



Info Edge (India) Limited Q3 FY14 Results Conference Call

January 21, 2014



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LIMITED

Moderator Ladies and gentlemen, good day and welcome to the Q3 FY14 Results Conference Call of Info Edge Limited. Joining us on the call today are Mr. Hitesh Oberoi, MD and CEO; Mr. Ambarish Raghuvanshi, CFO; and Mr. Sanjeev Bikhchandani, Vice Chairman. As a reminder, for the duration of this conference, all participants' line will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference has been recorded. I would like to hand the conference over to Mr. Hitesh Oberoi. Thank you and over to you, sir.

Hitesh Oberoi Thanks. Good evening and welcome to our Third Quarter Results conference call. We will first take you through the Quarterly Financial Performance of the Company. Then we will cover each business in more detail. In the end, like always, we will be happy to take questions.

For the standalone business, net sales in Q3 were Rs. 123 crores versus Rs. 106 crores in the same quarter last year, an increase of about 16%. For Q3, operating EBITDA was at 41.7 crores, an increase of 19% year-on-year. Operating EBITDA margin was at 33.8% versus 32.9% in the same quarter of last year. Operating PAT was at 24.7 crores, up 11% year-on-year on account of higher depreciation due to the new building we moved into this year. Operating PAT margin was at 20% versus 20.9% in the same quarter of last year.

Deferred sales revenue decreased slightly to Rs. 119 crores versus Rs. 121 crores on September 30th of 2013 but is up 18% from last year. We continue to be cautious for the financial year 2013-14 mainly due to domestic and global concerns. Naukri has thus far weathered the

slowdown reasonably well partly helped by the IT sector stabilizing and partly because of us taking share from competition.

Moving on to business-wise results, please note that all such business-wise numbers that are being given out are management estimates and are not audited. The Recruitment business grew top line by 10.8% in Q3 to Rs. 91 crores. EBITDA margins in Recruitment were at 49.3% versus 47% in Q3 of last year. In Naukri, the EBITDA margin was at 53.6% versus 52.1% in Q3 of last year. In Naukri, in Q3 we added an average of 10,400 new CVs everyday and the Naukri database grew to over 36 million CVs. Average CV modifications were at 121,000 per day in Q3. The Naukri JobSpeak Index was largely flattish at 1296 in December 2013 versus 1238 in September 2013 and versus 1230 in June 2013. In Q3 we serviced 27,000 unique customers versus 25,000 in Q3 of last financial year. In the nine months ended December 31st 2013, we serviced 43,000 unique customers versus 41,000 in the same period last year.

Our new product pipeline in Naukri continues to be strong. We rolled out a new Naukri Android App in Q3 which was well received and is now averaging close to 5000 downloads a day. We added a few semantic search capabilities to our job search engine to improve relevance and plan to add the same to the revenue database engine in the coming months. A basic version of the Naukri career site manager was also introduced in the market last week. The initial response to the product was encouraging though it's still very early days. A more advanced version will be launched in the coming months. In addition to these, there are quite a few other products in the pipeline and if all goes as planned more new offerings will be launched in the coming months.

Moving on to the 99Acres business, top line in Q3 grew 39% to 19 crores. In Q3, 99Acres made a small profit of Rs. 44 lacs. Paid listings in Q3 were at 5.5 lacs versus 4 lacs last year. In 99Acres, we now have a healthy product pipeline. In 99Acres, Android App was launched in Q3. The early signs are very encouraging. An iOS app will be launched soon as well. A property listing verification service was launched in NCR, Bangalore and Mumbai last quarter. A map search is expected to be rolled out in the next few weeks. Besides these, there are many new innovations the team is working on, and many of these will go live in the next few months.

In Jeevansathi, net sales grew 13% year-on-year, and there was an EBITDA loss of 1.7 crores in Q3. In Shiksha, net sales grew at about 72% year-on-year. Moving on to our strategic investments, our investee companies continue to witness rapid growth and will need capital from time to time. In Q3, we made further investments in three of our existing investee companies. We put in about 57 crores in Zomato, 10 crores in Applet which is Meritnation and about 4.5 crores in Canvera. We continue to carefully evaluate other investment opportunities mainly in the Indian Internet market.

Other income in Q4 is expected to be significantly lower than last year on account of a lower corpus and fewer FMPs maturing in Q4 of this year. FMP income in Q4 is likely to be around 1.5 crores versus over Rs. 5 crores in Q4 of last year.

To summarize, the job market continues to be tight. This may continue to be the case till the economy starts looking up once again. Growth is largely due to IT being stable gaining shares from other forms of recruiting and competition. Our competitive position in Naukri continues to be strong with traffic share averaging over 55% last

quarter. Several new products in the future are made in line in Q3. As and when growth comes back, we expect to benefit as a result. We continue to invest aggressively in product development to maintain and strengthen our leadership position. In 99Acres, we had a slower quarter partly on account of transactions slowing down further and partly on account of very low activity transactions/new launches in the NCR region because of the elections in Delhi and a lack of a clear mandate for any government. We continue to invest aggressively in product development, sales branding, and data quality in 99Acres. We are aware that our sites and services need to be device and platform agnostic and efforts are under way to ensure the same.

As mentioned in the earlier calls, we continue to maintain that our top lines for the company grow at 20% or lower. We will yield margins since we continue to invest in our businesses. Most of our investment is in product development and branding which is treated as operating expenses and not capital expenses. We continue to try out a bunch of new things in Jeevansathi and we will hopefully have some clarity on the way ahead in the next three to six months. We are now ready for any question that you may have. Thank you very much.

Moderator

Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Srivathsan Ramachandran from Spark Capital. Please go ahead.

Srivathsan Ramachandran Just wanted to get your comments on 99Acres a little bit more in detail. We have seen slightly newer set of competition with a very differentiated offering coming to the market. So just wanted to understand what kind of timeline do you see some of the features that we see in the recent competition that can be incorporated in 99Acres

and what are your thoughts and how they are approaching in the market place?

Hitesh Oberoi

Like I mentioned, we are working on a host of features in 99Acres. We just launched our Android App. We launched a verification service in some key markets. We are working on the map search that should be out soon. We are working on an iOS App. That should be out soon. Besides these, there are many other things in the pipeline. So we have a strong pipeline in 99Acres. Besides this, we are investing a lot on data quality to ensure that there is no spam on the site. We are investing a lot in business development. So we are adding sales people in new offices. We are also investing a lot on brand building so that we get a higher traffic shares from returning users as well. So we will continue to invest aggressively in this business.

Srivathsan Ramachandran Okay. On 99Acres, it will be helpful if you can just kind of give us a sense either by geography or something how 99Acres positioning would be vis-à-vis competition. Where would be the strongest market? Where should be the weakest market?

Hitesh Oberoi

We are a strong player in virtually every market and almost every market is doing well. Growth slowed down a little bit in Q3 because of the uncertainty around the elections in Delhi NCR. So that market got impacted a bit. Otherwise, we believe that we are a clear leader in markets like Delhi and Bombay. Of course, the markets in the South, the competition will suffer because there are lots of players, but we seem to be getting our act together there as well.

Moderator

Thank you. Next question is from the line from of Gaurav Malhotra from Citigroup. Please go ahead.

Gaurav Malhotra Firstly, why did the collection fall in this quarter presumably? As you mentioned that IT seems to be holding up. So at best, you should have seen collection holding ground versus declining. That's the first question. The second question is on 99Acres. While we have seen some slowdown as you mentioned because of the elections, the company has made a small profit. We were made aware of the growing competition from a couple of new players. So how does the company see that playing out over the next six, nine months? Should we expect this loss to again get into a loss territory? That's the second question. These two questions for now please.

Hitesh Oberoi Normally, Q3 is a weak quarter for the company as a whole but collection was strong in Q3 compared to Q3 last year. Q3 normally because Diwali, Dusshera and a lot of other festivals, we don't see much growth over the previous quarter. As far as 99Acres is concerned, we are sort of continuing to invest in the business. We are doing a bunch of things in fact. If you look at our traffic share, as per comscore and as per our measurement, the gap between the number one and number two players has increased. Even though it added just a few percentage points to our share, the gap between us and the number two player has increased. Of course, there are new entrants, but the new entrants are still at number three, number four in terms of their market position. The only way to sort of gain share and to grow our business is to keep investing in the business. It's still very early days for the category as a whole.

In Q3, we made a marginal profit in 99Acres because a lot of this depends on whether we advertised aggressively in a particular quarter or not. Q3, as I said, is traditionally a weak quarter from a sales perspective and also from a marketing perspective for us. We will ascend aggressively in Q4 as far as 99Acres is concerned. Whether we

will make a profit or loss, I think, will depend on how fast we grow. So if we grew at 40% or below, we will make a small loss in Q4. On the other hand, if the growth picks up once again and we start growing at 50% once again, then we could make a small profit.

Ambarish Rahguvanshi In the near term, making a really large profit is not, as we have mentioned, our principal objective. The principal objective is to gain a better competitive position in that case.

Moderator Our next question is from the line of Nikhil Pahwa from MediaNama. Please go ahead.

Nikhil Pahwa A question for Sanjeev. Just wanted to understand what's the situation on PolicyBazaar. With the IRDA guidelines coming in, because of which PolicyBazaar doesn't meet the FDA limit, it's beyond the FDA limit, how are you planning to approach such a situation?

Sanjeev Bikhchandani To the best of our understanding, there is a 12-month window in which to comply. So we will look at options going forward. Naturally, beyond 12 months we have to be in compliance. So not being in compliance is out of the question.

Nikhil Pahwa Last time, there were some changes in the business model that were necessitated by the IRDA guidelines. What's the approach that you are taking with the fresh set of guidelines in terms of...?

Sanjeev Bikhchandani Well, my understanding is that as far as the business model is concerned, nothing much changes but, honestly if you are studying it, this is something that has come up recently and we are studying it. But I think the business is going to be fine. We just have to comply with

the IRDA guidelines should they continue at this level 12 months from now.

Nikhil Pahwa Okay. Also, Hitesh, you mentioned some product changes regarding semantic search and something career site manager. Could you just run us through what sort of product changes have been made and what is the impact we have had?

Hitesh Oberoi If you recall, we had acquired two small companies last year, a company called MakeSense Technologies which was in the business of making semantic search engine, and Too Step which had done a product for the Recruiters. So what we have done basically is roll out some of the semantic search capabilities of MakeSense on the Naukri job search this quarter. So it's not a very visible change but the search for job has become a lot easier than it was earlier. We are throwing more relevant responses to people who search on the site. And we will be doing the same on the revenue database site in the next few months.

As far as the career site manager is concerned, basically what we have done is we have got this product. We are saying we can power corporate career sites. So if you are a corporate and you want to maintain a career site, we can power the whole thing for you. We will do the front-end for you and we also will give you back-end to manage your responses. So we have two, three sort of versions here. We rolled out a basic version, the idea is to power every corporate site in the country.

Nikhil Pahwa And is it going to be an additional source of revenue as well?

Hitesh Oberoi We don't expect any additional revenue from the semantic search engine because that's for the technology which we have incorporated

in our current search. But yes, this is a paid product and we have priced it at about Rs. 30,000 per annum for companies for the basic version. It's a SaaS model.

Nikhil Pahwa

That's the career site manager?

Hitesh Oberoi

Career site manager as a starting price, and then there will be an advanced versions.

Nikhil Pahwa

Okay. Just curious about all of your properties, I mean what percentage of traffic is coming from mobile sort of usages happening on mobile right now?

Hitesh Oberoi

So as far as our in-house properties go, Naukri, 99Acres, Jeevansathi and Shiksha, we average between 20 to 30% of our traffic on the mobile phone. These are through the mobile site and the end. This much hire for some of our investee companies like Zomato.

Nikhil Pahwa

Okay. Just continuing with mobile, I am just curious about whether you have looked at doing some sorts of dealing with mobile operators. One of your investee companies MyDala seems to have done quite well by powering deals for Vodafone and some other operators, and they use CVS subscription based services on mobile which is paid which is aggregating some of your content as well. Have you considered going down the operator route as a source of revenue?

Hitesh Oberoi

Not for internal businesses at the moment. We are working more on the App and the basic mobile site right now. We have not really sort of approached the operators who tie up with them. But maybe we can sort of look at it at some of point in the future.

Nikhil Pahwa Okay. Would you also shed some more colour on the status of a couple of initiatives that you have launched. One was FirstNaukri; the other was Brijj. I think we have also started a section for senior recruitment. Could you just run us through what the status is as of now?

Hitesh Oberoi Brijj has not really worked out like we expected. So we have sort of stopped investing in Brijj. Of course, site still exists and there is some basic stuff happening out there but we are not really putting much resources in Brijj. As far as FirstNaukri is concerned, after experimenting with a bunch of things, what we have finally sort of narrowed down on is helping companies do these recruitment drives in campuses. So we enable the entire piece. We have got a software which sort of helps of them manage all the responses. We have a host of institutes we have tied up with and we run end-to-end campus hiring programmes for them. So that seems to be working out in FirstNaukri. But like I said, it's a model which we have discovered with time and is still very small and only time will tell what will be the scale. As far as NaukriPremium is concerned, we have done some work in that area. We have got a section on the site for premium jobs. We are hoping to do a lot more in this area going forward. We have got a bunch of initiatives lined up. We have to make a lot of product changes to make it work, but this is an area of interest for us, and we will be investing more in this area going forward.

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

Ankit Kedia Sir, we have seen a collection growth of 16%. Could you share what was the Naukri's collection growth during the quarter?

Hitesh Oberoi Net sales was up 16%.

- Ambarish Raghuvanshi** Naukri collection was up between 9 and 10%.
- Ankit Kedia** And a couple of the IT companies like Infosys and Wipro have shown a sequential decline in the head count. How is our understanding of the IT recruitment space talking to these clients for the next couple of quarters?
- Hitesh Oberoi** Well, you know, our sense is that the market for IT hiring is stable. It's not looking up a lot; it's not looking down anymore. Certain other sectors continue to be in bad shape, but the market for IT hiring seems to be stable.
- Moderator** Thank you. Next question is from the line of Miten Lathia from HDFC Mutual Funds. Please go ahead.
- Miten Lathia** Just wanted to understand in terms of investment, you know, both on 99Acres and Shiksha, what sort of investments going forward should we look at intangible terms either in terms of headcount or in terms of expanding the presence in terms of number of cities? Could you give some metrics there?
- Hitesh Oberoi** Like I said, 99Acres, we are looking to invest in four broad areas. One, of course, is product development. So we have a large team of people in-house in technology, product design and analytics. And they are looking to launch more and more products and make whether it can give a price better than it is today. So that's one big area of investment for us. Another big area for us is new business development. So there are hundreds of thousands of brokers out there, dealers in many cities. So we are currently in about 12-14 cities. We want to expand to more

cities. We want to increase our coverage in the cities we are already in. So that's an area of investment for us.

And the third area of investment for us is brand building. So on the 99Acres side, we are in top of our mind as far as people are looking to buy when real estates are concerned. So that means more investment in TV advertising and more investment in Apps and marketing on Facebook and some of the other things that need to be done to build brand. And, lastly, we are investing a lot in improving the quality of data on our site. So we just launched a verification service in three markets Delhi, Bombay and Bangalore. And it's early days still. But if we get a good response, the service will be extended to other markets as well. So this will mean hiring more people for verification tool. This is a free service right now. So these are the four big areas of investment in 99Acres.

As far as Shiksha is concerned, we are figuring out the model. The Shiksha business is not consuming cash anymore. This year our collections, I think, we should have breakeven in Shiksha so that business does not require too much of funding anymore as long as we will keep growing at a reasonable rate. The challenge there for us is to, you know, the size of the market and that is something we are still figuring out. We don't know whether the market is going to be a 100-crore opportunity or a four hundred crore opportunity in the long run for us. So if we decide to enter into other categories, we may need some more money. But right now for the categories we operate in, we don't think that the business will require too much of investment.

Miten Lathia

Okay. Coming to your reply on 99Acres, you said product development investments are continuing. But that would be sort of

being done by your existing headcounts, so you don't really need to add people there or are you still adding people on that side?

Hitesh Oberoi So we scaled up the team substantially this year. But, you know, if we continue to get a good response in our product development initiatives, we have a big pipeline. We would like to speed up the development here. And for that, we may need to hire more people. So that means headcount could go up. It may not be double, but it may increase by 20% at least in the next few months.

Miten Lathia Sir, could you give some idea on the proportion sort of order of magnitude of staff cost in your recruitment business versus the real estate business, let's say recruitment business is 100, where would the real estate business be today?

Hitesh Oberoi In terms of headcounts, they are not very different. In terms of headcount, maybe, 99Acres is already 75-80% of the size of Naukri. But, of course, the headcount is little junior. Therefore, in terms of value, the cost of the headcount in 99Acres is lower than the cost of the headcount in Naukri. So, hopefully, however, the 99Acres will grow faster than Naukri for the next few years and therefore margins will start improving over time.

Miten Lathia Sure. I mean, the point that I am trying to drive at is, are we sort of done with bulk of our investments in 99Acres or do we see ourselves in this investment phase for another three years or so?

Hitesh Oberoi If we want to breakeven, we can breakeven today. We can make a small profit also, but I think the opportunity here is huge. This is a large market; a large category. In most of the countries in the world, real estate is much, much larger than jobs as a category. There are still a lot of opportunities we can pursue. There are lots of business models

which can be tried out in real estate. So we would want to keep trying out new things and keep investing in this vertical for a while. The idea here, like, Ambarish mentioned earlier in the call, is not to sort of breakeven or make money; the idea here is to try and do new things to enter more and more segments so that we can build a large business in the long run. Not all these investments may go waste; they may not yield return, but that's fine. It's not as if we are going to add like the verification piece I mentioned. You know, we've hired, let's say, 100 people to start with, but if this works and starts yielding returns, we would want to expand to say 500 people. So it's very difficult for me to say how it will pan out. But what we are saying for sure is that in this business we would do whatever it takes to deepen our position and to actually strengthen it. And if it does mean making massive investments in sales, product development, marketing, verification services or whatever is required, we will do it.

Miten Lathia

In terms of your marketing spends shares, last year has seen a lot of competitive activity and probably likely to be that way. Do you see that number going up meaningfully? Let's say, next year, again, 99Acres cross the revenues by 50%, do you see the 99Acres' marketing spend scaling up proportionately or now it's not a question of proportion anymore?

Hitesh Oberoi

See, most of our spends on marketing is right now on Jeevansathi and 99Acres. Our Naukri spends are very small fraction of this total revenue on marketing. Shiksha doesn't spend a lot of marketing. Most of the spend is on Jeevansathi and 99Acres. In Jeevansathi, we are experimenting with a few new things. And if some of these things work out, we could scale up our spends. If we don't, then, you know, the spend may continue to be where it is today. As far as 99Acres is concerned, I don't think we will spend a lot on non-television spends.

So if there is any increase in spending in 99Acres, it will be mostly accounted in TV advertising. TV advertising does not really impact revenue in the short-term, but it's more a long-term investment. A lot will depend on competitive activity where an aggressive advertising will give or not, a lot will depend on whether the market is growing rapidly or not. So it's very hard for me to say what will happen. As far as TV advertising is concerned, non-TV advertising we don't expect it to grow at more than 20-25% per annum in 99Acres. But TV advertising, you know, we may do two bursts and not do anymore after that. We could do four bursts. A lot will depend on what happens in the market and what competition does.

Ambarish Raghuvanshi You know, two or three of our competitors in real estate have paid money recently. So it's quite probable and entirely possible that over the next few quarters, they are going to be aggressive in the market place and that will translate into higher marketing spends for them. And we will have to react, to a large extent, to maintain a certain sense of brand awareness.

Moderator Thank you, sir. Next question is from the line of Srivathsan Ramachandran from Spark Capital. Please go ahead.

Srivathsan Ramachandran Yes. I just wanted the number. We moved into the new building. Just wanted to understand is there any number you can give us from the rent saved, maybe, from when it will impact?

Hitesh Oberoi Sorry. Come again.

Srivathsan Ramachandran The increase or reduction in rental cost, if possible, vis-à-vis because we moved into a newer building. What will be in addition to our existing rental properties?

Hitesh Oberoi Actually, our headcount has been growing. So we've been adding office the space. It's very hard to say, yes, of course, we gave up space and moved into this building, but we did the interiors ourselves. We still pay rent for this building. So we must have saved, maybe, a couple of crores a year. We know. But rental cost must have increased anyway because we have added more space.

Srivathsan Ramachandran Okay. On the Shiksha you did mention a little bit it will be helpful in terms of how do you see this evolving? Is there any global model that has evolved to become a slightly larger scale company or a portal on the educational side?

Hitesh Oberoi So there aren't many sort of examples of large sort of education businesses worldwide. Of course, India is a very different market; India is very unique because there are still a lot of people/private colleges and lots of private universities and they spend a bomb on attracting students. We've figured out some models. You know, the Shiksha business is doing well for certain types of institutes. We are able to generate a lot of leads. We are able to provide them with an opportunity to showcase their brands. We are working hard on increasing our engagement on our side. We are working hard in getting more and more customers to our side. We believe that if we are able to generate more engagement and get more visitors, ultimately, this means more response for our advertisers. And as a result, we can then get more revenue and go back to them for more revenue. But the model is not as clear to us, you know, as the other categories we operate in. So we are still figuring it out. We've got something going. Customers are happy. They are coming back. But we are not sure how big the market is. So that is something which we will figure out with time. So it's very hard because there are no global examples; there are no global benchmarks. So we can't point at anybody that this is what is going to

happen. But it's a large category. A lot of money is being spent. We are getting a lot of traffic. We have a lot of customers. They are coming back. How much revenue will be able to generate from them is very hard to say right now.

Moderator Thank you. Next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri Yes. Thanks for the opportunity. Firstly, couple of questions on Naukri. I mean, given the fact that you spoke about IT being better off than some of the domestic sectors. So is there any opportunity to raise prices or lower discount selectively in the segment or, maybe, in some parts of your business in Naukri? And the second question on Naukri is you spoke about the new add-on side things like corporate site manager et cetera. So, I mean, what kind of incremental monetization potential can be built in, maybe, from about two to three years' perspective for such kind of initiatives?

Hitesh Oberoi You are right. The IT market is stabilizing a bit. But we would like to wait and watch for a while before we take a price increase. We did take a price increase sometime back. And once the market starts looking up, we could look at taking a small increase in price once again. Automatically, discounts, you know, as far as the markets are going well, discounts automatically start falling because of safety instead of negotiates harder with customers. As far as the new products are concerned, a lot will depend on whether these products are received in the market place or not. So there are two kinds of benefits we expect in new products. One, of course, is revenue. But that's just one part of the story. We also believe that some of these products if they do well, will strengthen the overall ecosystem and will help us get a higher share of wallet from our customers so they will strengthen the overall brand and

they will strengthen some of the other products we offer to our customers as well. But, you know, let's say the corporate site manager we just spoke about, the starting price is Rs. 30, 000 per annum. And then there are more advanced versions. Now, if we are able to sell this product to 5000 customers, we make 15 crores. If we are able to sell to 10,000 customers, we make 30 crores. But whether we will be able to do it or not is very hard for us to say.

Srinivas Sheshadri Sure. And the other features you talked about are largely kind of pre-features right now, I mean, corporate apart from that?

Management There are some which is paid and some which is free. So on the FirstNaukri site, we are charging for some of the services we offer. The NaukriPremium thing is free; it's not something which is paid. For changes to the search, changes to the algorithm we make on the site, we are not going to charge extra for those searches. We are working on a product to connect job seekers to recruiters through a messaging service. That will be a paid product. In fact, we just launched this last night, you know, recruiter connection. So this is a paid product. But, again, it's very hard for us to say whether how well these products will do and therefore what kind of revenue will generate from these products today. Maybe, we will have a better sense of this six months down the line.

Srinivas Sheshadri Sure. Secondly, on the 99Acres' commentary, which you had previously, basically, you talked about some increase in the lead of our traffic versus the number 2 or even some of the other markets. So could you talk about, like, in your view, like, what are the reasons behind driving that increment in our traffic share in your favour?

Hitesh Oberoi In Naukri?

Srinivas Sheshadri In 99Acres.

Hitesh Oberoi Okay. You know, we are doing a bunch of things like I mentioned, you know, we are trying to innovate in 99Acres. We've rolled out a bunch of new services and new offerings. We've been aggressively expanding our sales team. We've been advertising aggressively as well. So, maybe, because of all this, we are sort of holding and, maybe, slightly increasing our shares. It's not as if we've gone up from 35 to 50% or anything of that sort. It's just that if we are at 37, 38, 39, the number two player was earlier at 33, 34. The gap between us and them has widened. That's all. Because some of the shares have been taken by the newer players who entered the market. This is something we saw in jobs as well. When new players enter the market, the number 3, number 4, number 5 players get impacted by their entry first. So they tend to get share from them and not from the leader to start with, at least.

Srinivas Seshadri Right. And just one final bookkeeping question. The network operating cost where this quarter has fallen quite a bit sequentially. So just wanted to understand the reasons for that.

Hitesh Oberoi Yes. That's because the contract came up for renewal and we were able to negotiate better rates this time.

Ambarish Raghuvanshi And also, you know, the exchange rates have moved marginally in our favour because, you know, we pay in dollars. Since the rupee has strengthened in the last quarter compared to rupee this quarter, there has been a marginal improvement of that.

Srinivas Seshadri Okay. So is this a sustainable number?

Hitesh Oberoi Well, we keep adding to our infrastructure as we launched more and more products and when the site increases. So this is a new base and from here we will depending on how many servers we add and depending on what the requirements for our sites are, this number will grow. But, Yes, this is a new base.

Srinivas Seshadri Sure. Thanks so much for answering my questions.

Moderator Thank you. Next question is from the line of Neelesh Surana from Mirae Asset. Please go ahead.

Neelesh Surana Yes. 99Acres, the third quarter revenue was 19 crores. Can you get the nine months' number and also if you could give a break up between broker-related listing revenue and the advertisement piece and also what's the trend on these two line items?

Hitesh Oberoi So the nine months' revenue, I think, is around 53 crores. Sorry. What was the other question?

Neelesh Surana The break up of the revenue what you get in 99Acres between broker-related listing fees, revenue line item and advertisement.

Hitesh Oberoi You know, I don't have the exact number with me right now. And it's different in different markets, but I would suspect that it's more like 50-50. But I don't have the exact number with me right now. We will get back to you separately.

Neelesh Surana Is the advertisement piece is as high as 50% of the total revenue?

Hitesh Oberoi It depends on what do you mean by advertisement. So there is a listings piece; there are feature listings and then there are Gold listings

and then there is pan advertising and mailers and so on. So there are five or six sort of different types of products. So depending on what you mean by advertising, if you mean banners, then that's a very small proportion of total revenue.

Neelesh Surana Okay. And is the trend what you get is the advertisement revenue from, let's say, builders or source, is the proportion same that what it was couple of years back or it is increasing?

Hitesh Oberoi No. The revenue generates from builders also depends on launch activity in a particular quarter. So normally when there are lots of launches in a particular quarter, then you make a lot of revenue from builders. If launch activity slows down, then builder revenue in that quarter slows down.

Neelesh Surana Okay.

Hitesh Oberoi Builder revenue is not substitution revenue mostly. It's more project-based and launch-based. While dealer revenue and construction revenue, the proportion of revenue from builder varies quarter-on-quarter depending on launch activity in that quarter.

Neelesh Surana Okay. One question in your overall guidance that what you have been mentioning that if top line were to grow below 20%, you will yield margins. But if I look at, let's say in the first nine months' number, top line growth has been, say 15%, but margins are, by and large, maintained at EBITDA level. And, in fact, for the recruitment fees, the top line growth is only 8 or 9%, but margins have increased. So, I mean, any colour on that ?

Hitesh Oberoi So what's happened this year also is that because the investor, if we were to move to new building, some amount of rent has actually gone to the depreciation of the building. So that sort of helped us. As far as the EBITDA margins are concerned, if you look at the overall PAT margin, that's fallen. So it's below what it was last year.

Neelesh Surana Any similar rule of thumb you can give for the Naukri fees, let's say, what level of top line margins will be maintained or how much it can extend if top line were to revert to, say 12-15% level?

Hitesh Oberoi It's very hard to say right now. A lot depends on how much you invest in that business in a particular year. But this is just a very broad thing. You know, it's not like if we grow at 18%, the margin might still sort of maintain the margin at 18% as well. But it's a range. You know, 17 to 20, 21% range, if we are in that range we will be okay on margins, but if we sort of grow below 17-18% we may yield margins and if we grow at more than 20%, we could sort of improve our margins. As a guiding principle, it's not a cast in stone.

Neelesh Surana Sure. But my question was, like, for the Naukri piece, obviously, that number will be very low. Even if you were to grow at, let's say in this year, the EBITDA level margins will be maintained or probably increase?

Hitesh Oberoi Yes. Naukri, you know, we feel that if we grow even at 15%, we will be able to maintain margins 15-16%. So the company, as a whole, we need to grow at about 20%.

Neelesh Surana Okay. And just the headcounts, I think, it was asked earlier, but what is the split of headcount between Naukri and 99Acres?

Hitesh Oberoi Actually, we don't give the split. But, as a company, we have close to 2700 employees right now.

Moderator Thank you. Next question is from the line of Dhananjay Mishra from Sushil Finance. Please go ahead.

Dhananjay Mishra My question is regarding these new launches happened in recruitment segment. So do you think our advertising spends should increase in recruitment segment in the next three to six months?

Hitesh Oberoi No. Not because of the new launches because we sort of will be promoting new launches to our existing base of customers. So we don't need to spend a lot of money in advertising. And most of these launches are directed at recruiters who we reach through our sales team. Yes, on the NaukriPremium I just spoke about somebody asked a question, once we get our product right and we will spend a little more on advertising. This will come out of the overall advertising budget. The ad spend in Naukri could go up next year, if the markets start looking up. But we don't see a massive increase in advertising in Naukri.

Dhananjay Mishra And normally in Q4 our advertising expenses goes, I mean, strongly, so this stand would be maintained?

Hitesh Oberoi Yes, of course. Because Q4 is normally a strong quarter for the company and we also spend a lot more in advertising. So in all businesses, Q4 ad expenses are normally higher than Q3.

Dhananjay Mishra Okay. My next question is regarding Jeevansathi. It's been 7-8 years since we are in this business. So have you set any internal target in

one-year term to reach? If you don't reach that, then you will probably like to monetize or stop investing in this business?

Hitesh Oberoi So, like I mentioned earlier, we are trying out some new models in Jeevansathi and we will know in about six months from now where we stand. If some of these things work out, we would like to sort of invest more in the business. But if we don't, then we will be back to square one and we will go back to the drawing board and figure out what to do.

Dhananjay Mishra Okay. Thanks. That's all from my side.

Moderator As there are no further questions, I would now like to hand the floor over to Mr. Hitesh Oberoi for closing comments. Thank you.

Hitesh Oberoi Well, thank you all for being on the call and have a nice evening.

Moderator Thank you. On behalf of Info Edge Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.
