

Overview

THE INTERNET AND THE WORLD-WIDE WEB HAS BEEN ONE OF THE MOST INFLUENTIAL TECHNOLOGY-DRIVEN DEVELOPMENTS THAT HAS AFFECTED HUMAN LIVES ACROSS THE WORLD IN THE LAST COUPLE OF DECADES. FUNDAMENTALLY, IT IS JUST A NEW MEDIUM OF COMMUNICATION BUT ITS IMPACT ON THE WAY PEOPLE LEAD THEIR LIVES HAS BEEN PHENOMENAL. INFO EDGE (INDIA) LIMITED ('INFO EDGE' OR 'THE COMPANY') HAS LEVERAGED THIS MEDIUM TO EVOLVE A RAPIDLY GROWING BUSINESS BASED ON THE CORE MANTRA OF DEVELOPING DIFFERENT PLATFORMS FOR 'ON-LINE' CLASSIFIEDS. IN THIS SPACE, THE COMPANY HAS EMERGED AS A PIONEER AND AN INDUSTRY LEADER IN INDIA.

The Company's business model has evolved on a principle of 'being local, thinking global'. In essence, what this means is that it has laid much emphasis on understanding the dynamics of communities that interact in the physical space often at a very local level and transformed their interaction onto the global platform of the world-wide-web. In that sense, it has targeted specific market segments within India utilising technological tools that are state-of-the art from a global perspective.

While the on-line medium is a key differentiating factor for the Company, it is important to appreciate that within this space Info Edge has always focused on enhancing its execution excellence to deliver results and drive its leadership positioning.

Clearly, execution excellence is all about hitting the bottom line - delivering results based on objectives but it is important to appreciate that such a successful execution orientation encompasses a gamut of activities right from conceptualisation to collection of cash.

These include:

- **STRESS ON IN-DEPTH ANALYSIS OF THE DOMAIN** and the functioning of the specific community in the offline space so that the online interaction can be an even better experience

- **PRACTICAL IDEATION OF THE END PRODUCT.** At the very concept stage, the Company details the specifications so that the market need defines the end product while technology is an enabler and driver yet not the deciding factor
- **EMPHASIS ON A BUSINESS PLAN** that not only looks at product development but also brand building, customer connect, distribution mechanisms and revenue models
- **EFFECTIVE MANAGEMENT** of the different phases of a product life cycle – when to invest, when to focus on tightening costs or when to revamp a product
- **CONTINUOUSLY SUPPORT THE PRODUCTS** through cutting edge technology
- **FOCUS ON REGULAR IMPROVEMENTS** in the online customer experience

Today, Info Edge is a portfolio of different businesses, all in different stages of their product life cycle yet unified under the single umbrella of the 'online classifieds' business space. [Box 1](#) details the different businesses.

Across these businesses, the Company has focused on its execution excellence. Given that each one of these portfolios is in a different stage of development, there was varying level of emphasis on different aspects of execution for the different businesses during financial year (FY) 2012. Having said so, it is important to

note that these initiatives were well calibrated so that Info Edge, as a Company, had the right balance of growth in profits and cash generation on the one hand and the essential nurturing and development investments in assets for future growth, on the other.

Info Edge's business structure is such that the stand-alone numbers reflect the performance of the core business and the developmental businesses broadly classified as 'other businesses'. A portion of the cash generated from the stand-alone business is invested into investee companies, which are all early stage companies/ still being incubated.

Box 1

Info Edge's Business Portfolio

Core Business - Self sustained growth mode

Online recruitment business - **naukri.com**

There is also the web portal - **www.naukrigulf.com** - that caters to the Middle-East job markets; and the fresher hiring site, **www.firstnaukri.com**. The recruitment portfolio is supported by the offline executive search business - Quadrangle - and the associated portal **www.quadranglesearch.com**.



Other Businesses

● **Second stage of Development**

The online real estate classified business, which operates through the portal **www.99acres.com**. It is supported by the brokerage business, **www.allcheckdeals.com**, operated through a wholly owned subsidiary-Allcheckdeals India Pvt. Ltd.



The online matrimonial classified business, which operates through the portal **www.jeevansathi.com**.

● **Early stage of Development**

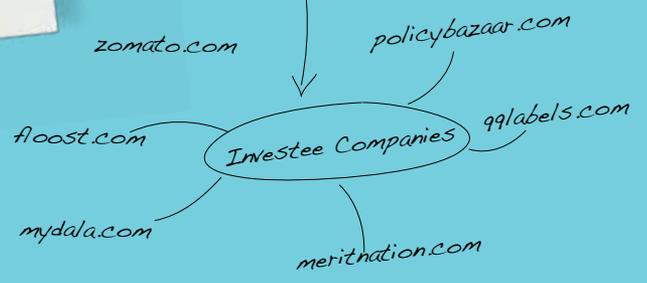
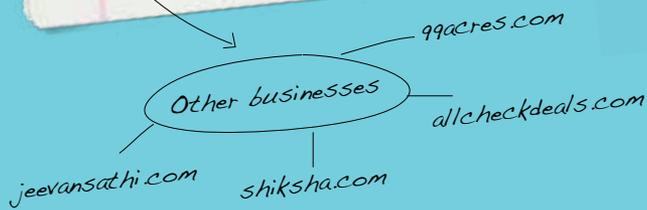
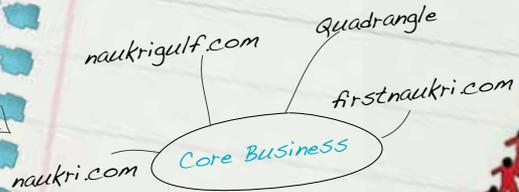
The online educational classifieds business, which operates through the portal **www.shiksha.com**.



Investee Companies - Startup Phase

The Company with a view to participate in the evolving internet industry in India has taken stakes in the following:

- Applect Learning Systems (Pvt.) Limited, which operates the kindergarten to Class 12 (K-12) assessment based learning portal, **www.meritnation.com**
- Etechaces Consulting and Marketing (Pvt.) Limited, which operates in the financial product (like insurance and loans) comparison domain, **www.policybazaar.com**.
- Zomato Media Pvt Ltd (erstwhile DC Foodiebay online Services Pvt. Ltd), which operates a website providing information on restaurants menus & reviews of food and dining options and events. **www.zomato.com** (erstwhile **www.foodiebay.com**), platform- **www.floost.com**
- Nogle Technologies Pvt. Ltd operating a web based sharing
- Kinobeo Software Pvt. Ltd., which operates a site providing discount offers, deals and do it yourself merchant platform - **www.mydala.com**
- Ninety Nine Labels Pvt. Ltd which operates, an e-commerce site that offers mainly fashion merchandise and accessories online - **www.99labels.com**



Financial Review

The revenues sources for the stand-alone business are detailed below:

- **RECRUITMENT SOLUTIONS** through its websites - *naukri.com*, *naukrigulf.com* and *firstnaukri.com*. Revenue is generated in the form of subscription fees, which is recognised pro-rata over the subscription or advertising agreement, usually ranging between one to twelve months
- **REAL ESTATE WEBSITE** - *99acres.com*, **EDUCATIONAL CLASSIFIEDS WEBSITE** - *shiksha.com* and **MATRIMONIAL WEBSITE** - *jeevansathi.com* and Revenue is received in the form of subscription fees, which is recognised over the period of subscription, usually ranging between one to twelve months
- **PLACEMENT SEARCH DIVISION** - Quadrangle. Revenue is received in the form of fees, for placements at various levels in a client's organisation. Revenue is recognised on the successful completion of the search and selection activity

The Company collects these subscription fees in advance & recognises these as revenue as the service is delivered.

For these businesses, the un-accrued amounts are not recognised as revenue till all the obligations are fulfilled. In the interregnum, these are reflected as deferred sales revenue under current liabilities in the balance sheet.

- **RESUME SALES SERVICE** - Naukri First Forward. The revenue is earned in the form of fees and is recognised on completion of the related service

On consolidation, while the PAT of the associates gets added in proportion to shareholding, the ones of the subsidiaries are fully accounted for in the revenues & costs.

Table 1 gives the abridged profit and loss statement for Info Edge for FY 2012.

There are two points to note in terms of treatment of accounts. First, the exceptional item recorded in FY2012 is on account of provision for diminution in carrying value of investments in Info Edge (Mauritius) Ltd. This subsidiary company had made an investment into Study Places Inc USA in FY 08. The comparable amount in FY2011 included the profits from sale of stock in MakeMyTrip Ltd, Mauritius (MMT). The company had acquired these shares at cost from Mr. Sanjeev Bikhchandani which were allotted to him under the ESOP scheme of MMT. Second, for the purpose of consolidation, Etechaces (*policybazaar.com*)

Table 1

ABRIDGED PROFIT AND LOSS STATEMENT (₹ MILLION)

	STANDALONE		CONSOLIDATED	
	FY2012	FY2011	FY2012	FY2011
1. Net Sales	3,756.38	2,936.21	3,903.04	3,217.31
2A Other Operating Income	14.46	3.92	15.80	5.55
2B Other Income	394.57	278.81	394.72	273.81
3. Total Income (1+2A+2B)	4,165.41	3,218.94	4,313.56	3,496.67
a) Network and other charges	93.17	100.38	104.66	110.11
b) Employees Cost	1,369.96	1,137.13	1,482.24	1,278.65
c) Advertising and Promotion Cost	515.97	380.25	563.21	505.93
d) Depreciation/Amortization	76.61	71.15	83.21	80.04
e) Other Expenditure	368.75	341.44	607.26	516.85
4. Total Expenditure	2,424.46	2,030.35	2,840.58	2,491.58
5. EBITDA (3-4+3d)	1,817.56	1,259.74	1,556.19	1,085.13
6. Interest	0.67	0.77	0.67	0.80
7. Profit from Ordinary Activities before tax (3-4-6)	1,740.28	1,187.82	1,472.31	1,004.29
8. Exceptional Item	3.53	(51.74)	8.33	(51.74)
9. Net Profit from Ordinary Activities before tax (7-8)	1,736.75	1,239.56	1,463.98	1,056.03
10. Tax Expense	510.52	399.84	528.76	400.42
11. Net Profit from Ordinary Activities after tax (9-10)	1,226.23	839.72	935.22	655.61
12. Extraordinary Item	-	-	-	-
13. Net Profit after tax (11+12)	1,226.23	839.72	935.22	655.61
14. Share in loss of Associate Companies	-	-	30.04	1.36
15. Share of Minority Interest in the losses of Subsidiaries	-	-	(13.68)	22.82
16. Reversal of Subsidiary into associate	-	-	(114.43)	-
17. Net Profit for the year (13-14-15-16)	1,226.23	839.72	1,033.29	631.43

Box 2

Performance Highlights (standalone)

- **NET SALES INCREASED** by 27.9% from ₹2,936 million in FY2011 to ₹3,756 million in FY2012
- **TOTAL INCOME INCREASED** by 29.4% to ₹4,165 million in FY2012
- **EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) INCREASED** by 44.3% from ₹1,260 million in FY2011 to ₹1,818 million in FY2012
- **PROFIT BEFORE TAX (PBT)** increased by 40.1% to ₹1,737 million in FY2012
- **PROFIT AFTER TAX (PAT)** increased by 46.0% to ₹1,226 million in FY2012
- **BASIC AND DILUTED EARNINGS PER SHARE (EPS)**, increased from ₹15.38 in FY2011 to ₹ 22.46 in FY2012
- **DEFERRED SALES REVENUE** (part of Current Liabilities) is up at ₹ 1189 million over ₹ 895 million last year

Gained Profits

Total income increased

Box 3

Performance Highlights (consolidated)

- **NET SALES INCREASED** by 21.3% from ₹3,217 million in FY2011 to ₹3,903 million in FY2012
- **TOTAL INCOME INCREASED** by 23.4% to ₹4,314 million in FY2012
- **EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) INCREASED** by 43.4% from ₹1,085 million in FY2011 to ₹1,556 million in FY2012
- **PROFIT BEFORE TAX (PBT)** increased by 38.6% to ₹1,464 million in FY2012
- **NET PROFIT AFTER TAX (PAT, after minority interest and share of associates)** increased by 63.6% to ₹1,033 million in FY2012
- **BASIC AND DILUTED EARNINGS PER SHARE (EPS)**, increased from ₹11.57 in FY2011 to ₹18.93 in FY2012

Total income increased

Net sales increased

Gained Profits

was accounted for as a subsidiary in FY2011. In FY2012 with Intel Inc coming in as a co-investor it has transformed into an associate Company. Consequently, only PAT is now accounted for in proportion to stake held. This transformation has resulted into reversal/adjustment in minority interests and share in losses of associates for both FY2011 and FY2012

Box 2 lists the performance highlights of Info Edge, the stand-alone entity, while Box 3 lists the performance of Info Edge, the consolidated entity. The difference between the two performances is on account of the developments in the investee companies. The investee companies being in early stage are currently in investment mode and therefore are incurring losses. Consequently, while the revenues are higher at consolidated level the consolidated profits are lower than those on stand-alone entity basis.

The performance in FY2012 vindicates Info Edge's strategy of maintaining its long term business strategy for different businesses irrespective of short term changes in the business environment as long as fundamental market dynamics are in line with expectations. This needs some explanation.

Info Edge has continued to invest in brand building, product development and people in a calibrated manner according to the needs of the respective businesses. These investments have played a key role in improving the Company's competitive edge in the market and gain critical market share. In new-age businesses like the ones where Info Edge is active, the market leader has a distinctive advantage and benefits extensively from its leadership position in terms of attracting customers. Info Edge has always strived to maintain this leadership position and for its two largest businesses – naukri.com and 99acres.com – it continued to gain traffic share in FY2012.

While the Company continues with investments in internal businesses, efforts are made at improving productivity and efficiencies of such outlays. A case in point is that the total headcount increased by 22% from 1,768 in FY2011 to 2,150 in FY2012 and total employee costs on a standalone basis increased by 20.5%. The Company has, however, made the most of this increase to promote revenues. Consequently, on a standalone basis, employee cost to sales reduced from 38.7% in FY2011 to 36.5% in

Table 2

KEY OPERATING RATIOS

% of total operating income	STANDALONE		CONSOLIDATED	
	FY2012	FY2011	FY2012	FY2011
Network and other charges	2.5%	3.4%	2.7%	3.4%
Employees Cost	36.3%	38.7%	37.8%	39.7%
Advertising and Promotion Cost	13.7%	12.9%	14.4%	15.7%
Depreciation/ Amortization	2.0%	2.4%	2.1%	2.5%
Other Expenditure	9.8%	11.6%	15.5%	16.0%
Total Expenditure	64.3%	69.0%	72.5%	77.3%
Operating EBITDA	48.2%	42.8%	39.7%	33.7%

FY2012. Similarly, on a consolidated basis this ratio reduced from 39.7% in FY2011 to 38% in FY2012.

Table 2 lists the different cost ratios and operating profits as a ratio of operating income for both the consolidated and standalone results

Importantly, even after increasing brand building and promotional activities as reflected in the increase in advertising and promotion costs to sales ratio from 12.9% in FY2011 to 13.7% in FY2012, on a stand-alone basis (on a consolidated basis this ratio reduced from 15.7% in FY2011 to 14.4% in FY2012 because the investee companies are in a nascent stage of development with low requirements of brand promotion), the operating EBITDA increased from 42.8% in FY2011 to 48.2% in FY2012 (stand-alone) and from 33.7% in FY2011 to 39.7% in FY2012 (consolidated).

Apart from effective management of employees and advertising, this improvement is also a reflection of the high operating leverage of the business. Once the foundations are put in place, growth in scale of operation continues to give greater returns for every incremental rupee spent. **This, along with a corporate culture of tight cost management has resulted in the following:**

- **REDUCTION IN COSTS** of network and other charges from 3.4% in FY2011 to 2.5% in FY2012 (stand-alone) and from 3.4% in FY2011 to 2.7% in FY2012 (consolidated)
- **REDUCTION OF OTHER OPERATING EXPENDITURE** from 11.6% in FY2011 to 9.8% in FY2012 (stand-alone) and from 16% in FY2011 to 15.5% in FY2012 (consolidated)

This financial performance in terms of operational parameters further highlights the Company's focus on excellence in execution. With these results, Info Edge continued to

generate cash. On a stand-alone basis, Net cash flow from operating activities increased by 14.4% from ₹1,101 million in FY2011 to ₹1,259 million in FY2012. The cash and cash equivalents were ₹2,662 million as on 31 March 2012 against ₹2,037 million in FY2011 – an increase of 30.7%. The total Cash and cash equivalents including investments in mutual funds were ₹5080 million as on March 31, 2012 as against ₹4639 million as on March 31, 2011 – an increase of 9.5%.

DEFERRED SALES REVENUES INCREASED BY 32.9%

It should also be noted that deferred sales revenues, which is cash collected during the year that are yet to be recognised as revenue through accounting principles, has increased by 32.9% from ₹895 million as on 31 March 2011 to ₹1,189 million as on 31 March 2012. This gets recognized and accounted for on a pro-rata basis over the subscription or advertisement agreement period. It reflects the strength of the Company's market position even in a difficult year in terms of the external environment

From the cash generated through the stand-alone performance, Info Edge continues to prudently manage its treasury function. Non-current financial investments increased by 207.5% from ₹934 million in FY2011 to ₹2,872 million in FY2012.

- Strategic investments including equity, preference shares and debentures into subsidiary and associate companies increased by 280.4% from ₹367 million FY2011 to ₹1,396 million in FY2012. These were in line with the commitments made while taking additional stakes in some of the investee companies.
- In addition, investment in long term mutual funds increased by 160.3% from ₹567 million in FY2011 to ₹1,476 million in FY2012.

Core Business - Recruitments

The recruitment services business comprises the following portals:

- **NAUKRI.COM:** This is the Company's flagship brand and India's largest online jobsite
- **NAUKRIGULF.COM:** This is a jobsite that focuses on the middle-eastern market
- **FIRSTNAUKRI.COM:** Launched in January 2009, this site focuses on fresher hiring
- **QUADRANGLE.COM:** This is primarily an off-line headhunting business that derives revenues from successfully positioning a person with a company

Much of today's revenues and profits are delivered by the Naukri.com business and it is affected by developments in the external economy.

BUSINESS ENVIRONMENT

There has certainly been a slowdown in the Indian economy. For Q4, FY2012 (or January to March 2012), GDP growth has fallen to 5.3% compared to the same quarter in the previous year. From a high of 9.4% in January-March 2010, this is the eighth successive quarter of declining GDP growth - a drop of 4.1 percentage points over two years. Even more worrisome is the sharp decline

in each quarter of 2011-12: 8% in Q1; followed by 6.7% in Q2; then 6.1% in Q3; and now 5.3% in Q4. Not surprisingly, therefore, GDP growth for the full year is much lower — 6.5% in FY2012, which is 1.9 percentage points below the 8.4% we achieved in FY2011. **Chart A** plots the data.

Clearly, such an economic slowdown and the associated negative sentiment will have a negative impact on the recruitment industry. However, the overall impact so far has been muted with some sectors doing well to compensate for slowdown in others. Noticeably, three sectors were badly affected through the year – insurance, construction and telecom. However, the other sectors compensated for this slowdown and as **Chart B** shows that the 'Naukri Jobspeak Index' shows a steady state in the recruitment industry through FY2012.

The Naukri Jobspeak Index is an in-house index based on utilisation of listings on our website- Naukri.com

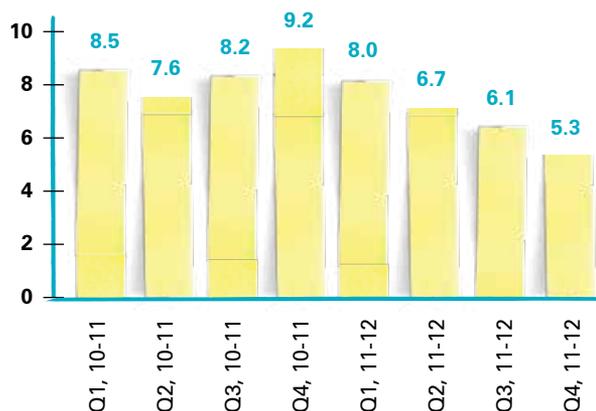
OPERATIONS REVIEW

Box 4 gives the financial highlights of this business.

Naukri.com is the major revenue generator in this business. It has two major sources of revenue and several other supporting revenue streams. **The major sources of revenue are: (i) job listings and employer branding or visibility advertisements, and (ii) résumé database access.** The supporting

Chart A

INDIA: GDP GROWTH
(over same quarter previous year -%)



Source: Central Statistical Organisation, Government of India

Chart B

NAUKRI JOBSPEAK INDEX



Note: total no of new jobs posted in July was scaled to 1000 and subsequent data is indexed on it

Box 4

Recruitment
Related
Services-
Performance
Highlights



- **NET SALES FROM RECRUITMENT** increased by 25.4% - from ₹2,425 million in FY2011 to ₹3,042 million in FY2012
- **OPERATING EBITDA FROM RECRUITMENT** increased by 41.2% — from ₹1,098 million in FY2011 to ₹1,550 million in FY2012
- **OPERATING EBITDA MARGIN** increased from 45.2% in FY2011 to 50.7% in FY2012

revenue sources include job seeker services, Google Ad sense, mobile revenue, and the value added service of résumé short listing and screening.

The key usage parameters suggest healthy growth:

- **NUMBER OF RÉSUMÉS IN NAUKRI.COM'S DATABASE INCREASED BY 16%** - from around 25 million at the end of FY2011 to around 29 million at the end of FY2012.
- **AVERAGE NUMBER OF RÉSUMÉS MODIFIED DAILY INCREASED BY 26.4%** - from 72,000 at the end of FY2011 to 91,000 at the end of FY2012.
- **NUMBER OF UNIQUE PAID CUSTOMERS GREW BY 9.5%** - from 42,000 in FY2011 to 46,000 in FY2012.

Naukri.com benefited immensely from the support of the large sales force that is on the ground. Most of sales force in Info Edge is engaged in *naukri.com*. The efficiency of the sales force has also been improved through effective implementation of the ERP system. In addition, there are constant efforts at product improvement and enhanced customer experience. All these drivers combined with the fact that *naukri.com* has a self-generating cycle of sustainable growth emanating from its first mover advantage have contributed to further strengthening of its market leadership position.

Chart C shows that *naukri.com* has gained significantly in terms of traffic share. Data from comscore.com suggests that by the end of

FY2011, in terms of traffic flow, the gap between *naukri.com* and its nearest competitor was 27% and with the second nearest competitor was 38%, by the end of FY2012 this gap has widened further to 43% and 49% respectively. This market leadership promotes another round of growth through gains in market share.

Info Edge continues to grow *naukri.com* by investing in the brand, hiring and retaining quality talent, providing superior sales and service execution and continuous innovation on product and technology.

naukri.com is supported primarily by four offerings that complete the Company's service suite in the recruitment space: *firstNaukri.com*, *naukrigulf.com* and *Quadrangle*.

NAUKRI.COM HAS A SELF-GENERATING CYCLE OF SUSTAINABLE GROWTH EMANATING FROM ITS FIRST MOVER ADVANTAGE HAVE CONTRIBUTED TO FURTHER STRENGTHENING OF ITS MARKET LEADERSHIP POSITION

firstnaukri.com was launched in Q4, 2009- 10. The site targets hiring fresh students from campuses. There has been considerable work at developing the site. In its second year of commercial operations during FY2012 there were modifications made to the business model based on the initial response. The new business model should effectively deliver and service the specific new hiring segment and support the core business

naukrigulf.com continued to be consolidation mode with the slowdown in the middle east recruitment market. The business is supported by branch offices in Dubai, Riyadh (Saudi Arabia), Bahrain and Abu Dhabi.

Quadrangle, offers off-line placement services to middle and senior management, with revenues based on a success fee model. It complements the online recruitment business. *Quadrangle* witnessed a marginal slowdown during FY2012, especially after a 15% drop in sales in Q4, FY2012

brijj.com, the professional networking site is where lot of efforts are being put on developing a suitable model for this business.

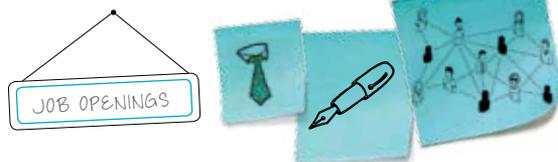
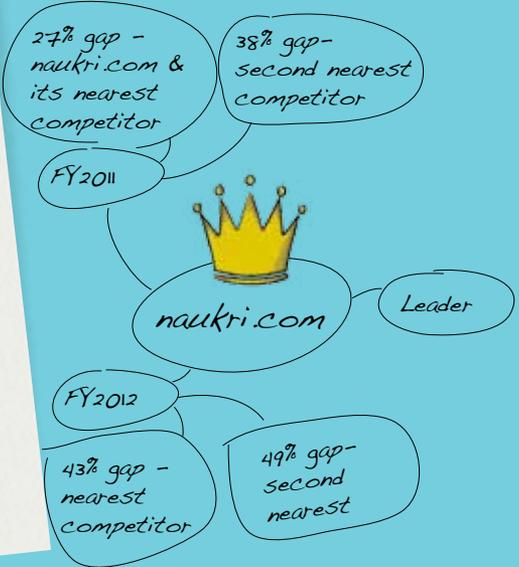
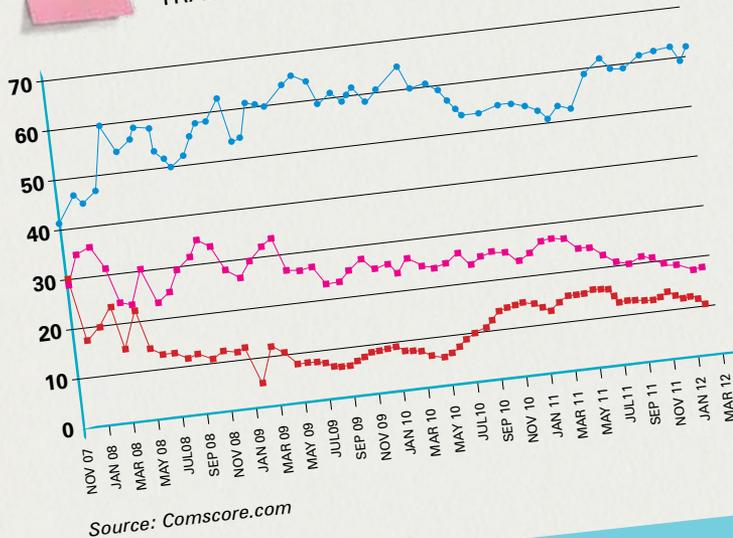


Chart C

TRAFFIC SHARE



Other Businesses - Real Estate, Matrimonial & Education

The 'other businesses' portfolio comprises businesses that are in different development phases. While *99acres.com*, *jeevansathi.com* and *allcheckdeals.com* are in the second stage of development, *shiksha.com* is in an early stage of development.

The other businesses portfolio continued to grow and increase its share in the Company's total sales. Net sales increased by 39.4% from ₹512 million in FY2011 to ₹714 million in FY2012. With this growth its share in total revenues increased from 17.4% in FY2011 to 19% in FY2012. In a gradual but steady manner the development of these 'other businesses' is reducing the Company's overall reliance on naukri.com and enhancing the wider portfolio based growth strategy of Info Edge. However, in the near term, naukri.com will continue to be the predominant business.

Real Estate



Within the real estate space, Info Edge has two portals. These are (i) *99acres.com*, the property based online classified business, and (ii) *allcheckdeals.com*: the property broking business with a success based revenue model. While the two portals are parts of the real estate business,

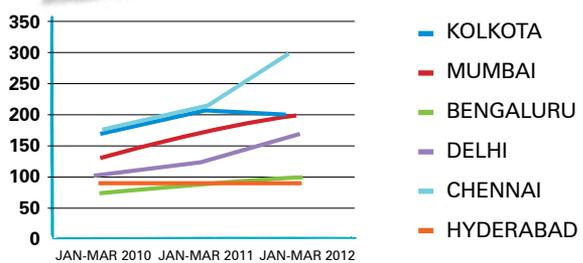
allcheckdeals.com was hived off as a separate subsidiary during Q3, FY2010 - so as to create specific business focus. Thus, the financials of the two businesses are now separate

BUSINESS ENVIRONMENT

The real estate sector in India was adversely affected on two fronts. First, the policy framework restricted flow of debt into the sector and the investment environment was very subdued adversely affecting real estate companies' ability to refinance their existing loans. This led to a slowdown in construction activities of projects under execution. Second, the negative sentiments on the economy coupled with high levels of interest rates delayed home purchases amongst consumers and slowed down demand. Commercial leasing demand was also affected as companies operating in India struggled to manage costs in depressed markets.

Chart D

NHB RESIDENTIAL PROPERTY PRICE INDEX



Source: National Housing Bank (NHB)
Note: All prices indexed to 100 for the year 2007

While the dampeners were there, real estate developers continued to launch new projects. The National Housing Bank (NHB) index for residential property prices across shows most cities saw real estate prices stable or increasing.

Therefore, while FY2012 has been a bit of a dampener for the real estate sector in India, the intrinsic need and demand for housing sector growth continues to exist in the India economy. More importantly for Info Edge, the real estate industry in India is evolving in its way of working. Today, the market is primarily end customer driven and developers and brokers have to reach out to these widely spread out customers in the most cost effective manner. And, the use of the internet is gaining acceptance as a medium of sales and marketing.

OPERATIONS REVIEW

Catering primarily to real estate developers, builders and brokers, *99acres.com* source of revenue is from property listings, builders' and brokers' branding and visibility through micro-sites, home page links and banners. Individuals too list their requirements like sale, purchase and renting on the site. **Box 5** gives the financial performance highlights of *99acres.com*

The usage parameters highlight major traction in revenue generating traffic.

Box 5 99acres.com- Performance Highlights

- **NET SALES FROM 99ACRES.COM** increased by 52.2% to ₹347 million in FY2012.
- **OPERATING EBITDA CONTINUED TO BE POSITIVE** – ₹1 million in FY2012
- Given the focus of the site to promote greater revenue generating traffic the number of listings reduced, while the **NUMBER OF PAID TRANSACTIONS ROSE** from around 23,700 in FY2011 to 33,250 in FY2012

- **NUMBER OF LISTINGS IN 99ACRE.COM'S DATABASE INCREASED BY 65.1%** — from around 774,000 at the end of FY2011 to around 1,278,000 at the end of FY2012.
- **NUMBER OF PAID LISTINGS INCREASED BY 67.7%** — from 632,000 at the end of FY2011 to 1,060,000 at the end of FY2012.
- **NUMBER OF PAID TRANSACTIONS GREW BY 40.3%** — from 23,700 at the end of FY2011 to 33,250 at the end of FY2012

During FY 2012, Info Edge continued to invest in *99acres.com* on product development, people, and marketing and brand building. In the process, it is slowly gaining traffic share from the second half of FY2012, after losing some traffic share in the first half. More importantly, as reflected in the usage data it is getting higher revenue generating traffic. Finally, the site has managed to spread the message of utility amongst the real estate sales community and in the process succeeded in increasing the use of the internet within this community.

allcheckdeals.com is the group's online property broking business. The business has a commission based revenue model that is determined on the value of transaction. The focus is on the residential markets of larger cities and their suburbs where it can service a growing middle class who want ease of transactions in property deals. The business has extended its coverage to 12 cities in India.

The business, which is in a subsidiary now, closed about 1,900 sales transactions in FY2012. The operating environment was difficult. There were also business issues like the land related disputes in Noida and Greater Noida - our primary market – and an internal re-organisation exercise. *allcheckdeals.com* generated a top-line of about ₹108 million in FY2012 made losses at the EBITDA level of ₹ 36 million.

Matrimonial



The online matrimonial business is not affected by annual vagaries of the macro-economy and business environment. It is, however, largely influenced by demographic factors and social behavioural patterns. It is a very challenging market with several nuances.

The fundamental driver of growth comes from India's demographic dividend. Estimates suggest that today, there are around 450 million people

Box 6

Matrimonial- Performance Highlights

- **NET SALES FROM MATRIMONIAL** increased by 14.9% to ₹254 million in FY2012
- **OPERATING EBITDA LOSS** was ₹49 million in FY2012
- **PROFILE LISTINGS INCREASED** from 4.3 million at the end of FY2011 to 5.8 million at the end of FY2012
- **AVERAGE AMOUNT REALISED PER CUSTOMER INCREASED** from ₹2,722 in FY2011 to ₹3,120 in FY2012

below the age of 21. This is a large young population that will reach marriageable age soon. Today, this business primarily targets the dominant tradition of arranged marriages and strives to convert offline information exchanges done by parents and elders in this space to online ones. The market is however very fragmented as there are very different cultures and norms across the wide spectrum of socio-religious communities in India.

In this scenario, Info Edge has focused on actively promoting *jeevansathi.com* amongst north Indian communities and establishing strong leadership position in this market segment. While focusing on gaining market share, there is stress on maximising the flow of paid customers.

The website has revenue model, which is free to list, search and express interest, but pay to get contact information. The highlights of the portal's performance are given in [Box 6](#).

The online business is being supplemented by 14 offline centres called 'Jeevansathi Match Points'. These centres provide hand-holding services to customers who are not internet savvy, helping them to utilise *jeevansathi.com* online services. The offline centres have walk in sales for matching services.

Education



Education is another business that is fairly insulated from macro-economic developments and is largely dependent on long term demographics. From an online perspective classifieds in education is at a very nascent, however, the market for education related advertising is very large with most spends being in the print space. In fact, of the total estimated ₹25 billion spent in this market, only around an estimated ₹400 million is in the online medium. With increase in private sector participation in this sector, advertisements spends are also increasing. The challenge is to convert offline advertising to the online space.

Launched in May 2008, **shiksha.com** is primarily a portal for information exchange for the post school education options. Revenues are generated from advertisements placed by colleges, institutes and universities. There may be scope for additional revenues from successful leads.

Broadly, there are three categories of clients:

- Indian education players (universities and institutes)
- Test preparation and coaching institutes
- Overseas universities and colleges targeting Indian students

THE MARKET FOR EDUCATION RELATED ADVERTISING IS VERY LARGE WITH MOST SPENDS BEING IN THE PRINT SPACE

The website is gaining good traction. Although on a small base, revenue growth was 85% in FY2012. *shiksha.com* has succeeded in renewing contracts with most customers and increased booking offerings. It has also significantly grown its traffic to around 50,000 students per day.

Investee Companies

In addition to promoting businesses internally, Info Edge recognises that ideation and the spirit of enterprise are key elements for success in developing businesses in the online space. With this perspective, the Company has made investments in early stage start up ventures with an objective to support in the growth of these

entrepreneurial driven business and gain from the enhanced value creation or take the Company into the Info Edge fold if opportunity arises in future.

The details of such strategic investments are listed below:

- Info Edge has invested ₹318 million in tranches for around 49% stake in Applect Learning Systems Private Limited. Applect has launched a site called *meritnation.com*, which is delivering kindergarten to Class 12 (K-12) study material. The site is managed by an experienced team that specialises in content development and assessment modules in the education space and has a strong commitment to delivery. The site provides:

- online educational assessment based learning tools for school students
- free solutions mainly for mathematics and science for standard 6 to 12 of popular national curriculum like CBSE and ICSE. It has added some state board curriculums as well.
- paid product for online assessment and teaching solutions

- Info Edge has invested ₹300 million in Etechaces Marketing & Consulting Private Limited. Intel Capital is the co-investor. The investee company operates an online financial products comparison website, *policybazaar.com*. This started as a site for comparing insurance products & subsequently added other financial products like home loans, car loans and personal loans are also being added for inter-se comparison of financial products prior to purchase. The business has been affected a bit due to regulatory issues like the upper bound for charges for insurance leads being restricted to ₹10. In this environment, the business is making effort to grow and it is also laying emphasis on distance marketing and advertising.

- The Company has invested ₹182 million in *zomato.com* (erstwhile foodiebay.com). It provides menus of restaurants and reviews and ratings of the same and tickets for events. Revenues are generated from advertisements of restaurants and lead sales. It has a wide coverage across 10 cities including Delhi, Mumbai, Bangalore, Pune and Hyderabad. The website also has a very well designed mobile application. It has also sold tickets for events during FY2012, which got a good response. The product has been well received in the market and one will have to wait for a few years before it can be scaled up considerably.

- Info Edge has invested ₹270 million into *mydala.com*, which a website offering discount offers & deals and a platform for merchants. Revenues are generated form merchant commissions.

INFO EDGE RECOGNISES THAT IDEATION AND THE SPIRIT OF ENTERPRISE ARE KEY ELEMENTS FOR SUCCESS IN DEVELOPING BUSINESSES IN THE ONLINE SPACE

- Info Edge has also invested ₹235 million (including a portion for secondary share purchase) into *99labels.com*, which is an e-commerce website offering discount offers and deals for fashion merchandise and accessories. Revenues are generated through sales of fashion & home products.

- The Company has invested in Nogle Technologies Pvt. Ltd, which is developing a unique web sharing platform *floost.com* whose business model is yet to evolve.

The Company continues to evaluate more such possible investments while conscious of the funds requirements of the existing Investee Companies.

Outlook

Given global developments and issues within India, one expects the economic slowdown to continue for at least another year. This may have an impact on both the recruitments and the real estate business.

However, one expects this slowdown to be offset by the rapid transformation of several offline functions to online ones.

From a demographic perspective, clearly, the age profile is supportive of Info Edge's business. India is one of youngest countries with a median age of 26 years, and around 65% of its population is below 35 years of age. The youth population between 15-35 years, which is Info Edge's target market, is growing at a rapid rate of 37.9%. In some sense the conversion into online will be the driving factor for Info Edge's growth in the next phase along with the demographic tilt towards younger generations.

This is being supported by rapid spread in internet penetration, mobile phone penetration and availability of low priced smart phones in the country. And, India's Internet consumer profile mix is changing to broadband and heavier usage. Broadband users engage in multiple internet activities on a daily basis providing greater scope for online services.

This long term perspective has driven Info Edge to continuously invest in its products and strive to attain market leadership in each segment. If there is some downfall in revenue growth in the short term, one might a slight reduction in margins as Info Edge will not cut down on its growth oriented investments into different products.

Risks

The Company has a well structured and robust risk management mechanism, which includes a comprehensive risk register that lists the identified risks, its impact and the mitigation strategy. **Broadly, there are some over-riding risks that are listed below:**

OPERATIONAL RISKS

- **BUSINESS CONTINUITY:** Technical failure and breakdowns in servers could lead to interruptions of our websites and could result in corruption of all data and/or security breaches.
- **OBSOLESCENCE:** Being a company that uses technology extensively, one is always faced with the risk of an innovation or product development that make Info Edge's propositions redundant. The Company remains alert with technology developments to overcome this risk. A case in point is the investments being made on mobile based applications.
- **DISASTER RECOVERY** – Though a replica of databases is maintained, its corruption or inability to restart could pose a problem.

STRATEGIC RISKS

- **COMPETITION RISK:** All the portals have competition directly on the online space and the offline. Info Edge continuously tracks competition in every one of its businesses and stays prepared for the challenges

- **DEPENDENCY RISK:** The Company relies heavily on the recruitment business for its profits and cash flows. It has a large dependency on this one line of business. Info Edge has been consciously diversifying into other businesses to de-risk itself from this dependency. Already, the other businesses have started contributing around 19% of its total revenues

- **INVESTMENT RISK:** The Company has made investments into start-ups. There is a probability that this entire investment might not generate any returns and in fact absorb more cash in the incubation phase. These are risks, which are part of the Company's growth strategy

FINANCIAL RISKS

- **TAX ISSUES:** the Company has a few income tax and service tax cases against it, which if lost may impact future cash flows, though not materially.
- **ERP:** In order to promote efficiencies the Company has deployed ERP and other softwares across its activities. Any errors in billing or financial reports in the ERP system could affect the Company's billing and statutory reporting

MANPOWER & REGULATORY RISKS

- **EMPLOYEE ATTRITION:** Being a knowledge driven business any form of major Human Resource attrition may affect the course of the business. The Company is focusing on making workflows as process-driven as possible
- **CONTENT LIABILITY:** Most of the portals rely on information being posted by users. Fraudulent postings/profiles on the website, spamming by some of the users may damage the Company's reputation and make it vulnerable to claims e.g. defamation & invasion of privacy
- **IPR PROTECTION:** The Company has been protecting its Trade Marks to the extent it makes commercial sense. However, adoption of generic marks to identify our services/products is something that exposes the marks to widespread possibility of accidental/unintentional infringement/passing of by others & increasing the possibility of engaging in unceremonious litigation

Internal Controls and their Adequacy

Info Edge has proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and those transactions are authorised, recorded and reported correctly.

The internal control is supplemented by an extensive programme of internal audits, review by management and the Audit Committee, and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial information and other data, and for maintaining accountability of assets.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the Indian online sector, advertising spends, new disruptive technologies or business models, significant changes in political and economic environment in India, exchange rate fluctuations, tax laws, litigation, labour relations and interest costs.