

Dear Shareholder,

Perspective is an important factor in determining the path of an organisation. The management of different businesses often have their own unique way of interpreting challenges and opportunities in a prevailing economic environment. This is reflected in their strategic decisions. Let us look at the state of the Indian economy. On the one hand, it is a fact that economic activity has slowed down and the 5% real GDP growth recorded in FY2013 is the lowest in the last decade.

This has had an adverse impact on business sentiments and the recruitment industry, which is Info Edge's dominant business. On the other hand, it is important to appreciate that even with lower growth India is poised to become a US\$ 1.5 trillion economy in the next five years.

"INDIA CURRENTLY HAS ABOUT 120 MILLION INTERNET USERS, WHICH IS THE THIRD LARGEST INTERNET POPULATION IN THE WORLD"

Given the fact that India is one of the youngest nations of the

world with a median age of 26, much of this growth will be driven by the younger population of the country. 65% of India's population is below 35 years of age and there will be 70 million new entrants to the workforce in the next 5 years. The potential for internet businesses like ours to be an intrinsic part of this economic growth is immense. Estimates suggest that the economic contribution from internet in India can be potentially doubled from 1.6% of GDP as on today to 2.8%-3.3% by 2015. In fact, the internet related economy is expected to be bigger than education and as big as the healthcare sector in terms of current GDP share. At current levels of internet related expenditure, about 6 million direct and indirect jobs will be created in the next 5 years. With greater penetration, as the direct impact of the internet on India's GDP has the potential to double by 2015, an additional 16 million jobs could be created.

The steady progress in internet usage in India continues unabated. India currently has about 120 million internet users, which is the third largest internet population in the world. Today, the country is witnessing one of the largest incremental growths of internet users in the world and by 2015 India is expected to have 330 million to 370 million internet users. Apart from demographic and economic considerations, this growth is being fuelled by lower costs of internet access and more importantly the growing influence of mobile devices. Estimates suggest that 55% of the aggregate user base in 2015 is expected to access internet from a mobile or tablet device.

Clearly, as one of the leading internet based businesses in India, Info Edge has the potential to play a significant role in this long term growth of the internet economy in India. So, there are certainly considerable reasons for optimism.

Having said so, FY2013 was indeed a difficult year for the Company and growth was moderate. As a standalone entity, net sales increased by 16% to ₹4,372.6 million in FY2013. EBITDA margins, without accounting for other income, reduced from 37.7% in FY2012 to 33.7% in FY2013. Consequently, profit growth was lower – EBITDA grew by 6.7% and PBT before exceptional items increased by 5.9%.

Moving on to the performance of the different business verticals, For FY2013, the recruitment business grew its top line by 11% and the EBITDA margin was at 49% against 51% for FY2012. The Naukri database grew to over 33 million CVs, while average CV modifications were at 116,000 per day. In FY2013, in Naukri we serviced 48,000 customers – up from 46,500 customers in FY2012.

“FOR THE COMPANY AS A WHOLE, EVEN AT THE LOWER PROFIT GROWTH LEVELS, CASH FLOWS REMAINED ROBUST. IN TERMS OF NUMBERS, NET CASH FROM OPERATING ACTIVITIES WAS ₹1,002.94 MILLION DURING FY 2013”

In the 99acres business, top line grew by 48% to ₹514 million in FY2013. In 99acres, we made a small profit in Q4 FY2013 but for the FY2013 as a whole,

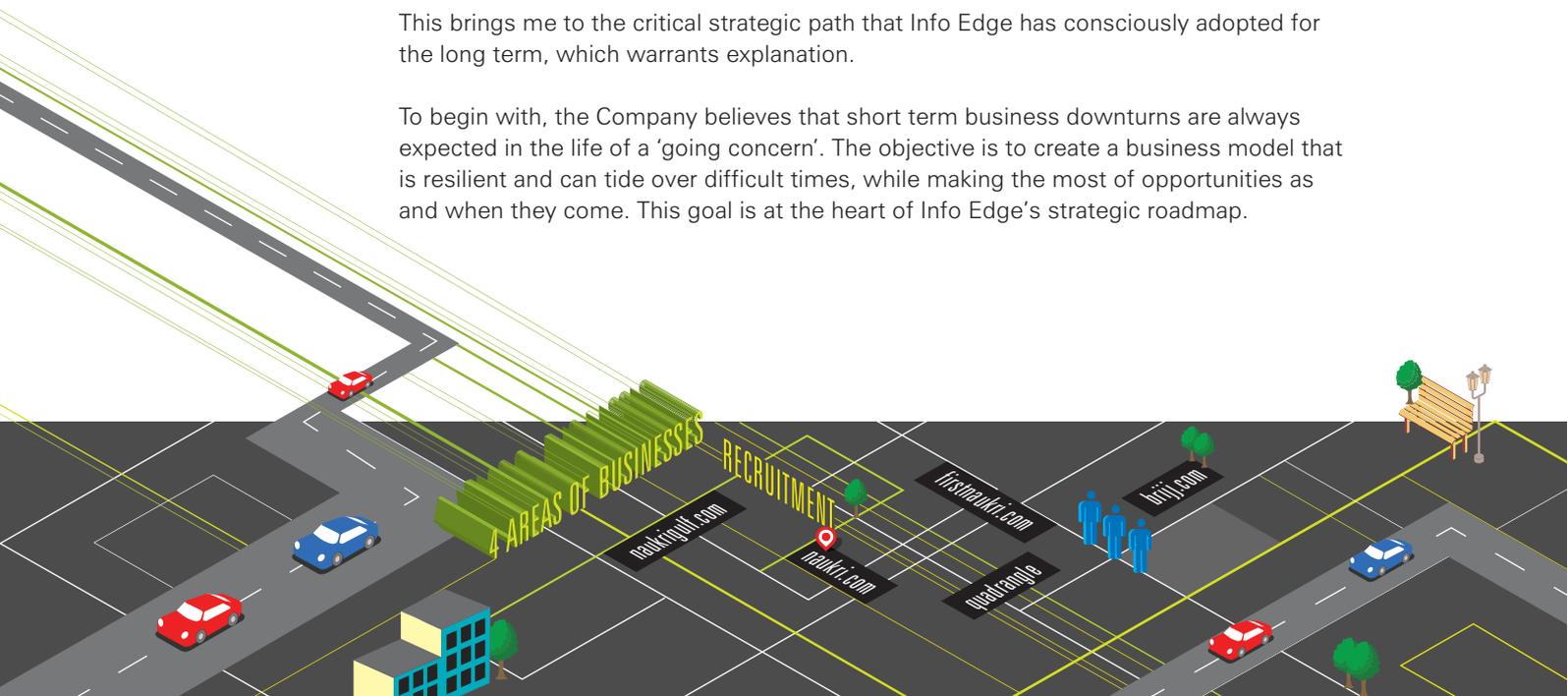
it recorded losses of ₹7.6 million. Paid listings at the end of Q4 FY2013 were at 0.43 million, which is a gain over the 0.32 million paid listings recorded at the end of Q4 FY2012. In the Jeevansathi business, net sales grew 27% in FY2013, while there was an EBITDA loss of ₹75.1 million.

In Shiksha – net sales grew by 30% in FY2013. 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 that are not truly reflective of the developments in business. Clearly, with Shiksha, growth has been in the right direction.

For the Company as a whole, even at the lower profit growth levels, cash flows remained robust. In terms of numbers, net cash from operating activities was ₹1,002.94 million during FY2013. So we continued to be a good cash accretion Company in a difficult business environment.

This brings me to the critical strategic path that Info Edge has consciously adopted for the long term, which warrants explanation.

To begin with, the Company believes that short term business downturns are always expected in the life of a ‘going concern’. The objective is to create a business model that is resilient and can tide over difficult times, while making the most of opportunities as and when they come. This goal is at the heart of Info Edge’s strategic roadmap.



As discussed above, the Company has generated fairly healthy cash returns even in a year when the environment was difficult and profit margins suffered. This has been possible because of the leadership position developed by Info Edge for its brands with focus on execution and the ability to make the most of the 'early bird' advantage of innovation. Execution remains a critical part of business coupled with an ethos of managing costs.

ON THIS FRONT, WE HAVE A TWIN APPROACH.

FIRST, THERE ARE SEVERAL AREAS WHERE THE COMPANY NEEDS TO INVEST IN THE EXISTING BRANDS. These investments are not only for growth but also a hedge against market risks. The internet space is highly competitive and constant innovations and up-gradations are necessary to maintain market share and compete. To do so, continuous investments are required in people, product development, brand building and innovations.

It is important to appreciate that the internet business is highly people oriented and it is imperative to have the best quality of human resources to service the business. Info Edge is investing heavily in its workforce. Much of the expenditure is to create a sales support structure to back the businesses. During the course of the year the total headcount has increased from 2,150 people to 2,464 people.

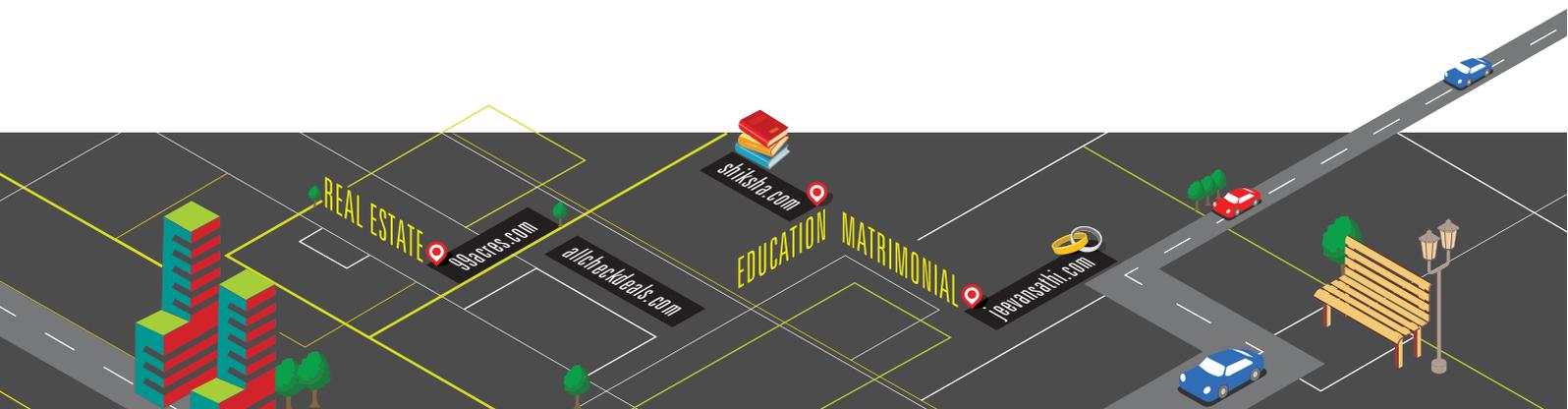
"INNOVATION IN TERMS OF SOPHISTICATED ANALYTICS IS BEING REGULARLY USED TO CREATE MORE FOCUSED IMPROVEMENTS IN TERMS OF EXPERIENCE AND TRANSACTIONS FOR TARGET CUSTOMERS"

Across brands there are continuous efforts at product up-gradation to provide the best experience to customers. Many of these are a result of customer feedback and the

need to react to competition. Two investments made during the year –Toostep and Makesense – have been done to complement the product quality of the recruitment business. Toostep is helping refine resume management application while Makesense is helping refine semantic search engine. Both these are innovation tools to take on competition in this space where we are market leaders.

Innovation in terms of sophisticated analytics is being regularly used to create more focused improvements in terms of experience and transactions for target customers. Brand building exercises are also critical to maintain recall in an industry which continuously witnesses new entrants.

Such investments are essential to remain ahead of competition and maintain leadership position in a very competitive business space. Given the nature of our investments – human capital, brand building, product development, some of these



involve capital outlays, in accounting terms much of it gets reflected as higher operating cost outflows. Consequently, such expenditure adversely affects operating profit margins while essentially they are investments for the longer term.

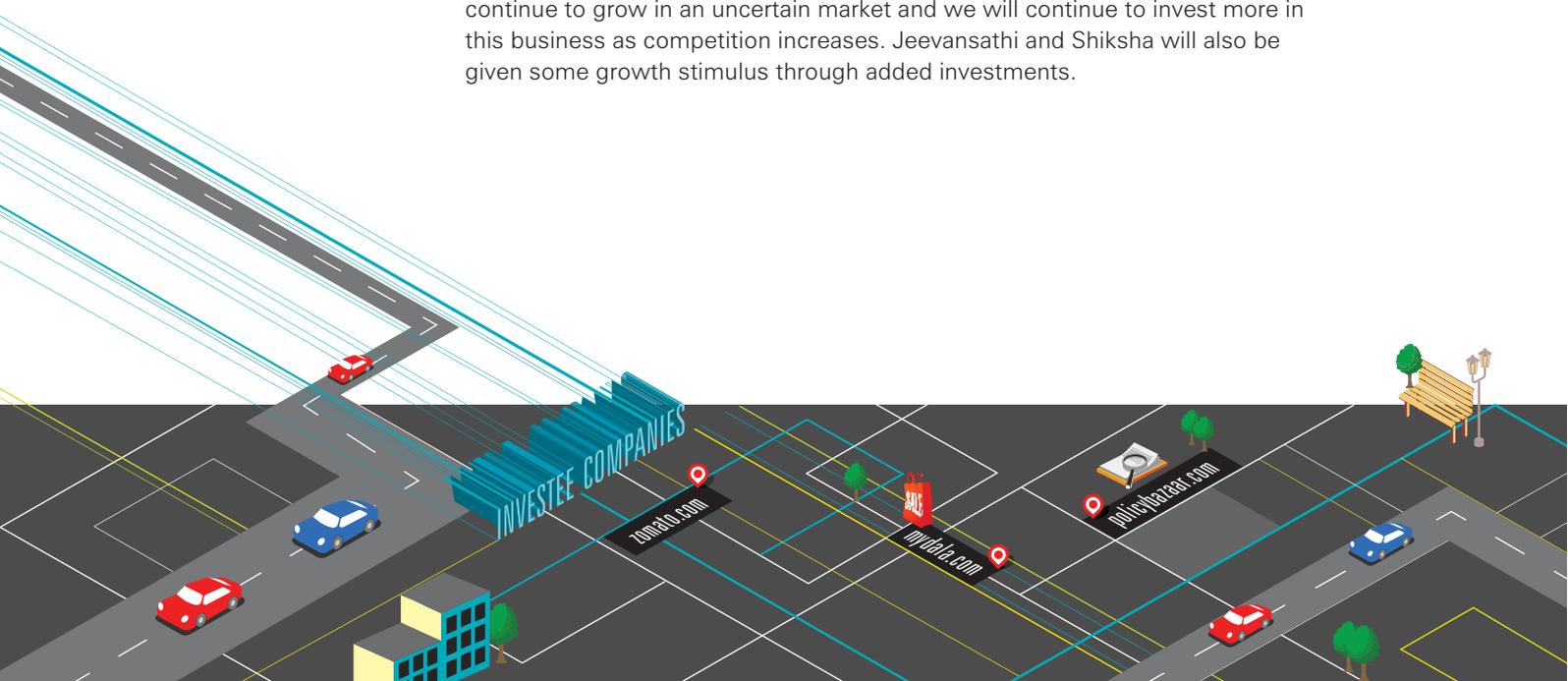
SECOND, THE COMPANY INVESTS IN NEW BUSINESSES WHICH ARE AT THE EARLY STAGE OR INCUBATION STAGE OF DEVELOPMENT. These investments have potential for very high returns in terms of valuations while there are relatively higher risks of failures as well. The investments are carefully calibrated to strike a balance between risk and returns. In FY2013, the Company had written off investment in *99labels.com* as the e-commerce space is highly capital intensive, the Company consciously decided not to continue investing in it. The Company is open to taking such risks given that the benefits derived from even one success story could completely outweigh the losses on others. In a sense it is imperative to make these investments in an innovation driven dynamic industry like ours to keep attracting people with new ideas and stay ahead of the competition curve.

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Our investee companies continue to witness growth. Total operating revenue from these companies increased by 80% from ₹598.1 million in FY2012 to ₹1,077.8

million in FY2013. In Q4 FY2013, Info Edge invested ₹300 million in Meritnation and moved to majority. The Company also moved to majority stake by investing ₹678.6 million in Zomato. An additional 25 million was invested in PolicyBazaar. Additional funding may be required by investee companies and we will evaluate this from time-to-time. We also continue to evaluate other investment opportunities in the Indian internet market.

Going forward, the job market may continue to be tight in the near term. This may continue to be the case till the economy starts looking up again. Our competitive position in Naukri continues to be strong and when growth comes back we will benefit. In the meanwhile, we will continue to invest more in the business, especially in product development and enhancing customer experience. 99acres continue to grow in an uncertain market and we will continue to invest more in this business as competition increases. Jeevansathi and Shiksha will also be given some growth stimulus through added investments.



"OUR BUSINESS IS WELL POSITIONED FOR BIG-TICKET GROWTH. WITH THE DEDICATION OF OUR EMPLOYEES AND YOUR ENCOURAGEMENT, INFO EDGE IS CONFIDENT OF DELIVERING SUSTAINED VALUE"

In a sense, we will be a contrarian company that continues to invest in its businesses even as the environment reflects of difficult times. Our past experience and knowledge

in the internet space gives us the confidence to do so. We also believe that the investment strategy is a key risk management tool against competition. We will have to continue to focus on excellence in innovation and execution. And, I am confident of my team and its ability to deliver on these fronts in the coming years.

Finally, I would like to take this opportunity to thank you for your continued support. Our business is well positioned for big-ticket growth. With the dedication of our employees and your encouragement, Info Edge is confident of delivering sustained value.

Regards
Hitesh Oberoi

