"Info Edge (India) Limited Q4FY16 & Full Year Results Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Info Edge Q4 and Annual Results Conference Call. Joining us on the call today are Mr. Hitesh Oberoi -- Managing Director and CEO; Mr. Chintan Thakkar -- CFO and Mr. Sanjeev Bikhchandani -- Vice Chairman. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Hitesh Oberoi. Thank you and over to you sir.

Hitesh Oberoi: Good Evening and Welcome to our 4th Quarter and Annual Results Conference Call. We will first take you through the "Quarterly" and then through the "Annual Financial Performance of the company", then we will cover "Each Business in More Detail", in the end we will be happy to take Questions.

For the quarter, for the standalone company, net sales in Q4 were Rs.204 crores Vs Rs.173 crores in the same quarter last year, an increase of 18%. For Q4 operating EBITDA excluding exceptional items was at Rs.62 crores Vs Rs.54 crores in Q4 of last year, an increase of 16% year-on-year. Operating EBITDA margin was at 30.5% Vs 30.9% in Q4 of last year. Other income at Rs.20.3 crores was lower than Rs.26.9 crores last year; it is down by 25% primarily due to lower corpus and lower interest rates. PAT excluding any exceptional item was at Rs.57 crores up 7.8%. Operating PAT was at Rs.43.7 crores, up 18% year-on-year and operating PAT margin was at 21.4% and remained flat over the same quarter last year. Deferred sales revenue has increased to Rs.206 crores as of 31st March 2016 Vs Rs.173 crores as of 31st December 2015, mainly led by increased collection in Naukri. The business sentiment is stable and the Naukri Job Speak Index as for April 2016 was at 1984 Vs 1736 in April 2015.

Moving on to the "Financial Highlights of the Full Year" net sales for the 12-months period ended 31st March 2016 were at Rs.723 crores Vs Rs.611 crores in the same period last year, an increase of 18%. For 12-months operating EBITDA was at Rs.157.9 crores which is down 12% year-on-year primarily due to additional investments in 99acres. Operating EBITDA margin was at 21.8% Vs 29.3% last year. PAT excluding exceptional items was Rs.153 crores, down 7% and operating PAT was at Rs.111 crores which is down by 10.8%, operating PAT margin at 15.83% was lower than last year, last year's number was 20.3%, again primarily on account of additional investments in 99acres. People cost year-on-year is up 27% on account of higher headcount and also some wage inflation. Advertising expenses moved up 57% year-on-year mainly due to higher ad spend in 99acres. Depreciation has increased 21% primarily on account of purchase of assets like computers and servers which is as per our plan to migrate our servers to India over a longer period of time.

During March, second interim dividend of Rs.2 per share was approved by the board, this is in addition to the first interim dividend declared in November 2015 both put together total of 30% dividend has been paid out for FY-'15-16. This should be considered as a final total dividend for the year.

During the year we also transferred a number of our existing investments to our wholly-owned subsidiaries. Accordingly, you will find other current assets were at Rs.141 crores as on 31st March 2016 Vs Rs.50 crores as of 31st March 2015. As mentioned earlier, this gives us more flexibility and if needed structuring can be done at a subsidiary level.

Moving on to our Consolidated Financials: Net sales for the year were Rs.942 crores Vs Rs.733 crores last financial year. For the consolidated entity at the PAT level there is a loss of Rs.251 crores Vs profit of Rs.24 crores last year. At the consolidated level, the main impact is because of losses in Zomato. The aggregate top line of the nine investee companies in FY-'15-'16 grew to Rs.485 crores Vs Rs.330 crores last year, an increase of 47% while the aggregate EBITDA level loss was Rs 647 crores Vs Rs.235 crores last year. Zomato nearly doubled its revenue. Its losses for FY-'15-'16 were at Rs.574 crores primarily due to investments in new markets, accelerated amortization and other non-cash exception impairment charge of Rs.104 crores.

The May 2016 Investor PPT has been uploaded and it contains the revenue and EBITDA level numbers for both Applet and Zomato being our subsidiaries as per Indian company standards and for the rest of the investments single number for revenue and EBITDA.

Moving on to Business Wise Performance: In Q4 Recruitment top line grew 19.1% to Rs.149 crores. EBITDA margins for the Recruitment business were at 54.6% Vs 57% in Q4 of last year. In Naukri India, corporate sales EBITDA margin was at 62% Vs 64% in Q4 of last year. For the full year Recruitment top line grew 19.4%, EBITDA margin was at 53.6% Vs 53.7% last year.

In Naukri in Q4, we added an average of 12,700 fresh CVs every day and the Naukri database grew to over 46 million CVs. The average number of CV modifications were at 195,000 per day.

In Q4 we serviced 36,300 unique customers versus 32,800 unique customers in Q4 of last financial year. For the full year, the total number of customer service were 61,000 Vs 57,000 in FY-'15. The referral hiring platform has now been made a paid product and we launched our referral site for our corporate customers, we now have over 350 customers using it and the Career Site Manager offering the Cloud offering has been sold to 1600 corporates in FY-'15-'16. Newer features added have resulted in our realization doubling per customer.

Naukri India corporate sales grew by 21% in the full year FY-'15-'16. Our traffic share remained upwards of 72% in Q4. The Naukrigulf business however has been impacted by a slowdown in the Gulf primarily due to depressed oil prices.

Moving on to the Real Estate Vertical: In 99acres top line in Q4 grew 4.8% year-on-year to Rs.32 crores. For the full year top line grew 10.2% to Rs.111 crores. In Q4 99acres made an EBITDA level loss of about Rs.(-11.4) crores down from Rs.34.7 crores in Q1, 25.4 crores in Q2 and 19.6 crores in Q3. This reflects a decline in competitive captivity. We however continue to invest strongly in both product and user experience. For the full year EBITDA level loss for 99acres was Rs.91 crores.

Our traffic share in the Real Estate vertical has been stable for the last few months in the late 40s. The Real Estate market however continues to be sluggish and demand for new home especially in markets like Noida, Gurgaon, Hyderabad continue to be weak, Mumbai and Bangalore are slightly better but everywhere unfinished projects and inventory overhang continues.

Losses in 99acres are likely to moderate in FY-'16-'17 over the previous year if the competitive situation remains similar.

Moving on to the Jeevansathi Business: Net sales grew 19.6% in FY-'15-'16 and reached Rs.47 crores Vs Rs.39 crores last year. EBITDA loss increased to Rs.(-13) crores Vs Rs.(-3) crores in FY-'14-'15.

In Shiksha FY-'15-'16 net sales grew by 28.8% and reached Rs.35 crores and we lost about Rs.2 crores at the EBITDA level as compared to Rs.4 crores last year. The other segment which is basically where we report JS and Shiksha we nearly broke even with a minor loss of Rs.(-27) lakhs in Q4 of this year.

Moving on to our Strategic Investments: During the financial year FY-'15-'16, we invested a total of about Rs.229 crores in our portfolio of investee companies including Rs.156 crores in Zomato in April 2015 and Rs.25 crores in Applet in May 2015. We also added three new companies to our portfolio -- Mint Bird, Rare Media and BigStylist. We put out the full year top line operating EBITDA numbers for our subsidiaries Meritnation and Zomato and for the rest of the investee companies. This data is available on our website infoedge.in.

For Zomato, the Restaurant business, we invested in during FY-'15-'16 top line was Rs.185 crores, up from Rs.96.7 crores, there was a 91% increase year-on-year. The EBITDA level loss was Rs.(-441) crores. Cash as of March 31st 2016 in Zomato is nearly US$35 million. Q4 revenue in Zomato was nearly 1/3rd of the annual revenue while the cash burn in Q4 was only 15% of the annual burn. The company has booked a non-cash exceptional charge of Rs.104 crores primarily on account of Urbanspoon.

As you are aware Deepinder is doing an Update Call tomorrow May 26 at 4 pm India time.

That is all from us. We are now ready for any questions that you may have. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Gaurav Malhotra from Citigroup. Please go ahead.

Gaurav Malhotra: A couple of questions: One is on Recruitment. Hitesh, you mentioned that the business sentiment is stable. So we should expect another 18-20% year-on-year growth this year as well or you foresee some sort of a slowdown or some sort of a base effect catching up? Secondly, on 99acres while the competitive intensity has come down and we realize that the markets are quite sluggish, but still 5% year-on-year growth for a business which is sub-10-15% Online penetration seems to be very low? Third is on Jeevansathi. The losses seem to have gone up quite meaningfully. So any sense on what is happening over there?

Hitesh Oberoi: In Recruitment our business is indexed to GDP growth in India, that is one of course, and secondly, it is also indexed to growth in IT because about 40% of the revenue comes from IT and IT-enabled services. On the GDP front things look stable, so that should not really impact our business, but one cannot be sure of about what is going to happen to the IT industry, but we are confident that given our slew of new products and given the fact that we are sort of now at 72% share and our traffic is increasing, if all goes well, we should be able to sort of maintain our growth rate going forward; however, it is very hard to predict, one has only visibility for one or two quarters, beyond that time will tell. As far as the 99acres business is concerned we have been focused for the last few months on getting our cost structures right, our burn has sort of come down from Rs.35 crores like I said in Q1 of last year to Rs.11 crores in Q4. Growth has come down, while you are right while the Real Estate market is sluggish and only 10-15% of the spends are Online, but the situation is very different in different cities; the Delhi market for us is declining, while on the other hand we are growing at maybe 30-40% in some other markets like Bombay and Pune, but we are confident that once we sort of restructure our cost a little bit we should be able to grow our top line as well going forward at a much faster rate than Q4. Also Q4 last year was impacted a little bit by the fact that people expect the service tax to go up to, so some collections got preponed, therefore the base for Q4 for last year is a little higher than it would have been otherwise. Jeevansathi, you are right for the full year we lost Rs.13 crores which is significantly more than what we lost in the previous year, but like I mentioned in the call both Jeevansathi and Shiksha together, almost broke even in Q4 of this year, so we lost Rs.27 lakhs in the others category, in Q4 while Shiksha made a small profit and Jeevansathi made a small loss, we are confident Jeevansathi losses next year will be sort of lower than what they were in the previous year.

Gaurav Malhotra: One question to Sanjeev on Zomato. $35 million of cash for a company like Zomato, if you could just give us some sense on how many months or how much time period this cash can sort of be sustained because things are quite tough in the market, so, any sense on that front would be quite helpful?

Sanjeev Bikhchandani: The news on Zomato is that burn is declining rather rapidly, so burn peaked at over $9 million a few months back and the estimated burn from May is under $2 million and it is declining every month as revenue climbs and I think most of the cost cuts are over, but there is some scope for some small cost cuttings and some cost saving, but not a lot, the future burn decline will come mostly from revenue growth and Zomato seems to be adding thus far between $200,000-$300,000 of revenue every month. So even if you assume that burn stays flat at little under $2 million, you are talking about 15 to 18-months of money, but the company is targeting breakeven long before that the money runs out and they expect the burn to decline every month or every quarter from now on continue to decline and therefore I do not think Zomato is going to run out of cash, it is going to start making cash before it runs out of cash.

Gaurav Malhotra: But do you not think so it is sort of cutting too close in terms of cash or you think they are comfortable at how things stand today?

Sanjeev Bikhchandani: They are comfortable and should they want to raise more cash I think it will be available but I do not think they want to raise more cash right now, they want to just focus on breakeven in getting the fat out of the business and growing the revenue and they are succeeding at that.

Moderator: Thank you. The next question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: Firstly, is there revenue growth guidance for Zomato in FY17 that you can share?

Sanjeev Bikhchandani: The current run rate is already Rs.300 crores and if you are seeing growth on top of that, then there are some new products in the anvil and let us see how they do, but certainly you see growth on top of that, so it is going to be definitely above Rs.300-350 crores as per current indications, I do not know how much above that, but it will be above that.

Arya Sen: So about 100% growth at least is what you are indicating, right?

Sanjeev Bikhchandani: Hopefully, but things are not predictable, right, because they are like monetizing new markets, they are monetizing new products, they are tweaking the advertising product even in India to try and make it more efficient and let us see what results come out of those.

Arya Sen: I also wanted to clarify; I think you mentioned earlier that the loss in Zomato for the year was Rs.574 crores. If I look at the PBT that is given in the segmental data that was about Rs.492 crores. So, what is the difference because I am guessing they would not have paid taxes, right -- So, is that the Rs.104 crores of exceptional charge on account of Urbanspoon?

Chintan Thakkar: Yes, that is correct, so Rs.104 crores is an exceptional item and that is a non-cash charge and that is on account of accelerated amortization and the kind of impairment on the goodwill on the acquisition of Urbanspoon.

Arya Sen: There seems to have been a pickup in Jeevansathi growth in this quarter, I think you mentioned a number of Rs.47 crores revenue for Jeevansathi. Is that right for the full year?

Hitesh Oberoi: That was right, that for the full year.

Arya Sen: Then I can impute the number for the fourth quarter because you have not shared the numbers, right, so, that is about 23% growth, so there has been a pick up. Is that likely to continue, how would you see it going forward?

Hitesh Oberoi: We mentioned in previous calls we are tweaking around with a few things in Jeevansathi and we are getting few hits here and there. So we are confident that if all goes well and if things go as per plan then we should be able to maintain our growth rate if not up it going forward.

Arya Sen: Any new investments in the quarter?

Sanjeev Bikhchandani: No, we have no announcements to make for this quarter.

Arya Sen: I think you mentioned something about realizations doubling per customer. Is that for CSM alone?

Hitesh Oberoi: No, that is for the Cloud-based offering CSM which we had launched sometime back, Career Site Manager offering, so we launched more advanced variants of it, and that is why our revenue realization for customer doubled.

Arya Sen: So, that is only referring to the CSM product within…?

Hitesh Oberoi: Only for the CSM product, it is a very small part of our revenue from Naukri.

Moderator: Thank you. The next question is from the line of Ankur Arora from CLSA. Please go ahead.

Ankur Arora: On Naukri, the realization appears to be moving up nicely for the last several years. How much of this is just product mix, CSM, etc., versus better pricing?

Hitesh Oberoi: Yes, it is a mix of a few things, we launched a few new products, we had of course upped our prices for certain products, we are offering some services to our customers. So I do not know what the breakup is but it is a combination of these factors.

Ankur Arora: I would assume this is in the early stages, so this should continue going forward as well?

Hitesh Oberoi: A lot depends on the economy to some extent, a lot depends on whether companies are hiring more or less over last year, if companies are hiring more it is easier for us to upgrade them, sell more products to them.

Ankur Arora: A few questions on 99acres. I notice that on Slide #33 the Mobile traffic share for 99acres appears to have fallen down to Magicbricks levels in March '16 while the overall traffic share was sort of flat lining. I was wondering why that is the case.

Hitesh Oberoi: That is just a Mobile site share, I do not think comScore captures the app share. So that is a small part of the total traffic, you have to look at both Mobile site and the Mobile App together.

Ankur Arora: I think 49% or 50% odd is the non-desktop traffic according to your numbers in the previous slide.

Hitesh Oberoi: Yes, more than 50% of our traffic in 99acres is on Mobile but that includes Mobile App.

Ankur Arora: But would this be representative of at least 25% of the share you get?

Hitesh Oberoi: These shares go up and down depending on what kind of marketing activity is happening at any point in time, so if a competitor decides to up their add spend for example on app downloads or they up their Mobile marketing, that could change over time.

Ankur Arora: Because this was a quarter where you have shunned the promotions on 99acres, which is probably what helped you improve the cost structure. Is this something that you will have to keep spending on to maintain the traffic share? I am talking about the non-desktop markets...desktop you are doing well, but other parts of the markets?

Hitesh Oberoi: Our plan is to spend on building the brand increasingly and we believe that once the brands gets build, then all shares will sort of move up, whether its desktop share or Mobile share or app share, but like I said earlier in my presentation that a lot will depend on competitive activity, right now we have cut down our cost because we are not seeing too much competitive activity, but if competition gets very aggressive in the marketplace, we will be forced to respond.

Sanjeev Bikhchandani: We have more or less share of voice objective as opposed to absolute spend objectives.

Ankur Arora: Just following on that competitive activity point you just made, competition clearly is lower now with Quikr focused on the merger with Commonfloor. How are you using this opportunity to consolidate leadership? Just one example is Housing and Commonfloor probably opened up some product gaps in the past. So are you doing some product investments to stay ahead of the curve now that competitive activity is lower you do not have to spend so much on perhaps marketing?

Hitesh Oberoi: We are normally focused on our consumers and our customers, so we try and solve their problems and we will continue to focus on that. Yes, once in a while you do get distracted because of competitive activity and because of competition you are forced to respond, but by and large the objective of the business and the objective of the product team and the sort of the marketing team, etc., is to build our brand, build our product, solve consumer problems, solve customer problems and we will continue to invest aggressively behind that.

Sanjeev Bikhchandani: I would like to make one more point on this; so this whole talk of couple of our competition producing better products than us, a lot of it was misplaced, I am not sure the consumer actually prefer those product features which is why they never got the share that a good product should have got. So I think some of that was a bit of a legend.

Moderator: Thank you. The next question is from the line of Gaurav Malhotra from Citigroup. Please go ahead.

Gaurav Malhotra: Just a couple of follow-up questions: If you can just give us some sense of how much is Mobile App and Internet as a percentage of total traffic for Naukri, for 99acres, and for Zomato?

Hitesh Oberoi: I think Naukri is around 55-56% and 99acres is I do not have the exact number in front of me right now but also around that much 50-52%, Jeevansathi the number is much higher about (+75%) and …

Sanjeev Bikhchandani: For Zomato if you add up the App plus the Mobile site traffic it will be more than half in India, but exact number we do not have right now but if you can dial in onto analyst call tomorrow, Deepinder will address, but generally Mobile traffic on Zomato will vary from market-to-market because there are some markets which are more end markets and some markets where the Mobile App has been downloaded a lot, it is a market where it has not been downloaded so much, so it will vary market-to-market.

Hitesh Oberoi: When we say traffic at least for Naukri, 99acres and Jeevansathi what we are referring to are sessions.

Moderator: Thank you. The next question is from the line of Ashish Chopra from Motilal Oswal Securities. Please go ahead.

Ashish Chopra: So I was just looking at the investee companies financials and outside of Zomato and Meritnation, so while the revenue there grew by around 28%, in the remainder of the companies the loss is more than doubled. So, just wanted to know which are the one or two firms which would be weighing upon that kind of a loss and just the overall outlook on these set of companies?

Chintan A Thakkar: So we do not consolidate any of the others. So Canvera has a significant burn but company is taking urgent steps to correct that and we are kind of hoping that there will be good news on Canvera by the next 9-12-months but we do not know yet, may be superior sales execution we believe that the burn should come down but that is yet to be seen right, the new management is working hard and working well at making that happen. Other than that I think Mydala had very little burn. I think we are one or two small companies like BigStylist we have not given too much money, so they cannot burn too much and likewise for Vacation Labs. Policy Bazaar we own only 9% now economic interest and therefore it does not come a lot into our P&L and Happily Unmarried again we have not given it so much money that it burns a lot.

Ashish Chopra: So, primarily it could be Canvera which should probably come down in terms of the burn next year?

Sanjeev Bikhchandani: Let us see how the company executes, these things are somewhat unpredictable given the nature of the business especially since lot of the burn coming down depends on the revenue increase as opposed to cost cuts.

Moderator: Thank you. The next question is from the line of Shaleen Kumar from UBS. Please go ahead.

Shaleen Kumar: I just want to understand management's strategy on 99acres. We see that as a result of the competitive intensity in FY16, we have increased our A&P spend and in Q4 we can see it is coming down, but our revenues for real estate portal has also come down. So, can we see them in such a way that they are kind of correlated and is there a change in management strategy that they are not going after expensive revenue and what could be going forward?

Hitesh Oberoi: No, there are two-three things here; one is of course our spend is going down because Google for example, when we were advertising on Google earlier and when there was a lot of competition there were more and more companies bidding for the same key word and the price per click was sort of went through the roof, so one of course prices are moderating, especially on online medium when we advertise we have to pay a lot less for per click than we were paying earlier. So with lesser spend we are able to maintain our traffic, that is one. Secondly, Sanjeev mentioned Share of Voice. So in a market where is not too much advertising for less spend you can actually get more traffic right because you are not competing with others for your customers, you are not just an online, but even in offline media. Thirdly, we are working very hard on the product, we are working very hard on our user experience, we are working very hard on improving our response our conversion rates from the site. So it is possible for us to improve responses increase our conversions, generate more enquiries for our customers even if the traffic does not go by that much. But we are confident that because we are investing so much in product, data quality and experience, we will be able to going forward up our revenue and also up our traffic without spending too much on marketing.

Shaleen Kumar: Can we increase our revenue by investing on marketing or not and there is no such correlation anymore or very little are there?

Hitesh Oberoi: There is no correlation in the short term, of course, in the long term if you are able to build a good brand and if your product is strong as such and through marketing you get additional customers and you are able to convert them into responses and you are able to retain them and you could go to word of mouth it helps. But if you do not have a good product, marketing does not work. In the short term it is very difficult to generate higher revenues from marketing because we have subscriptions, we have clients who have paid us for a year, so we have to then go back to them after a year for a subscription. So even if they see more responses it is hard to monetize them in the short-term.

Shaleen Kumar: In the recent Analyst meet you did mention about hiring feet on street as verifiers who can improve the quality of the Real Estate listings and we can also see there is an increase in employee expenses, which you mentioned that there has been some kind of hiring. So, is it a part of that or what else is there?

Hitesh Oberoi: Yes, so we sort of did a lot of hiring in 99acres in almost every area over the last 18-24-months, we have doubled our ops team, we have hired more people in product development, we have put analytics team in place. So we are working very hard in the user experience piece, we want to create a platform which people can trust where there is credible information which is like a one-stop shop for all real estate, as we all know real estate is a very opaque market, there is not much information available, but today we get about 4 million people visiting our platform every month to sort of figure out what is happening in the real estate world. So we need to provide them with credible information. So like I said we are focused on our consumers, we are focused on customers, we are not so much focused on competition. So we will continue to invest aggressively in whatever it takes to improve our user experience, verification is a part of that we now have 129,000 verified listings on our platform, in addition to this we have a lot of owner listings which are very genuine, we have information on over 10,000 projects which are under construction at this point in time. So these areas we will not compromise on irrespective of whether there is a slow down or whether there is competition or no competition. But, yes, marketing spend is something which could move up or down depending on competitive intensity, that is more tactical in nature at this point in time.

Shaleen Kumar: Apart from 99acres, is there anything else which has contributed to higher employee expenses?

Hitesh Oberoi: Employee expenses have gone up in every business, but of course more in line with how revenues have grown in those businesses, but in 99acres of course they grew much faster than revenue.

Moderator: Thank you. The next question is from the line of Nilesh Surana from Mirae Assets**.** Please go ahead.

Nilesh Surana: While there will be a separate call on Zomato tomorrow, some clarification on the numbers you had mentioned earlier; so for the full-year FY16 what was the cash loss, did I hear it right it is Rs.440 crores, was it Rs.400 crores of cash burn?

Chintan Thakkar: So at EBITDA level cash loss is around that amount Rs.440 crores.

Nilesh Surana: Otherwise what has been the cash burn if you remove the extraordinary non-cash charges?

Chintan Thakkar: Non-cash charges would be the ESOPs, other expenses, accelerated amortization and all that. The CAPEX would be there, I do not know what exactly the amount for CAPEX would be if you want to take the total cash.

Nilesh Surana: So I was just trying to on Rs.185 crores top line and Rs.400 crores of rough cash loss, that means the cost structure is close to Rs.580-600 crores. So even if top line were to increase to Rs.300 crores or so, the cash burn could remain pretty high for the current and next year. So just wanted to sort of get a sense is there reset in the cost structure or we are banking only on the top line to grow for the cash losses to come down?

Sanjeev Bikhchandani: There has been substantial reduction in cost over the last 6-months, right, and the company has started to break even within this financial year, so once it breaks even and the current burn, May burn is estimated to $1.7 million, in all likelihood the burn should head south every quarter, therefore there has been reduction in cost apart from revenue has doubled since August.

Nilesh Surana: You also mentioned that there is a significant reduction in the burn. So what are the major items in terms of the restructuring of costs - is there closure of certain sort of location, geographies, or what? Let me put it otherwise, if the burn is about Rs.13-14 crores a month, so if top line from here on were to increase by Rs.150-160 crores, by and large it would sort of breakeven, is that the case ?

Sanjeev Bikhchandani: Yes, breaking even is a function of both cutting cost and increasing revenue, but most of the cost cuts have now happened and the cost cuts largely where the market was not traffic leader, it pulled back investments. So it is traffic leader in 18 out of 23 markets. So in the remaining markets it pulled back investments. Some of these were high cost markets such as UK and US.

Chintan Thakkar: So there will be lot of one-time kind of severance types of costs that also would have been involved in over there. One is that you need to look at the latest run rate rather than looking at the entire year as a kind of a base to if you want to kind of project for future and then also you need to normalize because of the one-time charges that might have gone into it, right, Indian accounting standards are very different on such severance and all that than what the US accounting standards are, we have taken far more conservative view on this.

Nilesh Surana: The latest also if you look at fourth quarter cash loss of say Rs.60 crores and a run rate of Rs.12-13 crores a month, so there is a significant change for few months. So, I wanted to understand this…?

Sanjeev Bikhchandani: So like I was telling you basis the month of May the revenue run rate is little under Rs.300 crores for the year and burn is a little under $2 million for the month.

Nilesh Surana: That means that there is a significant reset in the cost, so these are sustainable numbers compared to last year?

Sanjeev Bikhchandani: Yes, they are sustainable; however, there are some non-recurring costs that occur, for example, if you let go off some people in our overseas market, there may be severance fee in that month.

Nilesh Surana: Which is not yet sort of paid as yet?

Sanjeev Bikhchandani: No, it is almost all behind Zomato, but just in case there could be and coming once one or two surprises but those are not large surprises. So I think this under $2 million burn has headed its coming after several months and it is likely to head further south in the coming months.

Nilesh Surana: You feel that the large part of that restructuring is sort of done now wherever?

Sanjeev Bikhchandani: It is in fact all done.

Moderator: Thank you. The next question is from the line of Nandish Dalal from IIFL. Please go ahead.

Nandish Dalal: I have a question on Meritnation. Though the revenue traction seems to have improved, but it is still low at around 30% and the losses have doubled on YoY basis. Can you just give some traction as in what is going in Meritnation?

Sanjeev Bikhchandani: They are experimenting with a new sales channel and that seems to be delivered promising early results. They are looking to upping the renewal rate through better engagement of current customers. They have launched live classes, they have increased the ARPU. So, some of these experiments we are hoping will give good results in the coming few months.

Nandish Dalal: So Sanjeev, can we expect the revenue growth to go back somewhere around 70%, 80%, 100% kind of number?

Sanjeev Bikhchandani: Hard to say right now but that kind of number looks unlikely for now.

Nandish Dalal: The burn rate going into FY17?

Sanjeev Bikhchandani: The efforts are to cut the burn rate more than to up the revenue by 100% growth.

Nandish Dalal: In terms of your other category, Jeevansathi and Shiksha, it seems the revenue growth has significantly improved this quarter it looks primarily from Shiksha and you also mentioned that the losses have come down. So, is it that the product is now ready and off to go in the market?

Hitesh Oberoi: Like I said, Shiksha had a good quarter, we made a small profit in Shiksha in Q4 and we were able to cut down losses in Jeevansathi also substantially. But both these businesses still have a long way to go, they still have to work very hard on product, they are getting better related to with every passing month, but they still have a long way to go before they become big businesses.

Nandish Dalal: One last bookkeeping question for Chintan. Zomato seems to have been consolidated overall though you do not own 50% of the company. So going forward also, will this continue and what exactly is the reason for consolidating?

Chintan Thakkar: Currently, on the equity/ ordinary shares basis, we own 56%, it is only on fully converted and diluted basis that we are 47%, the accounting standards and Institute of Chartered Accountants guidelines provide that we need to look at it at the equity holding rather than on the fully diluted basis. So going by that we have consolidated and I think that same thing remains for the next year as well. So we will kind of continue to consolidate if we continue to hold more than 50% of equity and if something changes from the accounting standard perspective in some ways even if we may not consolidate we will continue to provide whatever information that might be required.

Sanjeev Bikhchandani: Just add to that, lot of our investment in Zomato is in the form of common stock whereas the other investors do not have common stock, they have fresh stocks which is fully convertible and therefore in terms of common stock ordinary shares we are in majority. But when others convert we will not be in majority.

Nandish Dalal: Chintan, will this change of Ind AS is adopted next year?

Chintan A Thakkar: I do not think so that this guidelines is changing. But if it is changing we can get back to you on this.

Moderator: Thank you. The next question is from the line of Rajiv Sharma from HSBC. Please go ahead.

Rajiv Sharma: Hitesh, the overall e-Commerce space is seeing some kind of slow down. Will that be positive for you that the employee cost increase and hiring this year could be lesser than FY16?

Hitesh Oberoi: If there is a slowdown in the internet space it may be a positive for us, because it helps us attract good talent, retain them, do good work, but if there is a slowdown, the economy as a whole we will be very badly impacted because we are a Recruitment business. so the best situation for us is if the rest of the economy does well and there is a slowdown in the internet.

Rajiv Sharma: So we could see instead of 27% increase with the current trends to continue for some more time, could we see some just 10-12% kind of increase in employee cost or it will be 20% in your view or upwards of that?

Hitesh Oberoi: It will be different for different businesses. We are not planning to add a lot of headcount in 99acres for example. So cost there should moderate a little but in other businesses which are growing and doing well like Jeevansathi and Shiksha, cost may still grow at 18, 20, 25% p.a. In Naukri, in our traditional sort of regular business, we do not expect massive increase in cost, but we are also investing a little bit behind the new products and developing new technologies and building new platforms, so we do not want to cut down on that investment. So in Naukri, also may still see 20% jump in the manpower cost even this year.

Rajiv Sharma: You also mentioned earlier in the call that you are working on the cost structure at 99acres. So I got some of the inputs in terms of spend in Google coming down because bidding for adverts is lower. But other than tactical advertising which is sometimes function of competition, what else is a permanent reset in cost structure which you are seeing?

Hitesh Oberoi: No, most of it is advertising, because our ad spend went up dramatically last year, so we were at Rs.40 crores per year that was, that went to Rs.70-75 crores in 99acres. So we want to do a reset on that one. But of course, like I said a lot depends on competition there. We also upped our manpower cost significantly in 99acres. I think manpower cost will still go up this year over last year. But of course the increase will be very moderate and of course, we expect revenue growth rates next year to be higher than what we achieved this year. So this year was a bad year in terms of revenue growth; '15-16 was a bad year, we were able to grow revenue only by 10%, but we are hoping that next year will be better because we expect the real estate market to start recovering in parts at least.

Rajiv Sharma: On Zomato, so the burn has come down to $2 million monthly. What is…?

Sanjeev Bikhchandani: We are expecting under $2 million in May.

Rajiv Sharma: Sanjeev, I am just trying to understand it from a cost structure perspective what has changed in the last six months, which elements… some broad color will be helpful?

Sanjeev Bikhchandani: Basically in markets where they were not traffic leaders they pull back and they rationalized overall cost in that fashion and these were expensive markets like we mentioned earlier; US and UK.

Rajiv Sharma: So, it is broadly that?

Sanjeev Bikhchandani: That is how our cost came down, but revenues going up because of greater sales efforts in markets where we are a traffic leader.

Rajiv Sharma: What roughly is the penetration meaning paid clients out of the total listings will be percentage of the total base?

Sanjeev Bikhchandani: It is different to different markets and we define each city as a market; a city like Delhi it will be in the teens, but overall globally in the markets we are traffic leaders it is under 5%.

Rajiv Sharma: LinkedIn has come out with a separate app on the job side. Does that worry you?

Hitesh Oberoi: I think that app is maybe more than 2-years old. So we worry about LinkedIn, I said that on the call many times, we see LinkedIn as competition and therefore we are continuously working on improving our platform adding more features, functionalities, offering a better experience to both our customers and our consumes. The job app has been around for long time.

Rajiv Sharma: They have been pushing it over the last quarter much more in terms of marketing efforts than earlier.

Hitesh Oberoi: We have not witnessed any change, it has not impacted our traffic, it has not impacted our user base at all, that is the case.

Rajiv Sharma: If I could chip in on the 99acres, one big contest is between online and print and that is somewhat related to the branded capital stuff. How can you structurally address that?

Hitesh Oberoi: If you speak to a customer today, the builders out there, the brokers were never advertising, they are not part of brand capital, they are mostly small advertisers, they advertise in the classified section in the newspapers, a lot of our revenue comes from brokers and channel partners. It is only the very large developers who advertise in trade publications and many of them have deals with newspapers. But these are older deals and if you today want to do a survey with them and many of them will tell you that they get almost half the response from online…online of course including Google and Facebook. So we believe that this migration from offline to online is only going to continue, in fact, only going to accelerate going forward because if you do a poll of people who are buying property, looking to buy property, you will realize that almost everybody is searching online. It is only a matter of time for revenue follows.

Moderator: Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss.

Sandeep: Sandeep from Edelweiss. Sanjeev, I have one question for you on 99acres and another one on Zomato. So, first of all coming to 99acres. I understand that the Real Estate market is pretty weak, but do you think that when the real estate market again starts looking, the competition activity can go up significantly and again we start incurring the kind of expenses we have done in advertising earlier and which may lead to again significant amount of losses? Point #2 on Zomato. We consistently see some kind of threat from Google's Artificial Intelligence code changes which happens and if you see world #1 player has also mentioned in their MD&A that they have suffered because of Google changing their codes. So just wanted to know that do you see some kind of threat coming to Zomato also because of some changes made at Google and probably today Zomato is not that big or is not in the radar of Google, but can that kind of risk happen? If that happens, then whether our current cost structure will remain same or is it quite robust to change between the line items?

Hitesh Oberoi: Let me answer the one on 99acres. Yes, it is possible that if there was a bounce back in the real estate market, you may have more sort of competition entering the market, but that is actually a good situation to be in, because as long as we are the leader in that market, and if we have

50% share or 55% share, and if ad spend were to double or triple, our share will come to us in line with our traffic share. Yes, there will always be new competition, there will always be new competitors, even today, Naukri has some 20 new competitors out there who are trying to sort of get a share of the wallet. But we have always seen that the incumbent is very hard to displace or compel who is well entrenched and who is sort of a leader. The ones would get impacted actually are the number two, number three, number four players.

Sanjeev Bikhchandani Coming to Zomato, we have a lot of confidence and faith in the Zomato management team. In our opinion, it is one of the best if management teams in all the markets where they are, which will make one of the best teams globally, and particularly product capabilities, UI capabilities, and they have demonstrated in the past which is why Zomato with very little marketing spend in the earlier part of its evolution became virtually a cult brand in India. We have cult brands on advertising, we have cult brands simply on product usage and consumer loyalty. So, while it is good to worry and we were always worrying and certainly if a good company like Google makes a move we must worry. But having said that, a lot of it is about brand, focus, what is the home page about and so on, can Zomato because it is a focus vertical, can it service the need of both the restaurants and the restaurants visitors better than something a site that is a general search, we believe so, and we believe that the Zomato team is more than capable of handling this. So do we worry?

Sanjeev Bikhchandani: Yes, we worry. But it is good to worry. We worry about LinkedIn which is why Naukri innovates for one reason. That is always good.

Moderator: Thank you. The next question is from the line of Rumit Dugar from Religare Capital Markets. Please go ahead.

Rumit Dugar: I had three questions: Firstly, on 99acres, Hitesh, could you talk about the market share of 99acres across the key markets -- Delhi West and

South? Secondly, you mentioned that Delhi saw a decline in revenues. So what drove that -- is it loss of market share to players like Facebook, Google or is it just volume or pricing, so just some color on that will be helpful. Third question is to Sanjeev on capital allocation. How do you think about capital allocation in FY17? You have a large cash balance. So is it going to be more new investments or is it just going to be scaling up the current investments and reducing the burn rate?

Hitesh Oberoi: So 99acres our traffic share has been averaging around 44, 45, 46% for the last few months. We believe we are clear leaders now in Delhi and Mumbai. We do not see we are a clear leader in the south, maybe in Chennai, we are but the south traffic share we believe is in the 30s, not in the 40s as yet. But in north and west, we think we are clear leaders with more than maybe 45-46-47% share, maybe 50% share and maybe even more than 50% revenue share. Delhi has been most impacted by the slowdown in real estate. So you have to visit Noida and Gurgaon to see the number of projects which are lying sort of unfinished, there is an inventory overhang, new project launches that crashed, sales of new homes are down to an all-time low, maybe transactions are down 50, 70, 80% from the peak, many of the brokers in the business shut down, many builders have disappeared actually, they left the country, they are sort of absconding. So the state of affair in Delhi NCR in the real estate market is really bad. It is not so bad in Mumbai which is why our Mumbai business grew by close to 35-40%. It is not so bad in Bengaluru where we grew by over 20% last year. But Delhi was very badly impacted. But hopefully the worst is over even in a place like Delhi NCR and we expect things to slowly start returning to normal. So hopefully next year will be better even in Delhi NCR. It is not a loss of share, it is just the market was really-really bad.

Sanjeev Bikhchandani: Coming to capital allocation, it is more a bottom up than top down so long as we are not going in the same in terms of amount of capital that we will invest and we look at both new companies and also supporting those of our current companies that need support and they have a credible path forward and each of them will be evaluated on an individual basis, case-by-case basis. In general, we are conservative and we have always been and therefore we would not go crazy making investments. But yes, we will support those of our current companies which need money and we believe that is a good way forward.

Rumit Dugar: Is there a number in terms of how much capital will you allocate towards your investee?

Sanjeev Bikhchandani: There is no such number, it will be like I said more bottom up case-by-case basis and if it adds up to too much, obviously we will figure out other ways of doing it.

Moderator: Thank you. The next question is from the line of Ashwin Mehta from Nomura. Please go ahead.

Ashwin Mehta: I had one question in terms of the IT and ITES space, which gives you a lot of revenue. Now IT companies have been indicating that hiring next year is likely to be lower plus automation seems to be helping them to free up resources. So, one, how does that impact your growth outlook? Secondly, most of these companies are talking about anti-pyramid, so more experienced people versus the earlier bulk hiring, and given our skew towards 2-year to 10-year experience bracket do you think there is a threat from LinkedIn or due to this phenomena to your growth expectations there?

Hitesh Oberoi: We are worried about IT, we have always been reading newspaper reports but fortunately for us at least last year while our overall business grew by about 20% in Naukri, the IT market grew at actually 25%, the markets like Bengaluru and Hyderabad for example. The truth is that IT companies hire a lot of people and even if they cut down their hiring by 10, 15, 20%, they will still be hiring a lot of people. Only 20, 25% or 30% maybe in some cases of the hiring in most of these companies is from Naukri. So there is a substantial scope for us to still sort of help them hire more people through us and we all know that we are an efficient way of hiring people. So if they want to cut cost, they will hopefully cut down cost elsewhere and use us more to hire more people which is why some of our big wins actually last year came from large IT customers. As far as hiring senior people or more experienced people is concerned, actually that is also something which is a positive in our favor because we do not really play a role in campus hiring, campus hiring is something which Naukri does not really play in and when IT companies hire a lot of people, lot of the hiring is actually from campus. So if they do more lateral hiring that actually works in our favor. Unless of course they start head hunting. Head hunting is something which is not what Naukri is used for but as much as LinkedIn is used for maybe. But head hunting is always a small number for any company, I do not think most companies actually always end up hiring active job seekers, otherwise their cost will go through the roof. So as long as the shift is from fresher hiring on campus hiring to lateral hiring, it benefits us.

Ashwin Mehta: Where is the monetization growing for Zomato -- is it discovery largely or food ordering is also materially picking up? Secondly, from markets perspective, how would the growth have been between India, Middle East versus rest of the world?

Sanjeev Bikhchandani: Online Ordering is growing faster because the base is smaller, hut Online Ordering is only there in three markets – India, UAE and Philippines, the bulk of the business will be in India and UAE. Projections are hard to make, but we expect maybe 15-20% of the total revenue for this financial year will come from Online Ordering and the rest will come from the ad sales model which is discovery. Table reservations is there, but it is going to be small for now. As far as regions are concerned, there is revenue coming in now from many-many markets, but India and UAE still form the bulk, they would have been about 70% last financial year, they are growing but the smaller markets obviously on small base grow faster and as more and more kick in this will head down a bit, but it is harder to predict exactly where it will end up. Let us see how various markets do. It all depends on sales execution.

Moderator: Thank you. The next question is from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

Miten Lathia: The Matrimony market size seems to be 2x Real Estate market size and this slowdown in Real Estate while the overall market is tough as Hitesh explained is quite puzzling because so early on it should be more about share gain and traffic seems to be coming online for Real Estate Searches. So this whole ability to monetize, is there a big hurdle in that path which is sort of causing the market to be constrained or how does one explain the sort of small market size number versus all other parameters?

Hitesh Oberoi: Actually Online Real Estate market is growing. Last year was an aberration. Till last year we were all growing at 30-40% per annum, maybe even more, we have been growing at 30-40% per annum for several years. I think last year was an aberration because of slow down came suddenly and hit everybody really hard and even sites like Google, etc., I believe were impacted and of course to add to that was a severe competition which we face in the first half of the year which sort of resulted in several people doing several things which they would not have done otherwise. So my guess is that this market slowly start bouncing back, builders and brokers are slowly realizing that they need to spend more money online and I do not think the market for Online Real Estate is half the size of Matrimony…Matrimony maybe is Rs.450-475 crores market today and the Online portals together make about Rs.300 crores but even sites like Google and Facebook get a fair amount of spend. So yes, you are right, that all of us need to do a better job on product, all of us need to do a better job on user experience, we also need to move up our listings a little bit which were impacted last year and once these things sort of fall in place, then I think it is only a matter of time before Online Real Estate portal starts growing at a faster rate.

Miten Lathia: So if I understood correctly, one was the whole growth aberration and the other thing was irrational competition. So you were suggesting that some of the competitors actually underpriced products that they were selling to builders. Is that also what would have resulted in shrinking of market size?

Hitesh Oberoi Yes, at least in some markets, if not everywhere. Clubbed with that, the customers are also very badly impacted last year, like I said, many people in the business actually shut down shop, many builders were very-very badly impacted, they were short of cash, industry also went through a tough patch last year and in some markets that continues to be the case. So I think real estate spending was impacted a lot last year. So when something like this suddenly happens, overnight it is very hard to people sort of shift the media expenses, say, "Okay, we will start sort of spending on Online." But I think over a period of time, that is bound to happen.

Miten Lathia: This whole pricing to the developer community, are you seeing some sense prevailing there or is not still the way it should be?

Hitesh Oberoi The problem in real estate is that many of the developers out there have projects in markets where they are not saleable, where there is no demand, there are projects at all kinds of prices at which they are not selling. So often what tends to happen is that we may take on a customer and we may try and sort of sell it on our platform but we are not able to generate because there is no traffic on the platform, but because the product does not sell at that price. So, some of these things also have to be worked out by developers and by builders for them to benefit from the traffic, from the exposure, from the visibility that they get on 99acres and on other online platforms. So, I think this whole industry is going through some sort of a churn is getting prices have to fall and that is beginning to happen, spend has to move online, new projects have to get launched at lower prices and it is happening faster in certain markets, it is happening at a slower rate in other markets but once the sort of churn is complete then you could expect the fact to bounce back a lot more strong deal.

Moderator: Thank you. The next question is from the line of Abhinav Jain from One Thirty Capital. Please go ahead.

Abhinav Jain: Today public is moving towards social media for advertisement, say example, Facebook and LinkedIn. Though the market share of such categories is very low, but how you see it going forward? My second question is there is significant change in the other current asset and other non-current asset in standalone balance sheet. Can you throw some color on it?

Hitesh Oberoi Social media is getting a share of the spend, when marketer spend, what they normally do is they sort of measure their ROI from different channels they advertise on and they go by the ROI they get. So Google still continues to be the medium of choice for many sort of marketers, people continue to spend on print publications, people continue to spend on television advertising. So social media is just one other sort of medium on which companies are spending and if you look at our company for example when we spent we spent more than Rs.100 crores last year on marketing, we spent maybe less than 5% that on social media and that maybe the case for many companies. So it is a new medium, it is an interesting medium, it is an upcoming medium for certain kinds of brands, for certain kinds of products it works very well, especially when you want to target on the basis of profile because these sites have a lot of profile data, but sites, search engines, sites like Google continue to work very well for all search related advertising because the intent there is much more clearer than it is on social media. So both will continue to in my view grow over a period of time and they would probably take share away from offline media.

Chintan Thakkar: On the second question about non-current assets, current assets, non-current assets are mainly bank FD and mutual fund investments that we have, so which is more the treasury that we have with us. Current assets, so what has happened is that the investments that we had… you are aware that last quarter and some of them in the earlier quarters, we kind of moved some of our investments in our portfolio companies to a wholly-owned subsidiary company. So that has resulted into that now the wholly-owned subsidiary investment is being shown as current asset and the rest is being shown. So it has moved from investment basically. So it was Rs.50 crores and I think it has moved to Rs.140-141 crores. So that is what has happened.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management of Info Edge for closing comments. Over to you.

Hitesh Oberoi Thank you everyone for being on the call and have a great evening.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Info Edge (India) Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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