the strong growth expectations, it is important to note that relative to several other large global

economies', risks associated with India's economy is much lower. As per a survey conducted by Bloomberg in June 2022, while Asia's recession risk stands at 20 - 25% compared to 45% for the US and 50 - 55% for European Union, India's recession risk is zero. The rank analysis of International Economic Resilience, which is based on 5 leading macro-economic indicators also shares a good story for India. For each of the years from 2019 to 2022 India has displayed continuously improving macro-economic endurance and is projected to be ranked behind Germany and Canada. So, we have a strong domestic economy that needs to be effectively leveraged to grow our core businesses.

At this juncture, it is important to highlight another global phenomenon. For the last 20 years, western companies have invested in China, drawn in by their low production costs, and enormous domestic consumer markets. This has created an over exposure of risks concentrated on China for several large corporate entities. Of late, there has been a focus on creating more resilient global supply chains that includes steps to counter the China centric supply chain dependencies and vulnerabilities. This is referred to as the 'China plus One' Strategy where there is now a focus on de-risking from the concentration on global supplies from China. India, with its cost structures is well positioned to leverage this development and is increasingly playing a positive role in attracting investments to integrate into global supplies. This is an opportunity that several Indian companies are fast leveraging and is also being promoted by the Government of India.

Clearly, the COVID pandemic with its culture of 'operating from home' has significantly accelerated the adoption of online activities across the world. However, the trend has taken a graded approach as it progressed over time. When the pandemic began two years ago, many organizations were catapulted into the future, rapidly accelerating digital transformation. Overnight, there was a change in work environments as remote work became commonplace and market demands evolved. Organizations had to upgrade their supply chains for greater transparency and resiliency and fast embraced cloud-based products. As 2021 began, many supply networks struggled and companies had to focus on improving transparency, flexibility, and resiliency. It was imperative for organizations to reorient and reskill their workforces to optimize remote work capabilities and take full advantage of advanced technologies such as artificial intelligence. As we move through 2022, these remain the challenges that need to be

worked on over the immediate future. It is imperative to understand that this is as much a technology related issue as it is a human resources related challenge. The transformation requires large-trained manpower for effective implementation and India remains a major hub for these resources. Our core business – Naukri – supports this hiring process in a big way and is thus already witnessing strong growth in revenues.

Clearly, in the last 2 years, the penetration of IT has become far more widespread globally and IT based activities across economies are expected to witness significant growth over the next five years. Estimates by the IT research body, reportlinker.com, suggest that the market will reach US\$14 trillion in 2026 at a staggering compound annual growth rate of 10%. Within our core job-placement business, too, new technologies are coming into play, which will necessarily require commensurate skills and qualifications among the IT workforce for effective adoption and deployment. Simply put, COVID-19 has created an entirely new set of paradigms. And truth be told, none of us could have confidently predicted the sheer pace of this change even three years ago.

Over the years, the Government of India has played a supporting role in recognising the strength of India's IT industry and continuously focused on developing the sectors' global brand image. This has started paying rich dividends and with its supportive policy framework, the industry is poised for significant growth in the next few years.

Given this backdrop, Info Edge's core business – recruitment solutions – under the primary brand 'naukri.com' recorded a very strong performance in Financial Year 2022. The recruitment segment billings increased by 73% to Rs. 14,364 million in Financial Year 2022 while revenue grew by 44% to Rs. 11,542 million. The segment's EBITDA was Rs. 6,798 million in Financial Year 2022 – representing an annual growth of 55%.

The Company has taken a conscious decision to increasingly service niche segments within the recruitment space by nurturing specialised brands. Thus, the recruitment business is being developed as an integrated bouquet of offerings that provide tailor-made solutions for specified customer segments. This is being done through promotion of own brands and strategic acquisitions. Acquisitions include iimjobs.com, India's leading recruitment platform for

management professionals and hirist.com, an exclusive recruitment platform for premium technology talent. Both these platforms are now integrated within the Info Edge structure and with focused strategy deployment, they have witnessed good growth in online traction and revenue.

These platforms are being supplemented by specialized offerings, which are today at a nascent stage of development. A focused site for blue collared jobs called jobhai.com, gained momentum during the year after getting an initial COVID related setback. For back-end support to the recruitment vertical, the Company has also acquired Zwayam, which is engaged in providing SAAS based sourcing and screening recruitment solutions and providing end-to-end recruitment solutions with configurable plug and play modules. In addition, there is the technical assessment platform, doselect.com, which is being increasingly used by clients to access technical skills. We are also actively developing Ambitionbox.com as a trusted and transparent platform for sharing helpful information for the entire career community. During the year, this business has evolved and reached leadership levels in terms of traffic share in India. In addition to these wholly owned businesses, we also have an investment in Coding Ninjas, which is essentially an upskilling platform.

The other segment that witnessed good traction in Financial Year 2022 is the online education classifieds business under the shiksha.com domain. It is at an early stage of development undergoing recalibration of its business strategy in line with evolving market opportunities. To begin with, the business has been repositioned as a 'complete student counselling platform' that fulfils aspirations of Indians wanting to pursue higher education abroad as well as in India. We are actively investing on the product front to create a complete offering; building stronger relations with academia to enrich content on the site; using IT tools to best cull out information from our database and making the data platform more robust; and reaching out to more users by investing in developing the brand. The 'study abroad' segment was redesigned as a complete end-to-end solution that supports student's right from selection of an appropriate foreign institute to securing a seat in it. This segment of the business performed well and recorded strong growth.

This is a segment where the negative impact of COVID was relatively low, and the product has also been well accepted. On a relatively modest base, the overall business performed well in Financial Year 2022 with billing and revenue growing by 65% and 59% and stood at Rs.965 million and Rs. 907 million respectively. And, there were modest operating profits.

The other two core business – real estate and matrimonial – have been under some level of pressure. 99acres.com - the real estate classifieds business – continued to maintain leadership in a competitive market. We remained focused on improving the quality and nature of content on the site to provide better user experience. Efforts were also undertaken to streamline and optimise our sales and servicing teams. While real estate segment revenues grew 25% to Rs. 2,173 million in Financial Year 2022, annual EBITDA losses increased from Rs. 222 million in Financial Year 2021 to Rs. 782 million in Financial Year 2022. Even though in the short term, returns are under stress, we remain committed to making investments in this space. Much of the focus is on enhancing platform experience, deepening brand building and improving client delivery to establish our clear dominance in the market. The real estate segment in India has been under a low growth cycle for a few years now. From the beginning of Calendar Year 2022, one is witnessing some green shoots of revival in the Indian real estate sector. As the industry cycle picks up, we are taking steps to be well prepared to leverage the gains from improved markets. To enhance the offering in this space, the Company has acquired 63% stake in 4B Network with an investment of Rs. 1,860 million. This venture is building on providing a tech platform to connect agents, brokers and builders on the one hand, and track and aggregate new home site visits and home loans on the other, to make it easier for all participants in the market.

The matrimonial business – jeevansathi – has succeeded in certain markets, but we recognise that in terms of overall scale, the business remains smaller than the market leaders, which affects its financial viability. While revenue grew by 3% to Rs. 1,002 million in Financial Year 2022, segmental EBITDA loss for matrimony increased from Rs. 956 million in Financial Year 2021 to Rs. 1,204 million in Financial Year 2022. We have proactively undertaken a detailed review of the business and initiated the process of deploying a substantially revamped strategic roadmap. The goal is primarily on increasing traffic and activity on the site, so that the business operates at a more sustainable scale of operations. We have even been first movers on some fronts - like the

introduction of online chats to improve user experience. Today, we are also entering new regions within India with localised strategies and also making several offerings “free for use” to attract a larger audience. While we adopt these new strategic initiatives, the investments in brand building continues unabated. We expect to see results in the new initiatives over the course of Financial Year 2023.

These performances contributed to the stand-alone entity witnessing increase in billing by 59% to Rs. 18,660 million in Financial Year 2022, while revenues increased by 39% to Rs. 15,625 million. Operating EBITDA grew by 61% to Rs. 4,637 million. Importantly, deferred sales revenue stood at Rs. 8,196 million as on 31 March 2022 – representing a growth of 57% over 31 March 2021. This reflects the strong revenue generating potential of the business in Financial Year 2023. Driven by a significant growth before tax from Rs. 3,809 million in Financial Year 2021 to Rs. 9,074 million in Financial Year 2022, the cash balance at an overall level stood at an extremely healthy position at Rs. 37,587 million as on 31 March 2022.

Over the years, the Company has utilised its cash for investing into certain growth-oriented entities managed by their own teams. Financial Year 2022 was a landmark year for this segment of the business as two of the investee companies – Zomato and Policybazaar – had very successful public listings. Both these listings had garnered favourable response from marquee investors and were landmark events on Indian stock exchanges. The valuations of these businesses are now driven by the stock market. This strongly vindicates the focused perseverance with these entities and investment made over the last decade. One should note that given some market dynamics, there has been some value depletion in these stocks in the last quarter of Financial Year 2022, but we believe in the long term potential of these businesses.

A strong vindication to our business ethos and investment performance was the decision taken by the large global investment house – Temasek Holdings– to partner us through its indirect subsidiary entity to make investments in India’s IT and new technology domain. With this partnership, Info Edge has also created a structured fund-based investment vertical. The first alternative investment fund, Info Edge Venture Fund launched its first scheme namely Info Edge Venture Fund I with a fund size of US\$100 million in January 2020. By 31 March 2022, the fund

has been able to successfully invest 80% of its corpus with 27 investments. Of these, 10 entities have been able to raise a follow-on round from marquee investors at higher valuations.

In addition, the Company has now launched an additional scheme under Info Edge Venture Fund called IE Venture Fund Follow-on I with a corpus of US\$100 million, which will invest in the emerging winners from Info Edge Venture Fund I. It has also set up two additional Alternate Investment Funds named Info Edge Capital and Capital 2B. Under Info Edge Capital, the scheme IE Venture Investment Fund II with a total corpus of US\$150 million will continue to invest in new start-ups as per the strategy that Info Edge Venture Fund I had adopted. The other fund Capital 2B has launched the scheme – Capital 2 B Fund I – with a corpus of US\$75 million will focus on investments in deep technology and patents.

In a certain sense, the COVID period has brought out the true competitive spirit of the companies in the IT enabled services space. Companies with strong fundamentals have managed to best leverage opportunities amidst difficult conditions, while others have felt the pressure of performance. Info Edge has been one such entity that has undertaken all the necessary changes, made the strategic moves and focused on execution to come out of the COVID phase as a stronger company poised for the next round of growth. The investment landscape in India is also undergoing a change, and our philosophy of building businesses with frugal capital, low cash burn rates with a focus on shorter path to profitability, is the one that is attracting the new round of investments.

The last 2 years of COVID have been a difficult period, but I am confident it's now behind us. We are ready to make the most of the lessons learnt during these difficult times. I thank all our employees and stakeholders who have been the driving force in these challenging times. I look forward to all your good wishes as we embark on the next round in our journey of accelerated value creation.

Regards

Kapil Kapoor