

# INTERNAL BUSINESSES

NAUKRI.COM

Core Business

NAUKRIGULF.COM  
QUADRANGLE

FIRSTNAUKRI.COM

99ACRES.COM



BRILLIANT.COM

ALICEIDEALS.COM

SHIKSHA.COM



Other Businesses

JEEVANSATHI.COM

CANVERA.COM



MYDALA.COM



MERITNATION.COM



HAPPILYUNMARRIED.COM



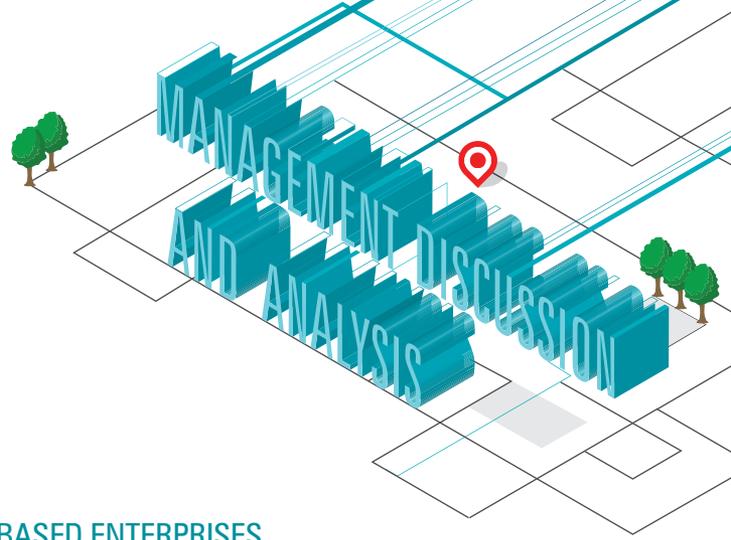
POLICYBAZAR.COM  
FLOODST.COM

Investee Companies

ZOMATO.COM

# EXTERNAL INVESTMENTS





## OVERVIEW

### INFO EDGE IS ONE OF INDIA'S PREMIER INTERNET BASED ENTERPRISES.

It focuses on creating world class online platforms for communities to interact and transact. Each of these communities addresses a specific need much of which is being addressed in the offline space. The different platforms are positioned under different brands. The business models being developed for the brands are based on the central strategic theme of being an 'online classifieds' Company. Essentially, today, Info Edge is a portfolio of brands - each with distinct opportunities and challenges in terms of markets and operations. It is also important to appreciate that the different brands are at varying stages of their developmental life cycle and have very different growth objectives and investment plans. The details of the Company's portfolio of brands are given in [BOX 1](#).

### BOX 1 INFO EDGE'S BUSINESS PORTFOLIO

#### CORE BUSINESS

The online recruitment business — [naukri.com](#). The recruitment portfolio is supported by the offline executive search business, Quadrangle, and its associated portal, [www.quadranglesearch.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](#).

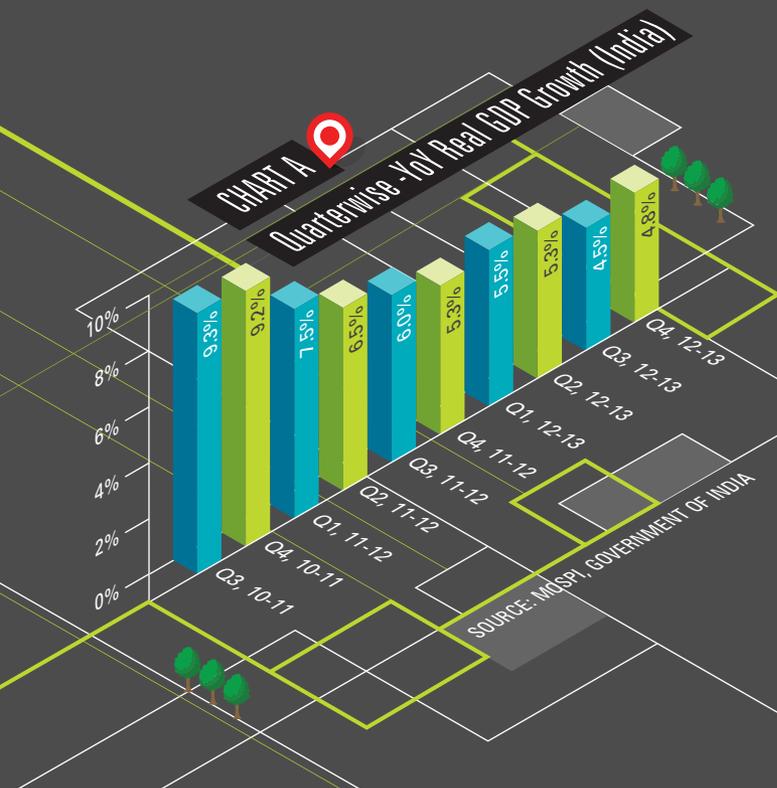
#### OTHER BUSINESSES

- The online real estate classifieds business, which operates through the portal [www.99acres.com](#). It is supported by the brokerage business, [www.allcheckdeals.com](#), now operated through a wholly owned subsidiary.
- The online matrimonial classifieds business, which operates through the portal [www.jeevansathi.com](#).
- The online educational classifieds business, which operates through the portal [www.shiksha.com](#); and the networking site, [www.brijj.com](#).

#### INVESTEE COMPANIES

The Company has a stake in the following:

- Zomato Media Pvt. Ltd., which operates [www.zomato.com](#), a website that provides information on restaurants menus and reviews of food and dining options.
- Applect Learning Systems Pvt. Ltd., which operates the kindergarten to Class 12 (K-12) assessment based learning portal, [www.meritnation.com](#).
- Etechaces Consulting and Marketing Pvt. Ltd., which operates in the financial product (like online insurance and loan) comparison domain, [www.policybazaar.com](#).
- Kinobeo Software Pvt. Ltd., which operates a site that provides discount offers and deals, [www.mydala.com](#).
- Nogle Technologies Pvt. Ltd., which operates [www.floost.com](#), a web-based sharing platform.
- New investments in the year include [www.canvera.com](#), a digital photograph storage and printing business and [www.happilyunmarried.com](#), a creative fun products business.



Fundamentally, Info Edge's business is about creating and developing domain specific communities and information exchanges on the worldwide web. While there are several factors that affect the individual brands at a micro-level, the prospects of the business from a broader perspective are governed by the following factors:

- Developments in the underlying market or industry where the brand operates
- The penetration of the online medium in the given market
- Effective competitive positioning of the brand in the given market

**Developments in the underlying market or industry where the brand operates:** This factor is dependent on the economic and business environment and the socio-demographic developments in the Country.

In terms of the economic environment, FY2013 has been a difficult year. Advance estimates from the Central Statistical Organisation (CSO) and Government of India (GoI) suggest that real GDP growth reduced further from 6.2% in FY2012 to 5% in FY2013. This is the worst annual growth rate recorded in the last decade. Manufacturing growth has reduced from 2.7% in FY2012 to 1.9% in FY2013 while Services growth reduced from 8.2% in FY2012 to 6.6% in FY2013.

What is even more worrisome is the fact that over the last 10 quarters the situation has got progressively worse (see **CHART A**). These levels of growth are far below the 8%-9% annual growth rates envisaged originally in our long term planning programmes.

Clearly, these developments had an adverse impact on both the recruitment and property portals. While the other portals including matrimonial and education are relatively insulated from the economic environment, there is an indirect effect brought about by a general sense of negative sentiment pervading the market, which affects any expenditure decision.

**The penetration of the online medium in the given market:** Although India was ranked third during 2012 in the number of active internet users next only to China and US, yet the overall Internet penetration in the country was only around 11%. India on last count had around 120 million active internet users, up from 81 million users in 2010. The interesting point is that out of the top ten countries in terms of active number of users, India is at the bottom in regard to levels of penetration achieved. This means that there is still good potential for further growth.

### INFO EDGE'S BRANDS ARE LEADERS OR EARLY MOVERS THAT ARE IN THE PROCESS OF CREATING A MARKET FOR THE UNDERLYING DOMAIN SPACE

In fact, India had taken more than a decade to cross the 100 million mark Internet connections with just about 1.4 million users in 1998. But, since the country achieved the 100 million mark in 2010, the growth has been relatively faster.

The Internet connectivity has of late been fuelled by the ever growing popularity of smart phones in the Country. There were about 18 to 20 million smart phones in 2012 and the figure is estimated to grow to 30 million by 2016. India has already set in motion the process to launch 4G in the Country. A report by Internet and Mobile Association of India (IAMAI) and IMRB suggests that India is expected to have close to 165 million mobile Internet users by March 2015, up from 87.1 million in December 2012 as more people are accessing the web through mobile devices and dongles. The number of mobile Internet users increased to 87.1 million by December 2012 from 78.7 million users in October 2012, who accessed Internet through dongles and tablet PCs.

Thus, the underlying growing trend in internet penetration augers well for Info Edge's portfolio of business as with greater internet usage there is increase in probability of transformation of offline communities to online ones. However, it is also important to appreciate that there is also a change in medium within the online space from computer access to mobile access. This has a lasting impact on the kind of products to be developed in this space.

While internet penetration is critical for greater share of online activities in a market, the experience provided and the benefits of online interaction that a product creates is also a very important factor governing the transformation of several economic activities from the offline to the online space. In many domains, Info Edge's brands are leaders or early movers that are in the process of creating a market for the underlying domain space. In these businesses, the quality of the product developed is very critical not only for the success of Info Edge but for the development and emergence of the underlying online community.

#### **Effective competitive positioning of the brand**

**in the given market:** This is largely internal to the Company. In many ways the internet business space is solely about execution. There are business spaces where three to four major players operate and relative success is defined by the varying customer connect and solutions provided by the players. Here, it is critical to generate greater traffic share for one's own brands and the leaders often dominate and define the progress of the entire industry.

In each of the core businesses – recruitment, real estate, matrimonial and education – Info Edge is amongst the top 3 in the industry and focused to attain or maintain its leadership position.

In this milieu, Info Edge has a focussed strategy that is centred on effective execution. Its business objectives are long term and it strives to position itself to effectively deal with short term cyclical market downturns while pursuing aggressive growth under better market conditions. In a sense, it is drawing up strategic plans that have single-minded focus on increasing transformation of offline communities to online ones and gaining market share from competitors in already established domains.

Consequently, the Company continues to invest in its businesses in terms of brand building, product

development, customer experience, analytics and service. A large part of these investments is in human capital. The objective is to create leadership position in each of the domains where it operates irrespective of short term market conditions. As a result of this strategic imperative, the Company is conscious of the need to constantly grow its top-line at a certain level to offset the increase in fixed expenditure brought about by the investments. On the other hand, a lot of effort is put in controlling and curbing regular operational expenses.

**IT IS IMPORTANT TO APPRECIATE THAT THE ONLINE BUSINESS SPACE IS VERY DYNAMIC AND COMPANIES THAT STAY ONE STEP AHEAD OF COMPETITION ARE THE ONES WHO PROVIDE LONG TERM VALUE**

In addition to this kind of internal investments, recognising the need to constantly diversify, Info Edge over the last few years started investing in early stage or start-up ventures to incubate them for exponential future growth.

Thus, FY2013 and the next few years at Info Edge will be about the effectiveness of these two kinds of investments and the Company's continuous stress on quality execution. While, at one end, this investment driven strategy is about pushing for future growth, at another end it is also a protection mechanism against competition. It is important to appreciate that the online business space is very dynamic and companies that stay one step ahead of competition are the ones who provide long term value. So, even though these investments at times might bring down margins and affect profitability for a given year, they are an essential element of long term sustainability and value creation. Info Edge has a well calibrated plan for these investments that is supported by its strong execution skills.

## **FINANCIAL REVIEW**

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

■ **RECRUITMENT SOLUTIONS** through its career web site - *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.

■ **THE MATRIMONIAL WEBSITE, *jeevansathi.com*, and REAL ESTATE WEBSITE, *99acres.com*.** Revenue is received in the form of subscription fees, which is recognised over the period of subscription, usually ranging between one to twelve months.

■ **THE 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.

For these businesses, the unaccrued amounts are not recognised as revenue till all the obligations are fulfilled. In the interregnum, these are reflected as deferred sales revenue in the balance sheet.

■ **Allcheckdeals (Wholly owned Subsidiary) Real estate broking division.** The Commission income on property bookings placed with builders or developers is accrued once the related services have been rendered by the Company/ payments have been made by the buyer to the builder.

■ **Naukri Fast Forward or Resume sales service.** The revenue is earned in the form of fees, and recognised on completion of the related service.

In all the sources of revenue the amount is not recognised in instances where there is uncertainty with regard to ultimate collection. In such cases revenue is recognised on reasonably certainty of the collection.

On consolidation, while the PAT of the associates gets added in proportion to shareholding, the ones of the subsidiaries are fully accounted for as per accounting standards.

**TABLE 1** gives the abridged profit and loss statement for Info Edge for FY2013.

The exceptional items in FY2013 includes provision for diminution in the carrying value of investment of ₹185.05 million in Ninety Nine Labels Private Limited (represented by investments in equity shares of ₹53.55 million and preference shares of ₹131.50 million), ₹0.60 million representing diminution in the carrying value of investment and ₹1.80 million representing waiving off of advance given to Info Edge (India) Mauritius Limited, which has initiated voluntary winding up proceedings. In FY2013. There is also the loss on sale of debentures (inclusive of accrued interest) worth ₹105.42 million

## ABRIDGED PROFIT AND LOSS STATEMENT

(₹ Million)

	STANDALONE		CONSOLIDATED	
	FY2013	FY2012	FY2013	FY2012
1. Net Sales	4,349.00	3,756.38	4,699.52	3,903.04
2A. Other Operating Income	23.58	14.46	23.69	15.80
2B. Other Income	464.94	394.57	475.27	394.72
<b>3. Total Income (1+2A+2B)</b>	<b>4,837.52</b>	<b>4,165.41</b>	<b>5,198.48</b>	<b>4,313.56</b>
Expenditure:				
a) Network and other charges	139.40	93.17	163.96	104.66
b) Employees Cost	1,672.17	1,369.96	1,983.32	1,482.24
c) Advertising and Promotion Cost	576.50	515.97	750.34	563.21
d) Depreciation/Amortization	94.46	76.61	117.80	83.21
e) Other Expenditure	510.27	368.75	642.47	607.26
<b>4. Total Expenditure</b>	<b>2,992.80</b>	<b>2,424.46</b>	<b>3,657.89</b>	<b>2,840.58</b>
<b>5. EBITDA(3-4+4d)</b>	<b>1,939.18</b>	<b>1,817.56</b>	<b>1,658.39</b>	<b>1,556.19</b>
6. Interest	0.95	0.67	0.95	0.67
<b>7. Profit from Ordinary Activities before tax and exceptional items (3-4-6)</b>	<b>1,843.77</b>	<b>1,740.28</b>	<b>1,539.64</b>	<b>1,472.31</b>
8. Exceptional Item	292.87	3.53	236.92	8.33
<b>9. Net Profit from Ordinary Activities before tax (7-8)</b>	<b>1,550.90</b>	<b>1,736.75</b>	<b>1,302.72</b>	<b>1,463.98</b>
10. Tax Expense	528.44	510.52	528.51	528.76
<b>11. Net Profit from Ordinary Activities after tax (9-10)</b>	<b>1,022.46</b>	<b>1,226.23</b>	<b>774.21</b>	<b>935.22</b>
12. Extraordinary item	-	-	-	-
<b>13. Net Profit after Tax (11+12)</b>	<b>1,022.46</b>	<b>1,226.23</b>	<b>774.21</b>	<b>935.22</b>
14. Share in loss of Associate Companies	-	-	(15.12)	(30.04)
15. Share of Minority Interest in the losses of Subsidiaries	-	-	152.52	13.68
16. Reversal of Subsidiary into Associate	-	-	-	114.43
17. Reversal of Associate into Subsidiary	-	-	4.33	-
<b>18. Net profit for the year (13+14+15+16+17)</b>	<b>1,022.46</b>	<b>1,226.23</b>	<b>915.94</b>	<b>1,033.29</b>

held in Ninety Nine Labels Private Limited. The exceptional item for FY2012 also represents provision for diminution in the carrying value of investments of ₹3.53 million in Info Edge (India) Mauritius Limited.

**BOX 2** lists the performance highlights of Info Edge, the stand-alone entity. With the growth oriented investments, Info Edge has increased its fixed costs. For example, employee costs increased by 22.1% and its ratio to net sales increased from 36.5% in FY2012 to 38.5% in FY2013. This is a conscious strategic investment in human capital, which is imperative for better competitive positioning in the longer run. However, in the shorter term like in FY2013, this higher fixed expense was not absorbed by revenue growth. Consequently, EBITDA margin as a ratio to net sales without accounting for other income reduced from 37.7% in FY2012 to 33.7% in FY2013. PAT was further affected by the one-time provision/ write-off of investments in *99labels.com*, which is reflected in exceptional items.

The authorised share capital of the Company has increased from ₹600 million at the end of FY2012 to ₹1,200 million at the end of FY2013. During FY2013, Info Edge had issued 54,590,512 equity shares of ₹10 each, fully paid up, as bonus shares in the ratio of 1:1 out of securities premium account. This has affected the EPS, which is strictly not comparable with last year as the denominator has doubled.

### INFO EDGE'S BUSINESS HAS ALWAYS BEEN ABOUT STRONG LEVELS OF CASH GENERATION THROUGH HIGH PROFIT MARGINS

Given the cash reserves generated in the last few years and the cushion of healthy overall margins, Info Edge has decided to invest a portion of it in new businesses. These are typically high risk high return investments in new ventures which are in the early development or incubation phase. **BOX 3** lists the performance of the consolidated entity. The difference between the two is on account of the developments in the investee companies. The investee companies will have gestation lags before the investments turn into returns. In the interim phase they will generate losses and the consolidated results of the Company will have higher revenues but lower profits than the standalone entity.

## BOX 2 PERFORMANCE HIGHLIGHTS (STANDALONE)

- **NET SALES INCREASED BY 16%** from ₹3756 million in FY2012 to ₹4,349 million in FY2013.
- **TOTAL INCOME INCREASED BY 16.1%** to ₹4838 million in FY2013.
- **EARNINGS BEFORE DEPRECIATION, INTEREST, TAX AND AMORTISATION (EBITDA) increased by 6.1%** from ₹1818 million in FY2012 to ₹1,939 million in FY2013.
- **PROFIT BEFORE TAX (PBT) and exceptional items increased by 5.9%** to ₹1,844 million in FY2013.
- **PROFIT AFTER TAX (PAT) reduced by 16.6%** to ₹1,022 million in FY2013.
- **BASIC (AND DILUTED) EARNINGS per share (EPS) was ₹9.36** in FY2013

## BOX 3 PERFORMANCE HIGHLIGHTS (CONSOLIDATED)

- **NET SALES INCREASED BY 20.4%** from ₹3,903 million in FY2012 to ₹4,700 million in FY2013.
- **TOTAL INCOME INCREASED BY 20.5%** to ₹5,198 million in FY2013.
- **EARNINGS BEFORE DEPRECIATION, INTEREST, TAX AND AMORTISATION (EBITDA) increased by 6.6%** from ₹1,556 million in FY2012 to ₹1,658 million in FY2013.
- **PROFIT BEFORE TAX (PBT) and exceptional items increased by 4.6%** to ₹1,539.64 million in FY2013.
- **NET PROFIT AFTER TAX (PAT, after minority interest and share of associates) decreased by 11.36%** to ₹915.94 million in FY2013.
- **BASIC (AND DILUTED EARNINGS) per share (EPS), was ₹8.39** in FY2013.

Info Edge's business has always been about strong levels of cash generation through high profit margins, negative working capital and limited need for capacity expansion requirements. While there has been some reduction in profit margins the level of profitability still remains healthy. This, coupled with strong management of working capital has translated into net cash from operating activities worth ₹1,002.94 million during FY2013.

As discussed earlier, while some of the cash has been consciously put into investments for sustaining and growing the existing businesses, some of it has been strategically invested into subsidiaries and associate companies. These investments have revenue and a capital implication. On the revenue front, these have translated into high costs per unit of sales for the entire set of cost heads. On the capital side, these are reflected in:

- An increase in fixed assets by 60.8% from ₹625.55 million in FY2012 to ₹1005.79 million in FY2013
- An increase of 2.9% from ₹2871.71 million in FY2012 to ₹2953.88 million in FY2013 in non-current investments. This increase is after accounting for the provision/ write off of investments primarily in Ninety Nine labels and other companies worth ₹291.07 million in FY2013.

The investments in the subsidiaries, associate companies and acquisitions include:

- Infusion of a further round of capital into *zomato.com* around ₹678.6 million and *meritnation.com* worth ₹300 million. There was also an investment of about ₹25 million in *policybazar.com*
- Investments in *canvera.com* and

*happilyunmarried.com*, which are new lines of business

- Investments in *makesense.com* and *toostep.com*, which are supporting the existing recruitment business. Toostep efficiently manages backend activities like resume management, while Makesense is semantic developing search engine, which helps improve the *naukri.com* offering.

The subsidiary companies have recorded good revenue growth but are still loss making as they are in the early stage of development. The details of the investee companies are given in **TABLE 2**.

## BRANDS: KEY DEVELOPMENTS

Recruitment solutions continue to be the dominant business with 77% of total stand-alone revenues of Info Edge. However, the other verticals comprising *99acres.com*, *jeevansathi.com*, *shiksha.com* and *brijj.com* are witnessing higher growth. In fact revenues from the 'other verticals' increased by 37.5% from ₹714 million in FY2012 to ₹982 million in FY2013. With this growth its share in total stand-alone revenues increased from 19% in FY2012 to 22.6% in FY2013.

**APART FROM THE SALES FORCE,  
THE COMPANY IS INVESTING IN PRODUCT  
DEVELOPMENT, BRAND BUILDING AND  
ANALYTICS TO SUPPORT ALL THE BRANDS**

In the last couple of years Info Edge has significantly increased its sales/customer infrastructure on the ground. Today, there are around 2,079 sales and client facing staffs

TABLE 2

## FINANCIAL PERFORMANCE OF INVESTEE COMPANIES

INVESTEE COMPANY	WEBSITE	TOTAL AMOUNT INVESTED	APPROX. DILUTED AND CONVERTED SHAREHOLDINGS%
<b>Partly owned subsidiary</b>			
Zomato Media Pvt. Ltd.	www.zomato.com	860	58%
Applect Learning Systrms Pvt. Ltd.	www.meritnation.com	618	54%
<b>Associate</b>			
Etachaces Marketing and Consulting Pvt Ltd.	www.policybazaar.com	325	32%
Kinobeo Software Pvt Ltd.	www.mydala.com	270	47%
Canvera Digital Technologies Pvt Ltd.	www.canvera.com	354	23%
Happily Unmarried Marketing Pvt Ltd	www.happilyunmarried.com	51	25%
Nogle Technologies Pvt Ltd.	www.floost.com	26	31%
<b>TOTAL</b>		<b>2,504</b>	

that comprises 78% of the Company's entire workforce. The coverage is nationwide through 57 company branches in 36 cities across India. The large sales force supports all the brands with physical last mile connect.

Apart from the sales force, the Company is investing in product development, brand building and analytics to support all the brands. Product development activities primarily include efforts to improve the customer experience for different brands. There are also several activities being undertaken to create solutions in the mobile applications space for each of the Company's offerings. Brand building exercises are selective and according to the growth strategy of each brand. This includes promotional positioning on internet, print, radio and television. Analytics is now being extensively used to understand customer behaviour on the net across all brands to provide insights for better strategy development. It is also a key input in the product development process.

The progress in each of the brands is given below:

## RECRUITMENTS

The recruitment services business comprises the following portals:

**NAUKRI.COM:** This is the Company's flagship brand and India's largest online jobsite.

**QUADRANGLE.COM:** This is primarily an off-line headhunting business that derives revenues from successfully positioning a person with a company.

**NAUKRIGULF.COM:** This is a jobsite that focuses on the middle-eastern market.



TOTAL NO. OF NEW JOBS POSTED IN JULY 2008 WAS SCALED TO 1000. INDEX FOR SUBSEQUENT MONTHS IS RELATIVE TO JUL 08.

**FIRSTNAUKRI.COM:** Launched in January 2009, this site focuses on fresher hiring.

**BRIJ.COM:** This is a professional networking site.

By its very nature, recruitment solution is sensitive to developments in the external economy. The economic slowdown and negative sentiments particularly in the second half of FY2013 adversely affected the job market in India and naukri.com was not insulated from these developments. However on a positive note, the Naukri Jobspeak Index, a measure of online recruitment activity, has shown signs of improvement towards the end of FY2013 (see **CHART B**)

**ON A POSITIVE NOTE, THE NAUKRI JOBSPEAK INDEX, A MEASURE OF ONLINE RECRUITMENT ACTIVITY, HAS SHOWN SIGNS OF IMPROVEMENT TOWARDS THE END OF FY2013**

It is important to note that the Naukri Jobspeak Index reflects new jobs floated on the internet space. There is a probability that the space itself and Naukri.com has gained share as a medium for interaction in the recruitment space, whereas the physical market has actually slowed down. If so, this trend may auger well for naukri in the future, even in a marginally muted job market.

(₹ Million)				
OPERATIVE REVENUE			OPERATING EBITDA	OPERATING EBITDA
FY 10-11	FY 11-12	FY 12-13	FY 11-12	FY 12-13
3.3	20.4	113.8	(72.2)	(100.3)
14.0	40.7	98.2	(54.4)	(214.3)
262.3	537.0	865.9	(296.5)	(456.0)
279.6	598.1	1077.9	(423.1)	(770.6)

## OPERATIONS REVIEW

**BOX 4** gives the financial highlights of the recruitment vertical.

*Naukri.com* is the major revenue generator in this business vertical. It has two major sources of revenue: (i) job listings and employer branding or visibility advertisements, and (ii) resume database access. The supporting revenue sources include job seeker services, Google Ad sense, mobile revenues, and the value added service of resume short listing and screening.

The key usage parameters suggest continued growth:

- Number of resumes in naukri.com's database increased by 13.8% — from around 29 million at the end of FY2012 to around 33 million at the end of FY2013.
- Average number of resumes modified daily increased by 27.5% — from 91,000 at the end of FY2012 to 116,000 at the end of FY2013.
- Number of unique customers grew by 4.3% — from 46,000 at the end of FY2012 to 48,000 at the end of FY2013.

*Naukri.com* continues to gain traffic share in the market and slowly moving well away from competition. This is a relatively well penetrated market and much of growth is going to be from change over from the print media and the ability of naukri.com to take away share from its competitors with better experience. Much of the

## BOX 4 RECRUITMENT VERTICAL — PERFORMANCE HIGHLIGHTS

- **NET SALES FROM RECRUITMENT INCREASED by 10.7%** — from ₹3,042 million in FY2012 to ₹3367 million in FY2013.
- **OPERATING EBITDA GREW by 7%** — from ₹1550 million in FY2012 to ₹1659 million in FY2013.

product development being carried out at *naukri.com* focuses on improving customer experience with the use of technology.

**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**

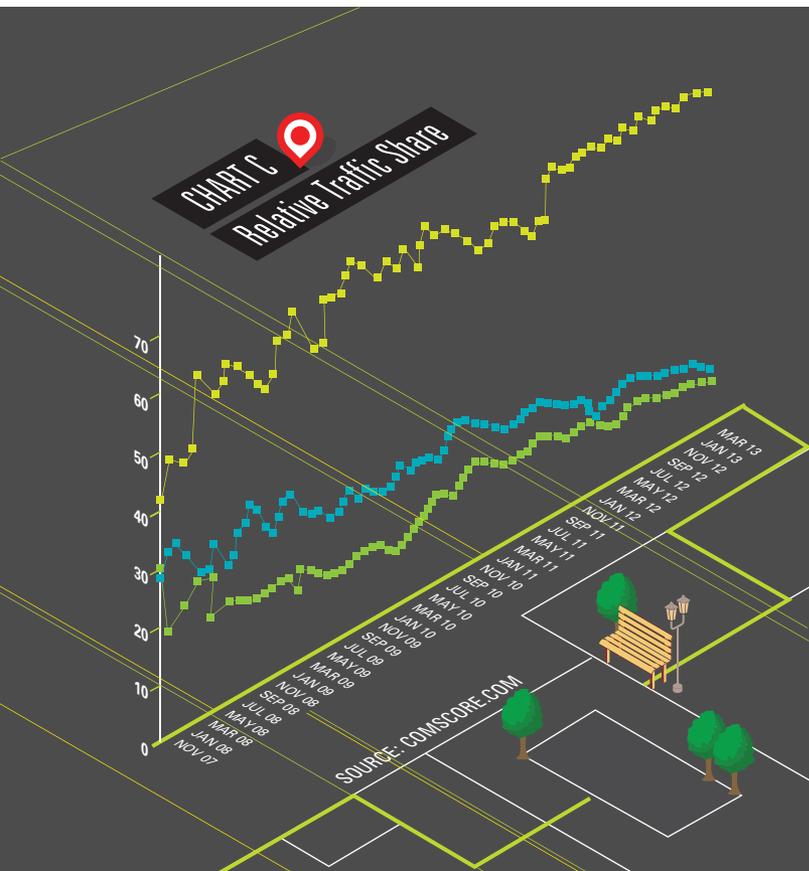
**CHART C** shows that naukri.com has gained significantly in terms of traffic share. In terms of traffic flow, data from comscore.com suggests that naukri.com has maintained over 60% traffic share for 8 quarters in a row and in a steady manner the gap is increasing against the nearest competitor.

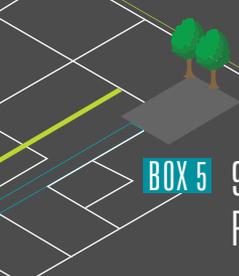
Info Edge continues to grow *naukri.com* by investing in the brand, hiring and retaining quality talent, providing superior sales and service execution and continuous innovation on product and technology. The Company has invested in two companies – Toostep and Makesense to provide support to the *naukri.com* offerings with backend management and efficient search engines.

**NAUKRI.COM** is supported primarily by four offerings that complete the Company's full service suite in the recruitment space: *Quadrangle*, *FirstNaukri.com* and *NaukriGulf.com*

**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.

**FIRSTNAUKRI.COM** was launched in Q4, FY2010. The site targets at hiring fresh students from



**BOX 5**

## 99ACRES.COM — PERFORMANCE HIGHLIGHTS

- **NET SALES FROM 99ACRES.COM INCREASED** by 48.1% to ₹ 514.03 million FY2013.
- **OPERATING EBITDA** was marginally in the red, at ₹8 million in FY2013.

campuses. With the labour market in India picking up over the steady state, fresh student hires are expected to grow. The Company is working on the premise that some of this will be through the online space. There has been considerable work in developing the site. In FY2013, its third year of commercial operations, there were modifications made to the business model based on initial responses. The new model should effectively deliver and service this new hiring segment and support the core business.

**NAUKRIGULF.COM** did well in FY2013, with some improved activity in the gulf and the strong positioning of the brands amongst the Indian diaspora in the region. However, the site increasingly targets other nationalities, including locals on to the site.

### REAL ESTATE

Within the real estate space, Info Edge has two portals. These are (i) *99acres.com*, the property based online classifieds 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 vertical, *allcheckdeals.com* was hived off as a separate subsidiary during Q3, FY2010 —to create specific business focus. Thus, the financials of the two businesses are now separate.

**AT 99ACRES.COM, THERE ARE SIGNIFICANT EFFORTS AT PRODUCT DEVELOPMENT WITH A FOCUS ON IMPROVING USER EXPERIENCE**

Given the economic condition, the real estate sector was under stress across most cities. There was major reduction in real estate transactions. However, *99acres.com* delivered very strong results even in this adverse environment. In fact,

the slowdown may have worked to *99acres.com*'s advantage. With the slowdown it became more important for brokers to focus on efficiencies, cut costs and provide better access and experience to clients. This promoted the need for greater online usage amongst the broker community and the transformation of brokers as serious online operators has been driving the business. Developers, too, have realised the need for multiple channels of advertising to sell their product and are increasingly using the online property portals as a medium for advertising. At *99acres.com*, there are significant efforts at product development with a focus on improving user experience.

## OPERATIONS REVIEW

Catering primarily to real estate developers, builders and brokers, the source of revenue for *99acres.com* is from property listings, builders' and brokers' branding and visibility through micro-sites, home page links and banners. **BOX 5** gives the financial performance highlights of *99acres.com*

**The usage parameters highlight major traction in revenue generating traffic.**

- Number of listings in *99acres.com*'s database increased by 49% — from around 1.27 million at the end of FY2012 to some 1.9 million at the end of FY2013.
- Number of paid listings grew by 51% — from 1.06 million at the end of FY2012 to 1.6 million at the end of FY2013.
- Number of paid transactions (Invoices issued to customers) rose by 47% — from 33,200 at the end of FY2012 to 48,800 at the end of FY2013

In terms of traffic share there continues to be stiff competition with the nearest competitor. The leadership position keeps oscillating between the two major players. There are also certain localised players who have a special presence in their respective zones.

*allcheckdeals.com* is the Company's direct online property broking business. It 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, closed about 1,520 sales transactions in FY2013. The operating environment

was difficult. There were also business issues like the lingering land related disputes in Noida and Greater Noida.

After slowing down considerably in FY2012, *allcheckdeals.com* witnessed a growth of 32% in revenues worth ₹141.77 million during FY2013.

## MATRIMONIAL

While the online matrimonial business is not affected by macroeconomic vagaries and the business environment, demographic factors and social behavioural patterns play a major role in activities in this sector. The market is highly fragmented and understanding social nuances is the key to success. The large opportunity in this space in India is still restricted largely to arranged marriages with parental consent.

Given the market challenges, Info Edge has focused on actively promoting *jeevansathi.com* among 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 to its social network.

The website has a revenue model, which is free to list, search and express interest, but pay to get contact information. There were some innovations introduced in FY2013 by making a large part free for a given time. The highlights of the portal's performance are given in **BOX 6**.

For Jeevansathi, Info Edge has invested significantly in analytics driven enhanced customer experience. It continuously analyses online data to understand customer behaviour and adopts its product and commercial model accordingly. Using a judicious mix of increased brand building and improved targeting of customer, the Company has managed to create some differentiation for the product and grow revenues.

The online business is being supplemented by 14 offline centres called 'Jeevansathi Match Points'. These provide hand-holding services to customers who are not internet savvy, helping them to utilise the online services offered by *jeevansathi.com*. The offline sites have walk in sales for matching services. There continues to be major innovative efforts with the use of sophisticated analytics tools to provide more relevant service to customers.

## EDUCATION

The education sector is also independent of prevailing economic and business conditions. The online education classifieds space is still at a very early stage of development. The total spend on online classifieds by education is estimated to be around ₹700 million, while total advertisement spend is estimated at ₹25 billion. There is considerable opportunity in transforming existing users of other mediums to use the internet for the education sector. The demand for education and eduinfo services is increasing in India due to increase in enrolment in secondary education in India and the growing participation for the private sector is increasing publicity and spending on classifieds.

### **BOX 6** MATRIMONIAL — PERFORMANCE HIGHLIGHTS

- **NET SALES FROM MATRIMONIAL BUSINESS increased by 26.8% to ₹322.24 million in FY2013.**
- **OPERATING EBITDA SHOWED A LOSS of ₹75.16 million in FY2013.**
- **PROFILE LISTINGS INCREASED from 5 million at the end of FY2012 to 5.6 million at the end of FY2013 – an increase of 12%**
- **AVERAGE AMOUNT REALISED per customer increased from ₹3,120 in FY2012 to ₹3,636 in FY2013.**

### **SHIKSHA.COM HAS OVER 110,000 AGGREGATED LISTINGS. THE BUSINESS IS SUPPORTED BY OFFICES ACROSS 12 CITIES IN INDIA**

Launched in May 2008, *shiksha.com* is primarily a portal for information exchange. 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.

By the end of FY2013, *shiksha.com* has over 110,000 aggregated listings. The business is supported by offices across 12 cities in India.

TABLE 3

## INVESTMENT STATUS IN INVESTEE COMPANIES

INVESTEE COMPANY	WEBSITE	TOTAL AMOUNT INVESTED	APPROX. DILUTED AND CONVERTED SHAREHOLDINGS%	% OF THE TOTAL AMOUNT INVESTED
<b>Active</b>				
Zomato Media Pvt. Ltd.	www.zomato.com	860	58%	30%
Applect Learning Systrms Pvt. Ltd.	www.meritnation.com	618	54%	22%
Etachaces Marketing and Consulting Pvt Ltd.	www.policybazaar.com	325	32%	11%
Kinobeo Software Pvt Ltd.	www.mydala.com	270	47%	10%
Canvera Digital Technologies Pvt Ltd.	www.canvera.com	354	23%	13%
Happily Unmarried Marketing Pvt Ltd	www.happilyunmarried.com	51	25%	2%
Nogle Technologies Pvt Ltd.	www.floost.com	26	31%	1%
<b>Sub Total</b>		<b>2,504</b>		<b>88%</b>
<b>Written off/ provisioned for/ exited</b>				
Studyplaces, Inc.	www.studyplaces.com	45	14%	2%
Ninety Nine Labels Pvt Ltd.	www.99labels.com	285	47%	10%
<b>Sub Total</b>		<b>330</b>		<b>12%</b>
<b>TOTAL</b>		<b>2,834</b>		<b>100%</b>

Finally, *brijj.com*, the professional networking site is a nascent portal where efforts are being made to develop a suitable business model. Today, efforts are focused on redesigning the business proposition and the product is being repositioned based on skill based groups with appropriate content.

It has a wide coverage across 12 cities including Delhi, Mumbai, Bangalore, Pune and Hyderabad. It has also been launched in UAE, Sri Lanka, UK, Qatar, Philippines and South Africa. The website also has a well-designed mobile application. 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.

## 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 online businesses. Thus, the Company has made investments in early stage start-up ventures. The objectives are: (i) to support the growth of these entrepreneurial driven activities, (ii) gain from enhanced value creation, where this occurs, and (iii) bring such enterprises into the Info Edge fold if such opportunities arise in future. Most of these companies are in the incubation/ early stage phase.

**TABLE 3** lists the investment status on each of these businesses.

Details of such strategic investments are listed below.

■ The Company has invested ₹860 million for 58% stake in *zomato.com*. The website has started gaining significant acceptance in the market place. It provides menus of restaurants, as well as reviews and ratings. Revenues are generated from advertisements of restaurants and lead sales.

**THE COMPANY HAS INVESTED ₹860 MILLION FOR 58% STAKE IN ZOMATO.COM. THE WEBSITE HAS STARTED GAINING SIGNIFICANT ACCEPTANCE IN THE MARKET PLACE**

- Info Edge has invested ₹618 million in different tranches for around 54% 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. It provides:
  - Online educational assessment 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.
  - Test preparation material for competitive examinations like Engineering and Medical.

■ The Company has invested ₹325 million in Etechaces Private Limited for around 32% stake. Intel Capital and Inventus are the co-investors. The investee company operates an online insurance aggregator website, policybazaar.com, which helps customers understand their insurance needs and select insurance schemes that best suit their requirements. 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 partially affected due to regulatory issues. Even so, the business is growing; and it is also laying emphasis on distance marketing and advertising.

■ Info Edge has invested ₹270 million in mydala.com for a 47% stake. This is a website offering discount offers and deals with a focus on the mobile application space. Revenues are generated from merchant commissions and fees from telecom operators.

■ The Company also has investments of ₹26 million in Nogle Technologies for a 31% stake. This has a unique content sharing technology. A website has been launched called floost.com

■ In FY2013, Info Edge added to its investments by picking up 25% stake for ₹51 million in Happilyunmarried.com. This business generates revenues from design and sale of fun quirky creative products and has a large addressable market. There is an e-commerce potential which will be exploited with the investment.

■ In FY2013, Info Edge also picked up a stake in *canvera.com* by investing ₹354 million for a 23% stake. The website is operational since 2008 and offers solutions to professional photographers. Revenues are generated from sale of printed photo books.

## 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 partially, or even fully, offset by transformation of several offline functions to online ones.

From a demographic perspective, the country's age profile is supportive of Info Edge's business.

India is one of the youngest countries with a median age of 26 years, and around 65% of its population is below 35 years of age. The 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.

## INFO EDGE PLANS TO CONTINUE ITS GROWTH ORIENTED INVESTMENTS IN DIFFERENT PRODUCTS

This is being supported by rapid spread in internet penetration in the country. Moreover, India's internet consumer profile mix is changing to broadband and heavier usage as also mobile based access. 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 de-growth in revenue in the short term, one might witness a slight reduction in margins — as Info Edge plans to continue its growth oriented investments in different products.

## RISKS

The Company has a well structured and robust risk management mechanism, which includes a comprehensive register that lists the identified risks, its impact and the mitigation strategy.

**Broadly, there are some overriding risks that are listed below:**

### OPERATIONAL RISKS

■ **DATA SECURITY:** 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. The Company has initiated a pilot project to establish a secondary site in India as a precautionary measure.

■ **OBSCOLESCENCE:** Being a technology driven company, it always faces the risk of an innovation or product development that can make one or more of 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, which is a breakthrough technology in this business.

## STRATEGIC RISKS

■ **COMPETITION RISK:** All the portals face 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. Info Edge has been consciously diversifying into other businesses to de-risk itself from this dependency. Already, the other businesses have started contributing around 22.6% of its total revenues up from 19%.

■ **INVESTMENT RISK:** The Company has made around ₹2834 million investments into start-ups. There is a probability that this entire investment might not generate returns, and absorb more cash in the incubation/ early phase. These are calculated risks, which is part of the Company's growth strategy.

**THE COMPANY HAS BEEN PROTECTING ITS TRADE MARKS TO THE EXTENT IT MAKES COMMERCIAL SENSE**

## 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. However, none of these are material in amount.

■ **ERP:** In order to promote efficiencies, the Company has promoted ERP across its activities. Any errors in billing or financial reports in the ERP system could affect the Company's billing and statutory reporting.

## MANPOWER AND REGULATORY RISKS

■ **ATTRITION:** Being a knowledge driven business, any significant increase in people 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 and invasion of privacy. Filters are in place to contain the quantity and quality of uploads and downloads.

■ **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 these to the possibility of widespread accidental/unintentional infringement/ passing off by others, which can increase the possibility of engaging in many litigations.

## 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.