Info Edge (India) Limited

Analyst and Investor Conference Call

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Moderator: Ladies and gentlemen, good evening. This is Marina, the Chorus Call Conference operator. Welcome to the Info Edge India Limited Q2 Earning's Conference Call. As a reminder, for the duration of the conference, all participant lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note, that this conference is being recorded, and the transcription would be available in the next three day at the Company's website www.infoedge.in . I would now like to hand the conference to Mr. Hitesh Oberoi, COO Info Edge India Limited and Mr. Ambarish Raghuvanshi, CFO. Thank you and over to you gentlemen.

Hitesh Oberoi: Good evening everyone and welcome to our Q2 Conference Call. As we had said in our last quarter conference call Q2 performance was difficult though it was in line with our expectations for H1. Sequentially sales were up in Q2 although only by about 4%. The good news is that the slide seems to be getting contained. We are seeing demand moving up across sectors and across geographies, most companies are now at least doing replacement hiring, if not hiring for growth. The other good thing is that competition in all our segments, jobs, matrimonial and real estate continues to be impacted more than us. This is a great opportunity for us to invest and build and gain market share for the long run and which we continue to do. The data sheet with all the operating matrix has been uploaded on our corporate website www.infoedge.in . Net sales in Q2 were Rs.55 Crores down from Rs. 65 Crores in the same quarter last year. Sequentially we are up 4% on top line and 11% on bottom line which is encouraging. Given the uncertainty visibility is low but we continue to be positive. We are however not able to give guidance for the future. Other income comprising mostly interest income from bank fixed deposits were also up this quarter. For the second quarter (Q2) year-on-year (YOY) operating EBITDA was down 2.2% at Rs. 15.2 Crores including the Rs. 9.7 Million of other operating income because of a write back of an earlier provision. The operating EBITDA margin was up 3.78% year-on-year at 27.48%. The operating PAT was down 11% year-on-year at Rs. 9.2 Crores. The operating PAT margin is up 0.8% YOY at 16.65%. The operating margins have improved despite continued investments in all the other verticals including new ones like Shiksha and FirstNaukri. We have reduced and grown substantially year-on-year and also quarter-on-quarter. We lost only 3.3 Crores in the newer businesses compared to 8.6 Crores in the same quarter last year and compared to 4.4 Crores in Q1.

Moving to performance by business the recruiting business, which is Naukri plus NaukriGulf plus Quadrangle plus resume services accounts for about 83% of our top line of our operating top line in Q2 as opposed to 86% in Q2 last year. In the other businesses primarily there are Jeevansathi and 99.acres and small amounts from Allcheckdeals and Shiksha account for about 17% of the operating topline in Q2 as opposed to 14% in Q2 last year. The recruiting environment showed some kind of improvements, the Naukri Jobspeak index, which is an index based on jobs on Naukri continues to climb up though slowly. It was at 729 in September 2009 versus 664 in May 2009. The Naukri Jobspeak is a tool to measure hiring intent, but should not be used to predict our revenues. We believe that post-festival season which is from especially

November-December onwards this trend and the JobSpeak Index should continue to move upwards. The recruitment topline as a whole declined by about 18% this quarter. In Naukri the EBITDA margins were at 36.9% down from 45% a year ago and 42% in Q1. This was mainly on account of the higher advertising spend on television this quarter. We invested in a television campaign after a long time and it was received positively by all our clients and jobseekers. Just wanted to clarify that these division wise numbers are management estimates and are not audited numbers.

On the operating side on Naukri we continue to add a lot of resumes, and our total resumes account as of September 30, 2009 was about 18.7 Million resumes versus 17.6 Million as of June 30, 2009. During Q2 about 11,500 resumes were added daily. The modifications in Q2 increased to nearly 58,000 a day, probably because of the hiring activity picking up in the recruitment market. In Q2 about 18,100 recruiters paid us versus about 17,700 in Q1 and 18,600 in Q2 last year. The share of IT declined marginally to 24.5% in Q2 versus 25.4% in Q2 last year. The share of recruitment consultants was 25.4% versus 24.3% in Q2 last year and the share of infrastructure was 22% versus 22.6% in Q2 last year. Our ComScore traffic share continued to move up and reached a high of 63% in August 2009, which is very, very encouraging. In fact our traffic share has now been upwards of 60% consistently for the last four months. This will hopefully help us get more business when the market starts recovering.

In the other verticals for Q2 net sales were almost flat at 9.2 Crores year-on-year. 99acres declined about 33%, Shiksha saw some traction. We were able to reduce EBITDA losses by 61% to about 33.3 Crores last quarter. In 99acres while the topline declined by 23% year-on-year we were able to reduce EBITDA losses by 71%. The environment is still weak, but there is a slight recovery in markets like Delhi and Mumbai especially in the affordable housing segment. We continue to work on products and site improvements and that have helped us. We have cut our advertising but without really affecting the price on the site. The competition is challenged. The major competitor in this space continues to be Magicbricks. The other two players like Makaan and India Property are slowly losing out in this market because they are not investing enough. Our market share based on Comscore data continues to be steady in the 35% to 40% mark in this segment.

In Jeevansathi, there is some good news. Net sales grew 16% year-on-year and it turned EBITDA positive this quarter and with an EBITDA of about 2 Million. Profiles ever added increased to 3.3 Million as of September 30, 2009 versus 2.58 Million as of June 30. Our investment in offline center continues. We have a total of 14 centers. We have not added any centers in the last three or four months, as we were trying and getting the model right. The response is encouraging, but we are improving as we go along. Hopefully we should be able to break-even in Jeevansathi this financial year if things go well. Competition continues to be challenged for cash and capital and this is helping us improve our position in the market place. We continue to improve and add new features to the site in Jeevansathi. Brijj has about 2.4 Million profile, but getting people to engage in the site and network on the site continues to be a challenge. We are not expecting any revenue from Brijj in the short run.

On Shiksha we have made some good progress on the product side and we have got an encouraging response from the market place in Q2. There is a major product revamp planned in Shiksha in the next three months and hopefully the revenue should also move up. Still we are trying to figure out the market, it is very early, so the trend is encouraging. Allcheckdeals had a good quarter. They closed about 350 deals in Q2. Business has slowed due to the weak sentiment in real estates especially new developments, but the trend is encouraging especially in the Delhi market. Lower priced projects have come up and so there is a huge opportunity and we have now spun off ACD as a separate subsidiary in the Q3 of financial year 2008-2009. Consolidation with Info Edge accounts will happen at the end of every financial year. Brijj, Shiksha and Allcheckdeals earned a topline of Rs. 1 Crore and lost about Rs. 2.6 Crores at the EBITDA level in Q2 this year. The FirstNaukri site was launched commercially in the last quarter. We now have products available for both recruiters and campuses. The same sales team as Naukri will sell these products to recruiters while for campuses we have a separate sales team. The idea is to connect first time job providers to freshers. As we know Naukri works very well for lateral hiring where as campus hiring continues to happen in an offline manner. We hope to move this process online in the next few years. It's a niche segment, but an attractive segment, especially with more and more hiring which is likely to happen through campuses in the coming years.

To summarize the margin in Naukri has come under pressure for now, but should start getting back and moving about 40% mark in the coming quarters if sales look up. Jeevansathi is looking at break-even by the end of this fiscal. The economic environment has bottomed out. Things are now getting better. There has been slow and steady movement upwards. We are not able to give any guidance for the next quarters given that we have given low visibility. Q3 however, is critical. If in Q3 we are able to grow over a lower base then you know, Q4 should be good. We have cut costs wherever possible and as a result our margin should improve across the company. Our traffic share having moved up in all verticals especially in jobs where it has moved now to over 60%. Hopefully we will be in a stronger position when the markets improve. The investment in new businesses both internal, external will continue. However, you know, we have to use the opportunity to cut costs wherever possible without impacting growth and as a result even the 99acres business and Jeevansathi business should be positive in the next few months. Our product innovation in Naukri, Jeevansathi and 99acres continues and that is an important area of investment for us. Q3 if all goes well should see positive growth year-on-year, held by better sentiment and a lower base effect. Beyond that visibility is very, very poor. With that I think we will be open to questions.

Moderator: Thank you, very much. Ladies and gentlemen, we will now begin with the question and answer session. At this time if you would like to ask a question please press '*' and '1' on their touchstone phone. If you decide to withdraw your question0 from the questioning queue, you may press '*' and then '2'. Participants are requested to use only handsets while asking a question. The first question is from the line of Mr. Ankit Kedia from Centrum Broking. Please go ahead.

Ankit Kedia: Just wanted to know how is the pricing and how is the customer's response because a number of customers on the recruitment side have significantly shot up in the last four-five quarters. So what are we seeing on that front?

Hitesh Oberoi: Well what we are seeing right now is customers coming back, so a lot of customers, who had stopped using our products or moved to shorter subscriptions because of the environmental stuff in the last few quarters have started buying again. So we are increasingly seeing more and more customers coming into our fold and have a good trend. I think it is stable. It is not moving up as yet, but we are seeing more and more customers coming back.

Ankit Kedia: We increased the ad spend during the quarter, so are we seeing competitive activity increasing though are market shares are above 60% for the last four quarters?

Hitesh Oberoi: Actually competition has not been advertising too much even though we did ad campaign they did not really respond in the last quarter. So we are using this opportunity to gain market share to see if we can actually make more inroads given the fact that the competition is not spending that much.

Ankit Kedia: So what is the outlook on the advertisement going forward? Will we see that expenditure increase as well?

Hitesh Oberoi: It is difficult to say. We will take it quarter by quarter. We do not really like to predict our ad spend in advance, a lot will depend on how competition reacts. A lot will depend on whether the market is improving. Certainly if the markets starts looking up and we see that the market is coming back, we may up our advertising spend a little bit.

Ankit Kedia: A question on Jeevansathi, our realizations have increased by nearly 10% on quarter-on-quarter basis. Did we take a rate hike out there?

Hitesh Oberoi: Yes, we took a price hike in Jeevansathi, and that has helped.

Ankit Kedia: What was the quantum and did the competitors also take the same hike?

Hitesh Oberoi: Well actually if you see the Jeevansathi market, we were priced lower than competition, so we took a small price hike in the average range of about 10% but which was different at different price points. Competition was always higher than us, but they have been discounting heavily to get new customers, so there is some sort of discounting price war going on. But still our realizations have moved up compared to last quarter.

Ankit Kedia: And the break-even which we had during the quarter for Jeevansathi that is very commendable, but going forward could there be a trend that we increase our ad spend and again start doing big?

Hitesh Oberoi: Well I do not think we need to increase our ad spend substantially if we want to grow at 20-25% a year, but if we decide to go aggressive and gain market share and you know aim for let us say

40%, 35% kind of growth then there may be a couple of quarters where we need to invest more in branding, but right now we do not see that happening too much.

Ankit Kedia: Just one last question, our headcount continues to show a decline, so going forward what is there on the employee cost front? Can we see a hike of employees as well since we are seeing good visibility for the next one-year and no more decline out there?

Hitesh Oberoi: So we have given a salary increase, which will be with effect from October 1 to our workforce. Then there will be some impact of that in the next two quarters. We are not reducing headcount anymore, we are also replacing people and sharing some people as well, so from hereon the headcount should not decline too much, it should steadily move up very slowly, and there will be salary increase which will come in effect from October 1.

Ankit Kedia: Thank you.

Moderator: Thank you Mr. Kedia. The next question is from the line of Mr. Nikhil Pahwa from Media Nama. Please go ahead.

Nikhil Pahwa: Just I was wondering about the active users on Jeevansathi as opposed to total number of profiles uploaded because you know it is not like the jobs database where people do not churn out as often?

Hitesh Oberoi: Well we normally do not give out these numbers, but my estimate is that we get about 3.5 Lac to 4 Lac people logging in every month into the site. So in a quarter we probably have about slightly less than a Million who are active.

Nikhil Pahwa: Also just wondering if you log into the competitor scenario for Shiksha who are you competing within that vertical, what is their business model, and how are you doing things that can keep from them?

Hitesh Oberoi: This is a new vertical for us. You know it is a evolving sort of segment. There are many players doing different things in the business model, for every player is also different at this stage, so we have Study Places which is an investee company then there is Mingle Box, which was an social networking site, but has now become an education player, then there is PaGaLGuY, which competes very strongly in the management space, so different sites do different models. Some people are going after the leads model, some people are looking only at branding, we are trying to do a mix of both. It is very early stage to say how this market will shape up. Clearly in print people pay for branding, it is not a lead based model, but then on the Internet you know there are many institutions who advertise in Google, where they pay on a lead basis, so I think this market will evolve. It is little early to say how it will evolve, but we are going after both leads and branding solutions.

Nikhil Pahwa: And what is the revenue that is evolving in that market on the International revenue generated versus revenue generated from India?

Hitesh Oberoi: Well, right now revenue is extremely small. You know it is very early to say how this market will evolve. We are currently focused mostly on the domestic market.

Nikhil Pahwa: Great thanks.

Moderator: Thank you Mr. Pahwa. The next question is from the line of Mr. Rishi Maheshwari. Please go ahead.

Rishi Maheshwari: I would like to know if you could give us a flavor on the different verticals, which you are looking at within the recruitment area, looking at spending more as hiring activities ongoing over there?

Hitesh Oberoi: You know we saw an uptake across sectors actually in the last quarter, even the IT and ITES verticals which had slowed down considerably, hiring activities picked up in those verticals as well. The most challenged still are IT and in financial services and real estate. All other verticals you know, seems to be at least some action seems to have started. They are hiring people, at least recruiting people and we expect this trend to continue. Some verticals are not impacted at all, by the slowdown. Verticals like Pharma and education and consumer goods, so they were not impacted. The verticals impacted the most continue to be IT and BPO and financial services.

Rishi Maheshwari: Right. So earlier on we have got here Mr. Bikhchandani saying that he is looking at growth of in within the band of say about 5%. Just assuming that there will be a very limited growth from IT and finance within that in the next half?

Hitesh Oberoi : Yes, we expect a higher growth in non-IT sectors than in IT this year.

Rishi Maheshwari: And just in case if IT hiring picks up there will be an addition to your probably the estimate of 5% right?

Hitesh Oberoi: It is very difficult to say right now, it does not look like IT hiring is going to pick up in a very big way.

Ambarish Raghuvanshi: I think that is in contingent with demand picking up in IT. So if your demand picks up, you will begin to see some hiring, but you know whether it will happen with a lag and how much of a lag, is very difficult to say right now. The first starting point has to be that the demand has to pick up. Now we have heard in the last couple of weeks after the IT companies, some of them have announced their results, the demand looked like it may pick up, if it does and you know, I think, we will be really pleased about that and that may just add some to the growth, but still too early to say exactly what impact it might have on growth numbers.

Rishi Maheshwari: Sure, and what is the average salary hike that you have already given?

Ambarish Raghuvanshi: Internally?

Rishi Maheshwari: Yes, with the organization.

Ambarish Raghuvanshi: It is in the 5% range. Much lower than in the previous year, but we felt that with the market looking up and you know to protect some of the people especially at some of the areas where they are vulnerable that some sort of salary hike was warranted and that is why we decided to go ahead with that.

Rishi Maheshwari: And if you could give us a flavor on your other income? What is the breakup there, and what could be the average yield from the cash and investments?

Ambarish Raghuvanshi: Other income is largely treasury income of which roughly about 90% of our corpus is deployed in fixed deposits which are of one year tenure largely, and they are in mostly nationalized banks although we do have some in private banks. You will find that on the balance sheet that we have some with HDFC Bank, and with ICICI Bank, but apart from that it is largely with nationalized banks and it reflects the fixed deposit rate. The remaining 10% is in debt mutual fund which again earns somewhere around 3.5%-4% net of tax yield. So other income is largely that and this time we have split the provision written back which Hitesh mentioned at the beginning of the call into other operating income which reflects provisions made last year which have been written back because they were no longer required.

Rishi Maheshwari: I just missed on that amount. How much was that?

Ambarish Raghuvanshi: Close to a Crore, I think it is about 97-98 Lac.

Rishi Maheshwari: Thank you, so much. All the best.

Moderator: Thank you Mr. Maheshwari. The next question is from the line of Mr. Krudent Chheda from Value Quest. Please go ahead.

Krudent Chheda: Sir you said your advertisement cost has increased year-on-year?

Ambarish Raghuvanshi: I think that probably is in Naukri.

Krudent Chheda: Only in Naukri it has gone up otherwise…

Ambarish Raghuvanshi: It has gone up sequentially, went down year-on-year.

Krudent Chheda: It is down year-on-year and also out of this 10 Crores how much would be in Naukri?

Ambarish Raghuvanshi: We do not give advertising spend by business separately. You know this is for competitive reasons because you know it varies from quarter-to-quarter and so on. I mean we do not want to really disclose that.

Krudent Chheda: Okay and how much cash do we have in our books?

Ambarish Raghuvanshi: About 330 Crores. This is cash and cash equivalents, which included liquid investment.

Krudent Chheda: Okay and how are we seeing the demand in our real estate business ?

Ambarish Raghuvanshi: 99acres.com ?

Krudent Chheda: Yes 99 acres.

Hitesh Oberoi: Well you know Q2 was encouraging. Demand seems to have picked up. There is some real estate activity in markets like Delhi and Mumbai, but mainly in the affordable housing segment. The markets in the South have not recovered as yet, probably because it is mainly IT and IT is taking time to recover. So the trend is encouraging. We are still down compared to last year, but we are bullish for the next six months.

Krudent Chheda: Are you seeing any pick up in tier II cities like Pune, Bangalore, Hyderabad?

Hitesh Oberoi: The IT markets have been impacted to markets like Bangalore, and Hyderabad has been hit because of the slowdown in IT also. We are seeing a bigger recovery in markets like Delhi and Mumbai at the moment.

Krudent Chheda: Okay. And sir, sequentially what kind of growth are you expecting in Q3 or can we see double-digit growth as the demand is recovering in all the sectors now, the real estate and Naukri, general IT is also recovering. Can we expect the double-digit growth in Q3?

Ambarish Raghuvanshi: You know we do not. It is very difficult to forecast especially when you are getting out of a slowdown, yes things are looking better but whether it will be single digit or double digit it is difficult to say at this point in time.

Krudent Chheda: Okay thanks a lot.

Moderator: Thank you, Mr. Cheddha. We have a followup question from the line of Mr. Nikhil Pahwa from Media Nama. Please go ahead.

Nikhil Pahwa: Hitesh, I was just wondering about 99acres, I am sorry if someone has already asked this, but there has been a decline in both transactions and listings. Is it a seasonal thing or did you change something?

Hitesh Oberoi: Well a couple of things, one revenues are down compared to last year. The revenue is down 23%, which means that you know, we have fewer customers than last year. Also what has happened and why listings have gone down is because unlike last year where we used to allow unlimited packs, we have done away with that model, so now every listings is priced and as a result some of the junk-based listings from the site have gone out and therefore listings have fallen.

Nikhil Pahwa: So, just wondering about that if you have plans in order to bring that up the speed again?

Hitesh Oberoi: So the market is getting better and you know we saw some increase in advertising in the market because of new launches and new projects coming out in Q2, so that should continue. The secondary market for real estate would probably take longer to pick up than the primary market because in the primary market the builders have revamped a different models, they have moved from high cost and high priced properties to affordable housing and that is seeing an uptake. So we do not see listings moving up too much because like I said we are pricing every listing unlike last year where we were allowing unlimited listings.

Ambarisg Raghuvanshi: No, but in any case you know we have decided to focus on the quality of listings rather than just chase numbers. So which is why I think you know to try and improve the user experience rather than just showing a whole lot of property, some of which were duplicated and so on, we felt that you know, we may as well focus on the quality of the listings, and that is why I do not think we will be chasing the numbers there, we will chase eventually revenues, but that will come through a better just sort of interface, better quality content being available on the site. Well the good news is that you know despite listings having moved down substantially the number of inquiries being generated on the site is still the same.

Nikhil Pahwa: Okay.

Hitesh Oberoi: There is a point that some of these listings were not really required on the site because they were not genuine.

Nikhil Pahwa: Okay, also wondering about the performance of your investee companies. How have they fared over the last…?

Hitesh Oberoi: Still very early because some of these companies are just starting, but the revenue is growing and Meritnation has launched a product, it is a good product, and they are getting good feedback and they have launched more products for example initially they just launched a CBSE products and now they have launched the ICSE product as well. The feedback on the product is encouraging. Revenues are also moving up steadily, but it is still too small to talk about. In Policy Bazaar we are now entering you know the insurance season. A lot of activity in this sector picks up in the second half. So they are very bullish that the second half will be good, but the numbers are still very small. You know and it is not really material as yet.

Nikhil Pahwa: Okay what about the Study Places?

Hitesh Oberoi: The Study Places you know we are minority investors. We own about just 13% of the stock and you know I cannot really comment on how their business is doing, they did have a tough few months, but they are steady now and they are looking for you know, funding at this point in time.

Nikhil Pahwa: Okay and are you looking at any other investments? Are you looking at any acquisitions?

Hitesh Oberoi: We will keep evaluating. We look at companies and different sectors and we look at internet startups all the time. We actually are still looking for investment opportunities. There is nothing, which is really cooking at this point in time, but hopefully, in the next one or two years we will make few investments.

Nikhil Pahwa: All the best. Thanks.

Moderator: Thank you Mr. Pahwa. The next question is from the line of Mr. Ankit Kedia from Centrum Broking. Please go ahead.

Ankit Kedia: Ambarish just a couple of points, the Jeevansathi break-even includes the offline centers as well?

Ambarish Raghuvanshi: That is right. This is on a combined basis. So it is taken into account although the offline center activity right now is not making money. It is still in an investment mode and it will be for a while, but on an overall basis this includes the offline center. We have broken even with a marginal profit.

Ankit Kedia: And the second question is on the 99acres, could you just give the revenue and the loss for 99acres for the quarter?

Ambarish Raghuvanshi: Well we do not give out the revenue on a quarterly basis separately but the loss is less than about a Crore.

Ankit Kedia: So then can we look for a faster breakeven for 99acres or does some amount of fraction come in the real estate sector?

Ambarish Raghuvanshi: Well if the real estate markets start looking up and you know the next two quarters are better than the last two quarters, then you know, we should be looking at least a quarterly breakeven in may be next six months from now.

Ankit Kedia: Thank you.

Ambarish Raghuvanshi: You know in a lot of these early stage businesses it is determined more by what the topline growth happens because there is a certain amount of spends which you make anyway and you hope that the market responds to that. But you know in 99acres I think the position is that you know we have cut some of the expenses in line with what the market required at a particular point of time, but here onwards breakeven and making money will be dependent on topline growth.

Moderator: Thank you Mr. Kedia. The next question is from the line of Mr. Ruchit Mehta from HSBC. Please go ahead.

Ruchit Mehta: Yes sir. Just missed out on the figure for the recruitment business in the quarter. What was the revenue?

Ambarish Raghuvanshi: From recruitment as a whole it is 46 Crores.

Ruchit Mehta: Okay and you said the EBITDA for you was 36.9% for the quarter?

Ambarish Raghuvanshi: For recruitment, yes, about 38%.

Ruchit Mehta: Okay. And in terms of events you mentioned there was a year-on-year growth of roughly around 12%, but that would mean that the business was flat on the quarter-on-quarter basis. Do you think that with the current level of revenue run rate that we have you can broadly sustain the same?

Ambarish Raghuvanshi: The Jeevansathi we grew at about 16%, 15.8%

Ruchit Mehta: Okay thank you so much.

Moderator: Thank you, Mr. Mehta. The next question is from the line of Mr. Vishal Shah from Allied Partners. Please go ahead.

Vishal Shah: My question was on the pricing in the recruitment business. Last quarter you had said that the pricing was under a bit of pressure and this quarter it is stable. So when can we see any opportunity of price hike in this segment?

Hitesh Oberoi: I think the pricing will improve when hiring picks up. So right now we are focusing more on getting new customers and getting customers who had lapsed back into the system and once the hiring environment improves and there is a rush to hiring, people want to hire people and they are not able to easily get them is when the pricing will start moving up. So we do not see any price increases in this year at least, but what we could see is in the last may be in the next three four months is that the discounting, you know the negotiations all that could change a little bit, therefore we may see some improvement in terms of realizations but the rate cut rates will remain the same.

Vishal Shah: Okay and my next question was that we had increased our ad spend in this quarter and the competition has actually not been the same inspite of that we have gained market share. Can you throw some light on as to who are the competitors actually among your top two competitors who are losing market share?

Hitesh Oberoi: Now if you look at what the market scenario was about a year 15-18 months ago, you know we were at about 47-48% share and Monster was at about 30% and TimesJobs were also at about 20-25%. So these were the three big players then. Now what has happened in the last 12 months is that we have moved to the 60% sort of range and Monster is about 25% and Times has gone down to about 10%. So this is as per Comscore, which is one of the independent measurers of market share. And now there is Shine also may be at about 2-3%. So in the slowdown we have managed to increase our market share by about 10-12% points. In fact we peaked at about 63% in August. So hopefully this will help us when we get out of the slowdown, because what we would really need is that we have more CV's added to our database, we have more people visiting the sites and as a result our product will be superior and it is getting better and better compared to that of competition.

Vishal Shah: And any comments on the trends in the online platform versus this print platform. How the online platform has performed comparing to print?

Hitesh Oberoi: If you look at the job space it is almost as big as print today. There are lots of people who continue advertising in print and these are typically educational institutes or international sort of advertisers who want to hire people for the gulf or government companies and PSUs who are forced to advertising trends or BPOs who want to do walk-ins. So these are the four or five categories which lead advertising in print, but if you look at the money being spent on print ads it has been going down year after year. In fact this year if you look at the money revenue of all the job boards it will be upwards of may be or close to around 225-300 Crore mark and I suspect this will be as big as print and hopefully after the recovery job boards will continue to grow faster, as internet penetration increases.

Vishal Shah: Okay thanks a lot, Sir.

Moderator: Thank you Mr. Shah. The next question is from the line of Mr. Vaibhav Kacholia from Pisces Capital. Please go ahead.

Vaibhav Kacholia: I wanted some color on or philosophy in terms of starting new businesses and new sites?

Hitesh Oberoi: We primarily see ourselves as Info Edge as an online Internet player, so we operate mostly in the internet space and within the internet space, we operate mostly in the classified sort of segment, in the segment where we can make the people and businesses meet and create marketplaces. So within the company we have business like Naukri, NaukriGulf, FirstNaukri, say all in the recruitment space and Jeevansathi, which is again a matrimonial match making business, you know, 99acres which is again a real estate marketplace and Shiksha which is again more like and education market place where we see it. As far as our investments go we do invest in companies, which are outside the classified space as well. So we have got a policy bazaar, but they again are in the internet space. So we have a Policy Bazaar, which is insurance, comparison, shopping site, and we have Meritnation, which is an e-learning portal. But these are not competency required in-house, so we do not try and do this kind of stuff in-house. So in-house is mostly market places, classifieds, these kinds of segments, but externally we may invest in businesses where we see a huge opportunity and we have a good management team, which understands that space and we think can execute.

Vaibhav Kacholia: Hitesh, internally we will not start non-classified kind of businesses?

Hitesh Oberoi: Well we have some offering in existence which are more in the nature of supporting the online businesses, like Quadrangle, which is recruitment business and Allcheckdeals which is a transaction sort of business, but Allcheckdeals has also been hived off into a subsidiary now and you know if we leave these two businesses we operate mostly in the online and mostly classifieds at the moment.

Vaibhav Kacholia: Hitesh from the media we had seen one interview where one of your directors had recommended doing something big with too much cash sitting on your balance sheet, so what is our internal thinking on that?

Hitesh Oberoi: Well we are constantly looking out for opportunities whether in the area of new investments or whether for acquisitions. Clearly if you acquire a big company it will have to be in a space in which you already operate. But there are too many options there, at this point in time. And as far as new investments go, then we are open to all kinds of opportunities, again in the internet space.

Vaibhav Kacholia: That is what I mean, like we have so much cash so something big I mean we do not want to take that kind of risk or….

Hitesh Oberoi: We do not have a problem, but there has to be opportunities available at a good valuation and they have to make sense for shareholders, for us to sort of do that kind of stuff. So you know it is not as if you are worried or scared of taking a risk or anything of that sort, we would like to actually acquire companies in the space we operate. But it has to make sense.

Vaibhav Kacholia: But in the spaces we operate there is not too much large stuff happening, right, Hitesh?

Hitesh Oberoi: You know there are enough companies, which are in the 50-100 Crores range, there are some of them at least four or five players in that range and there are also companies in other spaces which are allied to the businesses that we operate in and not necessarily exactly in the space we operate, but online, classifieds, those kinds of spaces, you know, nobody is as big as Info Edge. There is nobody may be even more than 100 Crores, but there are enough companies in the 25 to may be 75 Crores range.

Vaibhav Kacholia: This is you are talking about sales turnover?

Hitesh Oberoi: Sales turnover, yes and that is kind of acquisition size we would be comfortable with I guess at this point in time, if we were to make an acquisition.

Vaibhav Kacholia: And Hitesh, in terms of starting something big, new I think one is thinking more in terms of acquisitions only, is it ?

Hitesh Oberoi: Right now yes, you know, but this could change once the market improves and once the business that we are in already, which are not breaking even right now or start breaking even and start growing rapidly, but right now we think internally we have our hands full, we have a 99acres, we have Jeevansathi, we have Shiksha and we have Brijj. So we have got one business in gulf called NaukriGulf, so we would want to at least for the next few months at least we want to focus on these businesses and get them on to the path of profitability and path to growth before we think of anything else within the company.

Ambarish Raghuvanshi: You know the fact is that each of these three or fourth spaces which Hitesh has mentioned they all have you know large opportunities and they can eventually be as big as Naukri at some point of time. Some of them are dependent on what happens on internet penetration and some of them are based on what the market dynamics, but on a secular basis in the next three to five years, each of these spaces can actually be pretty big, if we execute well. I mean that is really the challenge to scale up at a profitable level these businesses and take them up to similar size and similar commercials as Naukri has been able to achieve.

Hitesh Oberoi: If you look at the matrimonial business and jobs business, I think that 50% of the market now is on the Internet and only 50% of them are in print. But if you look at the other verticals like real estates and maybe education, may be less than 5% or 10% of the spending is online at this point of time and education and real estates are very, very big verticals in print, they are bigger than job and matrimony. So they might be late to get on Internet but potentially they are very big market if we execute well.

Vaibhav Kacholia: Sir, do you mean that you see these businesses as big as Naukri?

Ambarish Raghuvanshi: Well, they have the potential, but it finally voices down to how the market adopts it and at what pace and how we execute and how will it execute like anything else, but in terms of how much is spent in terms of advertisement, yes, they are as big, if not bigger than Naukri.

Vaibhav Kacholia: Say, matrimonial, how can you compare with the 5%?

Ambarish Raghuvanshi: Matrimonial is one exception but that is a play on demographics, you know, it is a market is not fully exploited at this point in time.

Vaibhav Kacholia: Okay, great. Thank you so much.

Moderator: Thank you Mr. Kacholia. Next question is from the line of Mr. Krupal Maniar from ICICI securities. Please go ahead.

Krupal Maniar: Sir, once the recruitment market improves what is the broad growth rates that we are expecting from the recruitment side?

Hitesh Oberoi: I guess a lot will depend on how the economy grows. So if the economy let us say grows at 6% a year or 7% a year, maybe 15% is what would or 20% is what we can look at, but if the economy starts growing at 7%-8%, 8.5%, you know it is difficult to say, but it could be much higher than that. So a lot would depend on economic growth. Yes you know it is possible after the slowdown, because people have cut costs and therefore cut manpower as well, if there is an upswing, especially in the services sector, things could look up a lot more. It is difficult to say at this point in time, but yes, one important metric is the GDP growth, if the GDP growth is 5%-6%, growth may not be more than 10%, 15%, 20%, but GDP moves in the 7%-8% range then growth could be much higher.

Krupal Maniar: Sir, losses in the non- recruitment side is actually coming down like, so going ahead also the trend would continue?

Hitesh Oberoi: We had controlled costs to a large extent, now a lot will depend on revenue growth beyond this we cannot really cut costs in these verticals. So if the market for real estates improves in the next two quarters, we will see margins improving in 99acres, if on Jeevansathi also we are able to execute and competitive action does not pick up, then again the margin should get better. So a lot will depend on one competition and two a general economic outlook, if these three continue to improve then these margin will get better and better.

Ambarish Raghuvanshi: But on Shiksha business I think the investment will continue. So that is an early stage business for the next year or two you will continue to see investment going into that part of business. Whereas Jeevansathi, we can see break even after this we have to find a profitable way to grow and in 99 acres it is dependent now on how the revenue is responding.

Krupal Maniar: Okay. And sir in Naukri.com, can we expect close to like a 45%-odd margin going ahead especially in the next two quarters?

Ambarish Raghuvanshi: Well a 45% margin will happen only if sales start looking up from here. So this quarter was minus some 18%-20%, for 45% kind of margin to happen, we need to grow though on a smaller base since we started slowing down from October last year. So if growth picks up when we go back up to 15%-20% positive growth in Naukri then margins will look up, but if the growth remains the same or if revenues do not pickup then the margins will not improve much.

Krupal Maniar: Okay, thanks a lot.

Moderator: Thank you Mr. Maniar. Next question comes from Mr. Tejas Sarvaiya from Padmakshi Financial. Please go ahead.

Tejas Sarvaiya: I just wanted to ask only one thing, that as you said that there is not much bigger players to acquire and we have quite a bit of cash on the balance sheet and every year we will be adding more cash, do you have any plans or any timeframe, whether if this cash is not used, then you will be giving it back to shareholders or something of that sort?

Ambarish Raghuvanshi: Well at this point of time, it is not as if we are not scouting for M&A opportunities. We continue to scout for it and to look at for a growth led company like ours to return cash I think, would be premature at this stage. We would rather back ourselves to look at opportunities and challenge ourselves to look at doing some deals at least before we look at that, but yes I mean, like any other company we will be fair to shareholders and over a period in time if we are not able to find good use for that capital then we will find ways to return it in the most efficient way possible. But for the next one or two years we are backing ourselves to look at opportunities to do deals.

Tejas Sarvaiya: Sir, I would like to know as you said few points where the EBITDA margins will be better next quarter, apart from the advertisement costs, which were the other points that you said which contributed to the expansion in the margins?

Hitesh Oberoi : EBITDA margin will improve now if sales look up. So eventually we grew at 4% this quarter and we continue to grow sequentially at a higher rate, going forward given that the market is improving then the margin will improve, it is very difficult to cut cost beyond this. So we are hoping that mostly it will be a demand led recovery, which will improve margin for us going forward. It is difficult to say how much it will improve by.

Ambarish Raghuvanshi: So if you see our cost structure, I mean advertising and the biggest expense is the people expense and as Hitesh mentioned we are not looking to cut people beyond the level we are right now at. In fact if anything will be flat it might just grow marginally and we have taken some wage increase, so I do not think there is much scope on people expenses. On advertising, we will take it by quarter by quarter, over the next quarter you might see that we have step up from advertisement, because as we have mentioned we do want to treat the slowdown as an opportunity, especially vis-à-vis competition to try and gain traffic share and hopefully the market share. So whatever margin expansion is going to happen, it is largely going to happen because of topline growth.

Tejas Sarvaiya: Sir in the next quarter we can expect the similar margins of this quarter?

Ambarish Raghuvanshi: Like I said we will take it quarter by quarter, but you know it is just possible that we may step up some advertising expenses to basically gain some traffic share.

Tejas Sarvaiya: Anything on the investment side, we have already discussed, but anything in the pipeline in the near future?

Ambarish Raghuvanshi: Nothing, which is sort of in the pipeline and it is likely to close at this point of time.

Tejas Sarvaiya: There is one more question regarding as we know that liquidity is quiet low, so are you looking at splitting the share or have you discussed or thinking of?

Ambarish Raghuvanshi: We keep evaluating all sorts of options, we are not sure whether any of these are really going to make a huge difference, whether it is a bonus issue or whether it is splits of shares or so on, we have looked at all these options, not fully convinced that it will have a huge impact in liquidity and so on. So although we are concerned about it, but it is largely by nature of kind of shareholder interest that we have built up, we has built up a large group of investors who seem to have a medium term or long-term outlook on the business therefore they hold on to the stock. So I am not sure whether that will get addressed by either splitting or bonus issue but we will be guided by what our existing investors say or what the market tells us.

Tejas Sarvaiya: Okay. Thanks a lot.

Moderator: Thank you Mr. Servaiya. Next question is from the line of Mr. Nikhil Pahwa from Media Nama. Please go ahead.

Nikhil Pahwa: Just two things, firstly wanted to get a sense, if you remember during the Union budget, the government had mentioned launching a jobs portal, I was wondering about whether there is an opportunity or a situation where you may either take part in that and vis-à-vis a situation where that could compete with you in any way. Secondly while you were talking about market share you use the Comscore for the correlation, I mean when you are comparing may be with your competitors. Now as far as I understand you cannot correlate traffic with market share. Could you just explain that? Thanks.

Hitesh Oberoi: To answer your first question on employment exchanges, we really do not see the employment exchange competing with us, because we address a very different segment of the market, which is the white-collar market and while employment exchanges are likely to be more sort of relevant to the blue-collar workers. Yes a few companies have approached us, especially IT services companies to see if we can partner with them to bid for these contracts but this is a very different business we are more of consumer internet company and a not a software services company. We will be happy to consult for some of these projects, but we do not see ourselves bidding for these assignments.

The second question on Comscore, yes, what we meant was Comscore traffic share, so our traffic share has moved up from 48% to 49% in Naukri on Comscore to 63% in the last few quarters. By and large traffic share reflects market share with a lag at least, so we expect our market share to improve substantially in the next few quarters, if we are able to maintain this traffic share.

Nikhil Pahwa: How will you define the market share in this scenario? I mean would you look at number of resumes…?

Hitesh Oberoi: No, the market share is basically only on revenue, so you know market share of wallet with the advertiser. So if Rs. 100 is spent on job boards and e-recruitment sites and what do we get out of that? That is what we define as market share. Traffic share is what percentage of traffic do we get. So that is like how much resumes do we get, how many visitors, how many unique people who log in and visit our site every day and every month those kind of metrics.

Nikhil Pahwa: The correlation between the traffic companies and the revenues?

Hitesh Oberoi: You know it is difficult to say, because our competitors do not reveal their numbers. So we can at the best guess how much they have done. But by and large this is the trend worldwide that when the traffic shares moves up market shares also moves up.

Nikhil Pahwa: But in your case have we noticed correlation between the two. Has the revenue moved up in a few quarters or the traffic moved up or something like that?

Hitesh Oberoi: Revenue share and revenues are two different things, so traffic share may move up but still revenue may fall because the market may shrink. Like what has happened in this slowdown. So in this slowdown our revenues have fallen, but our market share has gone up and our traffic share has gone up. That is because customer is spending less but we are getting a larger share of what they are spending. So revenue is not linked to traffic share, revenue share is linked to traffic share.

Nikhil Pahwa: Okay, thanks.

Moderator: Thank you Mr. Pahwa. Next question comes from the line of Mr. Vaibhav Kacholia from Pisces Capital. Please go ahead.

Vaibhav Kacholia: I wanted to know in what stage of business recovery cycle does the recruitment activity really pickup?

Hitesh Oberoi: It is difficult to say it is different in different markets. India is you know, is still growing at 6%-7%, so we expect it will pick up quickly, if it actually picks up. A lot of recruitment in India is at entry level you know, junior management jobs or a fresher jobs, jobs at retail chains, jobs at in IT companies, jobs in BPO's and many of these sectors are very, very manpower intensive and labor intensive. So we expect recovery in jobs happen as soon as the business starts recovering in India. But you know it is very, very difficult to say whether it will be three months after the business starts to recover or six months, it could be different to different sectors. In part of capital-intensive sectors like infrastructure etc., you know it may be a while before jobs start recovering because investments have to fructify, projects have to get closed, but in labor-intensive sectors like retailing, BPO, KPOs, IT, now it can happen as soon as the market and the business starts to recover.

Ambarish Raghuvanshi: The fact is that every boom and every slowdown is different. Last time between, 2001-2002 and 2003, after the slowdown we saw the increase, we were the leading indicators because we saw increase in IT services hiring before the rest of the market and we saw hiring pick up an infrastructure all the other sort of manufacturing sectors before the rest of the market. But we are not sure whether that is going to be going to pan out, because we are more penetrated than we were the last time. The last time we were under-penetrated it is possible; we saw the recovery sooner. This time we are slightly deeper penetrated, but it will be sector by sector, each sector has different dynamics, but people dependent sectors all are likely to be seeing pick up in hiring either in tandem with growth or slightly ahead of the cycle. So it is a leading indicator but in some other sector it could be a lagging indicator too.

Vaibhav Kacholia: Sir I mean in the last cycle, which were the years when we really saw growth, I mean through the entire cycle or at the end 2007 and 2008 did it really spike up kind of stuff?

Ambarish Raghuvanshi: Well starting from 2002-2003, we saw triple digit growth, year on year for two to three years, then as the base became smaller then it became you know, 80% then 67%then 57%. So that is the last year when we saw a huge growth, which was 2007-2008 then from 2008-2009 of course the second half, everyone knows the story what happened.

Hitesh Oberoi: But that is also because you know we were very under penetrated in the early years. We did not have many customers, so we were also opening new offices adding new customers. So right now we are probably geographically fully penetrated in the Indian market.

Vaibhav Kacholia: Sir, what was the size of the overall recruitment market in India and what niche of that are we targeting?

Hitesh Oberoi: Overall recruitment market is huge, if you add recruitment firms, executive search firms, prints, e-recruitment site, references, the market may be a few thousand Crores, may be 5000 Crores, 10,000 crores, it is difficult to put a number. We basically operate in the advertising markets and may be a market for hiring junior and middle level people with companies. So this market if you add print plus job boards it is probably today in the region of around may be 700 Crores or 800 Crores. The recruitment firms could be a couple of 1000 Crores. The executive search firms could be may be couple of 100 Crores in total, but the recruitment and executive search firms tend to get hit a lot in the slowdown. We have a firm called Quadrangle, which does is junior and middle level and mid-to-senior recruitments and they got hit very badly in the first one or two quarters, but then they recovered fast as well when the market recovers.

Vaibhav Kacholia: Is there any way for us to expand or print on this the entire market I mean the recruitment, recruiters, the recruitment agencies, is there somewhere through the Naukri platform we can address to the 2000, 3000 Crores market?

Hitesh Oberoi: About 25% of our revenues come from the recruitment firms who are also client of Naukri. So they post jobs.

Vaibhav Kacholia: We are not going to that space directly in that sense right?

Hitesh Oberoi: No, that is an offering business, we have a company called Quadrangle which operates in that space that is not an easy business to scale. The market is very fragmented. There are thousands of recruitment firms at least 5000 of them are clients of Naukri alone. So that is a very different market, what we are looking to address now within India is the entry level hiring market. Okay this is market which is mostly with companies where there are no recruitment firms which operate in this market and this is the market where the companies go to the campus and hire. So companies like Infosys, TCS, Wipro may end up going to 500 campuses, 700 campuses a year to hire people both for engineering, for BPOs, for KPO for all kinds of people. It is a huge cost, it is a huge expense on these companies, they would rather want the system, where they can actually access these resumes online and see if they can shortlist people and then work on them. We have launched a product called FirstNaukri in this segment, very early still, but this could be one market which we could target which we are not targeting right now through Naukri.

Vaibhav Kacholia: And how big can this market be Hitesh?

Hitesh Oberoi: Again, very difficult to say, we have products right now for both campuses and recruiters. So we expect campuses tier II and tier III campuses to pay us to sort of get on to the site and to enable the services for their students, because they find it difficult to place students, at the same time we expect big companies to pay us because they want to hire from these campuses to access the database, bring their brand in to the site. Very, very difficult to say, it is very, very early. Yes it is a very ….it will not be as big as Naukri, but we will be happy in three or four years also, from now we are at even 10%-15% the size of Naukri.

Vaibhav Kacholia: Great and Hitesh, one more thing, for the core education space do we see that as something which we have expertise and we can do something big in outside of Shiksha?

Ambarish Raghuvanshi: We are doing something through Meritnation, which is on the education content side. So we are interested in education side as part of the business but I do not think that you are going to go whole hog into the content development side of the business. I mean we are largely going to focus on Shiksha, which is the lead generation and the advertising based model. We have done one through Meritnation, but I do not think that we are going to be very, very aggressive on the content side of the education.

Vaibhav Kacholia: The applet kind of segment?

Hitesh Oberoi: Yes, Meritnation, which is Applect basically is targeting school children, so they have courses online for students from class V to class XII, they have launched courses for CBSE, they have launched course for ICSE. They are launching courses for other boards as well. In addition to these courses, people can assess themselves, they can take tests, they can watch videos.

Vaibhav Kacholia: Outside of this anything in the education space which seems synergistic, which you would consider?

Hitesh Oberoi: We are open to opportunities, but there is nothing else that we have done at the moment, but anything we do would have to be around the Internet.

Vaibhav Kacholia: Right, okay. Thanks.

Moderator: Thank you Mr. Kacholia. Next question is from the line of Tejas Sarvaiya from Padmakshi Financial. Please go ahead

Tejas Sarvaiya: I would like to know one thing, what according to you were the major reasons why the competition especially on the recruitment side has come down?

Hitesh Oberoi: Well, our main competitor is Monster and Monster is the global company with the headquarters in US., and which I think gets may be about 80%-90% of its revenue from the U.S. and European market and these markets have been hit very, very badly in the slowdown. Infact Monster's revenue in the last quarter were down about 40% compared to the previous year. In terms of cash they do not have too much of cash in their balance sheet now and internationally their revenue was down more than 40%. So I think they are in very bad shape internationally. India is a small portion of their business, so they are not aggressive for that reason is what we believe.

Tejas Sarvaiya: And Timejobs?

Hitesh Oberoi: Timejobs is a number three player in the market. You know, they were badly impacted by the slowdown. In the good years a company said we need to hire a lot of people, it is okay if we take one two or three sites also. But as soon as the slowdown started they said look we do not need to hire so many people, so why do you need three sites. So we will go with one, at max two, so as a result Timejobs did lose out with a lot of companies and because they lost out and their revenues started declining rapidly, they also cut their sales force and they also cut their advertising as a result they lost even more market share. So that is what happens in a traditional media market, the number one and number two players take almost 90% of the market and the number one player ends up over a period time taking 55% to 60% of the market, that happens in most media markets.

Tejas Sarvaiya: Okay, thanks.

Moderator: Thank you Mr. Sarvaiya. There are no further questions at this time Mr. Hitesh Oberoi. Would you like to add a few closing comments.

Hitesh Oberoi: Thank you everybody for being on this call and we would be available off line, if you have any questions, you can write to us and our results will be posted on the website www.InfoEdge.in. Thank you very much.

Moderator: Thank you Mr. Oberoi. Thank you Mr. Raghuvanshi. On behalf of Info Edge (India) limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.