"Info Edge (India) Limited Q2 FY '20 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Info Edge Limited Q2 FY '20 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 an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Hitesh Oberoi. Thank you, and over to you, sir.

Hitesh Oberoi: Thank you and a very Happy Gurpurab to everybody. Good evening and welcome to our Second Quarter FY'19-20 Results Conference Call.

As always, we will start with the "Overall Financials" and then cover "Each Business Financials" in more detail. As you would recall, we had briefed you about the application of IndAS 116 to our financials in our last quarter results call. For the sake of comparison with our last year financials, we would be calling out the respective numbers without adjusting for IndAS impact in this call as well. The audited financial statements file and the other schedule on segmental billing, revenue, etc., along with the data sheet, have been uploaded on our website, www.infoedge.in.

Let us move on to the "Standalone Financials." Billings in Q2 were Rs.300.5 crores, up 15.3% YoY. Revenue in Q2 was Rs.316.6 crores, up 19.5% YoY. Operating expenses excluding depreciation for the quarter were Rs.217.3 crores, up 19.1% YoY, and operating expensese readjusted for IndAS 116 stood at Rs.223.5 crores, up 22.5% YoY. Operating EBITDA stood at Rs.99.3 crores Vs Rs.82.5 crores last year, having increased 20.3% YoY and operating EBITDA readjusted for IndAS 116 stood at Rs.93.1 crores, up 12.9% YoY. Operating EBITDA margins for the quarter stood at 31.4%. Operating EBITDA readjusted for IndAS 116 stood at 29.4%, down from 31.1% last year, and EBITDA readjusted for ESOP non-cash charges and IndAS 116 stood at Rs.98.6 crores Vs Rs.83.9 crores in Q2 of last financial year. EBITDA margin readjusted for ESOP and IndAS 116 for the quarter stood at 31.1%. Cash EBITDA for the quarter stood at Rs.82.4 crores, up 3.6% YoY. Deferred sales revenue stood at Rs.480.7 crores as of September 30th 2019 versus Rs.414.6 crores as of September 30th 2018, a strong growth of 16% YoY.

The cash balance in Info Edge and its 100% subsidiaries stands at Rs.1,500 crores as of 30th September 2019. This was at Rs.1,878 crores on 30th September 2018. PBT for H1'20 stands at Rs.225 crores before exceptional items, impact of deferred tax asset reversal is Rs.12 crores due to the change in tax rate. The tax provision for H1 is Rs.53 crores. The effective tax rate for the business for H1 stands at 23.8% of PBT before exceptional items. The same in FY '19 was 28.3% and in FY '18 was 28.2%.

All three of our businesses, 99acres, Naukri and Jeevansathi exhibited strong performance during the quarter with the billing growth in the high-teen despite a slowdown in several parts of the economy. We continue to increase our spend on marketing in Jeevansathi as part of our strategy to gain market share and this has started showing up in our billing growth for the quarter.

Overall though spend on marketing for the quarter was maintained at Rs.51 crores, which was in line with our Q1 marketing spend, we continue to invest aggressively in multiple new areas in all our verticals, brand building, data science, new products and strategic acquisitions/investments for the future. We have also seeded two new businesses inside the company -- one in the premium hiring space and another in the blue collar job space.

At the consolidated level, the net sales for the company stood at Rs.329.5 crores Vs Rs.280 crores in September 2018. For the consolidated entity at the PAT level, there is a loss of Rs.111.8 crores versus a loss of Rs.40.7 crores in the corresponding quarter of 2018. Adjusted for exceptional items, PAT stood at a loss of Rs.113.4 crores in the quarter ended September '19 versus a loss of Rs.95.3 crores in the same quarter last year.

Now, we will talk about Recruitment segment in a little more detail: In Q2 of 2019-20, Recruitment segment billings were Rs.209.8 crores, up 14% YoY while revenues were at Rs.226.4 crores, growth of 18.7% YoY. Operating EBITDA stood at Rs.123.9 crores, up 19.3% YoY. EBITDA margins were at 54.7% Vs 54.5% in Q2 of FY'18-19. And EBITDA readjusted for IndAS 116 stood at Rs.120.85 crores with the margin of 53.4%, and EBITDA readjusted for ESOP non-cash charges and IndAS 116 stood at Rs.123.4 crores at 54.5% Vs 54.8% in Q2 of '19. Cash EBITDA for Recruitment during the quarter stood at Rs.106.8 crores, up 9% YoY.

In Naukri, in Q2 of FY'20, we added an average of 20,000 new CVs every day and the Naukri database grew to over 66 million CVs. Average CV modifications were at 430,000 plus per day. We continue to be a market leader amongst our conventional domestic peers with our traffic share increasing to 88%. As indicated by our JobSpeak index, we are beginning to see a slowdown in the non-IT market. Strong customer base in the IT and ITES segments which have been unaffected by the slowdown till now has so far helped us drive growth in the Naukri business. We continue to explore avenues for future long-term growth in our Naukri business; however, in the short-term, slowing economy could be a challenge.

Our app usage, resume registration, site engagement metrics continue to see healthy growth. Our branding campaigns have also helped us to our traffic share in recent months.

Iimjobs reported a billing of Rs.4.63 crores for Q2 of '19-20, this is a growth of 15% over last year. The business operated at breakeven level during the quarter barring some one-time payoff.

Moving to the "99acres Business." Billings in Q2 in 99acres grew 20.8% YoY to Rs.60.5 crores while revenue grew 26.2% to Rs.57 crores. EBITDA profit for the quarter stood at Rs.4.3 crores. EBITDA adjusted for IndAS 116 stands at a profit of Rs.2.4 crores against a loss of Rs.4.6 crores in Q2'19, and EBITDA adjusted for ESOP and IndAS 116 expenses stood at a profit of Rs.3.3 crores versus a loss of Rs.4.4 crores last year in the same quarter. Cash EBITDA for 99acres during the quarter stood at Rs.6.8 crores against Rs.57 lakhs last year. The overall business with that environment, the real estate business continues to be tough. We are focused on getting to clear leadership position in the big cities, and at the same time driving deeper penetration into the smaller towns and cities. The Broker segment contributes more than 53% of our overall revenue and has been a key growth driver of the business in both the primary and the secondary market. The key areas of focus and investment in 99acres will continue to be brand building, the improvement in the core platform experience and improvement in the data quality of our listings on the platform.

Moving on to the "Jeevansathi Business." Billings in Jeevansathi grew 16% YoY in Q2 to Rs.20.8 crores while revenue grew 13.1% YoY to Rs.20.8 crores. Operating EBITDA losses stood at Rs.16.5 crores in Q2 of FY'20, up from Rs.7.2 crores last year. EBITDA adjusted for IndAS 116 stood at a loss of Rs.17.3 crores. EBITDA readjusted for ESOP and IndAS 116 stood at a loss of Rs.17 crores for Q2 versus a loss of Rs.7.1 crores last year. Cash loss for Jeevansathi during the quarter stood at Rs.17 crores. The strategy of high marketing spend should get more revenue share in the Jeevansathi match vertical. Internationally, vertical seems to be working well for us and will continue.

Moving on to the "Shiksha Business." In Q2, billings in Shiksha grew 9.5% YoY to Rs.9.4 crores while revenue grew 16% YoY to Rs.12.5 crores. We made an EBITDA profit of Rs.20 lakhs. EBITDA adjusted for IndAS 116 stood at a loss of Rs.30 lakhs. EBITDA readjusted for ESOP and IndAS 116 for the quarter stood at Rs.6 lakhs versus a loss of Rs.22 lakhs last year. Cash loss for the quarter which is a lean quarter in the education space stood at Rs.3.0 crores.

Moving on to our "Strategic Investments." Zomato continues to drive efficiency across the organization. Volume in Zomato is down from a peak of $45 million to about $20 million a month now. Zomato is focusing on both increasing the take rates from restaurants as well as reducing the cost per delivery.

Both Policybazaar and Paisabazaar also continue to grow well. Policybazaar has been focusing on developing exclusive products for their users with insurance companies. The secondary sale transfer deal between Tencent and Tiger Global is also closed and was executed recently.

Based on revised revenue forecast for Meritnation, we have provisioned for Rs.79.6 crores during the quarter. And recently, we have also announced investments in a few start-ups, like Legit Quest, Greyt HR, Adda247 and TEAL. We also did follow-up rounds in ShopKirana, ShoeKonnect, Happily Unmarried during the quarter.

We continue to evaluate new investment opportunities, both financial and strategic, and we will set it from time-to-time.

Thank you so much. We are now ready to take questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Kunal Sharma from Perfect Research. Please go ahead.

Kunal Sharma: Sir, I have a few questions, so I am listing down them together. So for at least your majority revenue is coming from subscription to recruitment database. So what steps are we taking to diversify it? Second on Jeevansathi.com. It is a service which a customer will not use it repeatedly and thus having very low lifetime value. So does it make sense to invest behind such platform where every day you have to find new customers? Third, the US economy went in recession in 2008 and '09. There was a big dip in consequent hiring in IT and our revenue. So what steps are we taking to diversify this dependency on this sector? Fourth, what risk do you see for the Amazon entry in the food delivery market on Zomato? And lastly, what threat do you see from the Jio Money and Paytm coming in insurance segment for Policybazaar?

Hitesh Oberoi: There are five questions, we will try and answer all of them. Recruitment, you said as a lot of our revenue comes from the database, what are our plans for diversification? You are absolutely right. Database sales are a large part of our revenue. Overtime, we built many other sort of offerings. In our recruitment business, we sell job lifting, we sell branding solution, we sell e-hire services to certain companies, we also have an ATS product, RMS, which sort of has a few thousand customers now. So together, all these sorts of products are now maybe about 35%-40% of our revenue in Naukri and some of them are growing faster than the database products, but the database product also continues to be a large part of our revenue and continues to be in big demand. Jeevansathi, the question was whether the low customer life cycle value of a customer does not make it a great business who have invested. And one of the companies in our space is listed, Bharat Matrimony. Overtime, they have sort of manage to get to a reasonable EBITDA margin. So what we have realized is once you build a brand, your customer acquisition cost go down. And marriage is a very important thing in the life of human being. And often, it is not as if you get on to a portal and you get married in two months. Sometimes it could take a year or two for you to find the right match. And what we have realized is that sort of many people in our platform continue to use our platform for a long time till they get the right match. So even if they get a lot of contacts, they sort of continue for a while till the time they find a right match, and they are also willing to pay a lot for a service like this. So we believe that if one can get to clear leadership in this vertical in the markets in which we operate, over time the EBITDA margin can actually be fairly healthy, because once the brand gets built, customer acquisition cost go down and you can still monetize well. IT dependency? That seems to be the nature of the market. About 40% of our revenue comes from IT and IT-related companies. What has happened over the last few years is that earlier it used to be only the software services company, which were sort of body shopping or getting work from US which is offshore to them. What we call as IT has sort of grown overtime, there are product development companies, there are MNC back offices, which are included in this sort of segment, there are start-ups who hire IT sort of folks. They are also a part of this segment. So the truth is, there is a lot of activity in this space still. IT companies started the hiring, they are growing, more and more MNCs are setting up back offices in India. So this part of our business continues to grow well. About 60% of our business is from the non-IT space. And here we have seen a slowdown which I am sure is temporary. Once the economy recovers, this part of the business will also start doing well. But the truth is that a lot of white collar job creation is in the services sort of space. And within that, IT companies tend to be the large hirers. And unless and until that changes, our dependence on IT will continue to be high. Sanjeev, do you want to want to answer?

Sanjeev Bikhchandani: So on Zomato and Amazon, naturally when a company Amazon indicates that they might be entering the food delivery space, obviously, you will watch it with great interest. But one thing

I want to say is that food delivery is very different from product delivery because you want food delivered in 30-minutes from placing the order. It is a very-very different sort of speed, delivery and logistics organization, when you are saying I will deliver in 24-hours or 48-hours or by the evening, right. And that is a whole new kind of organization. So while obviously we are watching with interest, we have confidence on Zomato to continue to grow and defend itself. Now the second question was about Policybazaar. Policybazaar has reached a place where it has got serious about its moats, it has got good defenses. First of all, it has got a brand. Most of its traffic is organic which means customers prefer the brand. It has got deep relationship with the insurance companies. It is launching exclusive products with insurance companies. So, we do not see Policybazaar also being threatened by new entrants in a hurry. So as of now, we are watching obviously you got to be paranoid about competition all the time, and we are watching competition all the time and so are the managements of these two companies, the founders and other people there. But they are confident in defending it up.

Moderator: Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: On Jeevansathi, the revenue growth that you mentioned, can you provide more color in terms of how is it driven by the paying subscribers versus realizations for paying subscribers?

Hitesh Oberoi: This is what we are comfortable revealing that basically, Jeevansathi revenue is a function of how many free users you can get on to the platform and then how many of those convert into sort of paid users and what you are able to get from them when they pay to you, and how much you sort of have to spend to acquire those users. So what we have seen over time is that our sort of market share in the markets we operate which is mostly the North and Western parts of the country has been growing. Thanks to our higher sort of marketing spend which has resulted in higher top of mind recall and more customer and more sort of profile acquisition for us.

Dheeresh Pathak: With that number can you provide in terms of like, are you doing a large trade-off between very low realization versus large revenue growth coming from paying subscribers, and have you materially dropped your realizations?

Hitesh Oberoi: We have not materially dropped the realizations from what they were one or two quarters back, but yes, we are aggressive both on marketing and pricing in the market.

Dheeresh Pathak: Losses have increased QoQ. So last year we saw one step increase in marketing spend in Jeevansathi. So this quarter is there a further step increase, and how do you see that going forward?

Hitesh Oberoi: Yes, yes, we have upped our marketing spend in Jeevansathi this quarter. The industry right now is very competitive. All the other players have also upped their marketing spend; both matrimony and Shaadi are spending a lot more than they were spending at the same time last year and so are we. So, it is a very competitive market, and we continue to get aggressive within this market.

We are also spending a lot more than we were spending one quarter back or at the same time last year.

Dheeresh Pathak: This run rate is expected to continue or this is just like a one-off quarter?

Hitesh Oberoi: No, no, this is expected to continue for a while.

Moderator: Thank you. The next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.

Paras Gupta: My first question is on 99acres. So, your deferred revenue growth on that segment has been under 10% now. When do you think that starts reflecting in the revenue growth which has been in the 20s? And the second related question to that is while there has been a small breakeven profit in 99acres in this quarter, how should we think about this for second half?

Hitesh Oberoi: Yes, we should not read too much into the quarterly numbers in 99acres, because the truth is the market is still a very tough market, new launches are not happening like at the same rate at which they were happening maybe a couple of years ago, there is a financial crunch out there, new home sales are sort of flattish or down in most markets. The reason we have shown a small profit this quarter is because we have cut our marketing spend a little bit, but this could change going forward depending on competition and bunch of other things. So right now we are okay; billings growth was at 21%, and revenue grew even faster. But like I said, the market is tight, and it is still very competitive. So this could change very quickly even going forward. So we are not saying that we are going to continue to grow at this rate going forward, I mean, growth rate could improve or even fall, it is hard to predict in this market.

Paras Gupta: On the recruitment, you have been talking about blue-colored segment for some time now. So what is the progress there -- Is the product ready? What are your market finding suggesting with respect to the opportunity set? And who your competitors could be on that front?

Hitesh Oberoi: Still very early days, I mean, we see it as a big opportunity in the long-term… and when I say long-term, I mean, five to ten-years, I do not mean a year or two or three years from now. We are just getting started. We have built a couple of apps which we are testing in the market with both job seekers and customers. Once we get confidence in what we have built, we would roll the product out to more geographies. So, we are very early in this game. Just like I said, we have sort of a small team working on this at this point in time. And we think of this is a long-term play, not something that we have to sort of win or invest substantially behind in the next 12-to-15 months. But yes, over a 10-year period this could be a large business.

Moderator: Thank you. The next question is from the line of Devvrat Himatsingka from Bajoria Financial Services. Please go ahead.

Devvrat Himatsingka: It was just about how you see things going forward, like what kind of acquisitions do you plan to make within the next six months, I mean, are you currently working on any kind of deals where we can potentially see some new acquisitions happening over say the next quarter or two quarters, if you could throw some light on that?

Hitesh Oberoi: We just acquired iimjobs a few months back. There are a long list of companies which I did not like to acquire at the right price. But these are not things you can make happen between three months or six months. So, many of these things are opportunistic. Are we open to acquisitions in the spaces in which we operate? Absolutely. Is something likely to happen in the next one or two months? How can you say? We keep talking to companies, we keep talking to founders, we sort of keep analyzing information. So, we are sort of at it, but some of these things happen when they are supposed to happen they happen.

Devvrat Himatsingka: I just had one more question on Zomato like there have been articles floating around the news that there is a possibility that Zomato might be breakeven by next year. Is that actually viable, do you think that can happen?

Hitesh Oberoi: In March, the burn was US$45 million, in October, it is down US$20 million. We have a clear agenda and program while still growing on value, total in orders. We are taking in month-on-month, is it possible? Answer is 'yes'. Will it happen? Fingers crossed, wait and watch.

Moderator: Thank you. The next question is from the line of Mayank Babla from Dalal & Broacha. Please go ahead.

Mayank Babla: Sir, actually, I had a few questions. Could you throw some light on this diminution in the carrying value in Startup Investments in Applect, could you explain what was the reason for that?

Chintan Thakkar: So basically in the Applect, which is running the site Meritnation we have taken the diminution. So, this is more to follow-up the accounting standards that we follow that we usually carry the investment at cost or market value whichever is lower. So, I think there are certain revenue concerns on Meritnation. And because of that auditors felt that we should take such kind of an impairment in this asset and we have followed that and we have taken the impairment on that.

Mayank Babla: Sir, Startup Investments, that is the same reason, or it is...?

Chintan Thakkar: No, Startup Investments is a vehicle where most of our new investments have been run. It is a 100% subsidiary company and most of our new business has happened through Startup Investments. Does that answer your question?

Sanjeev Bikhchandani: If there is diminution in their underlying asset, the Startup Investments also will have an impact.

Mayank Babla: So, this is in relation to Policybazaar or these are the new one investments in Startup?

Sanjeev Bikhchandani: No, Policybazaar has not been impaired.

Hitesh Oberoi: It is Meritnation impaired.

Mayank Babla: Second was in the last quarter, we have seen hiring in the IT space like if you see TCS, Infosys, they have hired north of 10,000 headcount, majority of which are freshers. Sir, considering that our growth in recruitment solution has been 19% which is more or less at the same run rate. So do you not think that is less or how does it impact us?

Hitesh Oberoi: No, we work with over 8,000 IT companies, secondly, mostly sort of we sell annual subscriptions to them. So they renew at year end. Thirdly, overall billings may have grown at 15%, 16%, the IT revenue grew at a much faster rate than that. The non-IT markets grew at a slower rate. And this has been the case for now three or four quarters. So the IT segment markets for us like Bangalore, Chennai, Hyderabad, has been growing north of more than 20%. The non-IT markets have been slow which is why the average has been more like 17%, 18% for us.

Mayank Babla: You spoke about the slowdown in real estate in 99acres. So, could we see that coming down to single-digits or we will maintain sort of (+20%) growth there?

Hitesh Oberoi: See, it is very hard to say what is going to happen in real estate. The real estate market is very unpredictable, and things can change very quickly in this market. Sometimes you feel you are going to grow at 40%, but you end up at 20% because something happens during the quarter which sort of take you back. In some cases, when we thought we would grow at 20%, but we have grown at 30% or 40% also. It is a little unpredictable. We do not have a very large renewal business like we have in Naukri. So, lot of the business every year is fresh sales, or every quarter is fresh sale, and sentiment can change from quarter-to-quarter. So actually it is harder for us to predict what growth or what revenue will be like next quarter. A lot like I said depends on the economy, it depends on fund availability to developers, will depend on new launches, will depend on whether people are willing to sort of invest in property or not in the next quarter. So, we are still hoping and the target we have set for our team are of course in that range, but we cannot be sure.

Mayank Babla: There were a lot of news flows. I know it has been previously asked also, but lot of news flows that Amazon OFD was supposed to be launched by diwali, but there is no news as such. But in your interactions, have you witnessed something or if you could help us with some guidance that if at all and when are they going to launch or something like that because I believe if they launch, there will be a lot of pressure on ad spend on Zomato also which will lead that into an already squeezed margins?

Sanjeev Bikhchandani: Actually Zomato like I said is very confident of defending its turf and without trading its economics very much. And like I said it is a very different logistics operation as opposed to delivering other products because food and meals are highly perishable. If you order something at 12:30, you want it to be delivered at 1 p.m., within half-an-hour. It is a totally different delivery operation. So it is like setting up a whole new company. Amazon, of course, is very well resourced and has got plenty of money, and they do know how to deliver, and they do know how to handle logistics and stuff like that. But food, you do not warehouse, food, you pick up from a restaurant and deliver, and you pick up from maybe 25,000 restaurants in Delhi NCR and deliver in Delhi NCR, you deliver within 5, 7, 8 Kms radius and you deliver it in half an hour. So, it is a very-very different operation. Even for Amazon, it will be a fresh new challenge, it will not be easy thing.

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

Shaleen Kumar: First of all, I just missed 2 data points; one is your billing growth in 99acres and your comment about losses in Zomato. Have you given a monthly run rate of loss in Zomato?

Sanjeev Bikhchandani: October was about US$20 million, down from US$45 million in March, so every month they are reducing burn.

Hitesh Oberoi: Billing growth in 99acres was 20.8%.

Shaleen Kumar: In 99acres, do we track something like a churn rate or something like that? Because brokers are customers and I believe that churn rate could be potentially higher on that side. And as you also mentioned the predictability is bit low in this business because it depends a lot on the confidence, because that segment requires a lot of handholding or pushing as well, is my understanding correct?

Hitesh Oberoi: So you are absolutely right. We work with all kinds of customers; we work with developers; we work with owners; we work with large channel partners; we work with retail brokers; we work with people in the rental business. Churn is always very high with the smaller customers. So, the customers who run mom and pop shops who are one man shows, many of these businesses have also shut down over time sometimes. So, churn is very high, the smaller the customer, the higher the churn. There is less churn in the good customers who pay us a lot more, so who have been in the business for many years who are sort of senior players, who have large operations and so on. But yes, we track all these metrics and we monitor them closely.

Shaleen Kumar: Sir, unless and until we see real uptick in the underlying market and we see builders coming up in, this segment is likely to be volatile, and we may require to do investing in terms of either marketing or so?

Hitesh Oberoi: You are absolutely right. The real estate market has I think peaked in 2010-11 and has been going downwards since then. But the good news is that despite all this our business has been growing every year. So irrespective of what happens in the real estate market, we have been growing at 15%, 20%, 30% every year. We have now reached a point where we are averaging about Rs.20 crores a month in terms of revenue and we are sort of either breaking even or making a little bit of money. Sometimes you lose a little bit of money, but it is not business which is sucking up a lot of money. But you are absolutely right, the market continues to be tight, people are buying fewer homes, I mean, compared to the peak, I think, sales are down by 50% even 10 years later, the real estate prices have not gone up in most markets for many years. Having said so, we believe there are still many opportunities in this space. It is a very large category. We have so far focused mostly on the new home sites. There is a lot more we can do in new home, there is a lot more we can do in resale, there is a lot more we can do in rentals. Commercial property is something we have not even touched. Yes, we do not do too much business in commercial. So in the long-term, I think it is a very big opportunity. Short-term there will be ups and downs, there will be years in which do well, there will be years in which we do not do well, but I think the trend is very clear. It is a Rs.250 crores or Rs.20 crores a month business, breaking even, growing year-on-year. It is only a matter of time before it becomes large and less than profitable.

Shaleen Kumar: I also notice that your employee costs have gone up a bit high in this quarter. Any specific reasons for that?

Hitesh Oberoi: No, in general, we have been of course one, hiring more people, and two, we have been upping the quality of talent we have in every area, we are investing a lot more in platform development, we are investing a lot more in data science, design, improving the customer experience on our platform. Like I said, we have also seeded a couple of new products which are not going to generate revenue for a while, but we are going to spend on them for the next two, three years before they start sort of get anywhere. So we are making a lot of new investments, and most of these investments require us to hire people, and some of these people are very expensive and there is no revenue. But, hopefully over time as a result of these investments we will be in much better shape, but it will take a couple of years.

Shaleen Kumar: So most of the hiring is more on a tech segment rather than on a feet-on-street kind of a marketing site?

Hitesh Oberoi: Yes, lot of high value hires, so, there is some volume hiring. As business grows, you tend to hire a few more people in customer service, few more people in sales, few more people in operations and so on, but that is not very large, and these resources are not very expensive. Lot of high value hiring is like I said in product, data science, technology, marketing and some of the new businesses which we are investing in for the future.

Shaleen Kumar: Any comments on competition like your marketing cost is high because of the Jeevansathi. But is there element of competition related to Naukri as well as 99acres in that?

Hitesh Oberoi: We have not spent a lot of money on marketing and brand building for many years. We felt that we have been out of media for a long time. So, we were a lot more aggressive in Naukri in the first half this year, and that paid rich dividends because we are out of media for a long time, we went back into media and we can see the results in terms of the number of app downloads and the number of resume registrations and modifications in our platforms, has really worked well. Of course, in general, we have upped the level of marketing spend a little bit, but some of these spends are sporadic; we may spend in one quarter, not spend in the next quarter, let us see how things plays out. In 99acres actually we have cut our ad spending in the first half of this year. We do not spend as much as we probably spend in the first half of last year. We are investing in some other areas which we think deserve more investment right now, but this could change. Once again, lot will depend on what competition does in the market. In Jeevansathi, we are aggressive. In Jeevansathi matrimony space, what has happened is, the ad spend of all the players, maybe three years ago, was about Rs.100 crores between us and Shaadi and matrimony, now it is Rs.300 crores. So, every player has upped their ad spend and so have we. And for us, it is working, it is paying rich dividends, we are gaining share, we are gaining volume, on top of mind recall is improving in most of the geographies we operate in. And our modeling is telling us that if we continue to do for the next two, three years, we will become a very significant player in this market.

Moderator: Thank you. The next question is from the line of Vivekanand Subbaraman from AMBIT Capital. Please go ahead.

V Subbaraman: I have three questions. So one is on the recruitment billing. I see that it has moderated this quarter compared to the last four, five quarters. So is this moderation led by IT billing moderating or is it the non-IT part of the billing that has slowed down further? Secondly, in the match making segment, you are doing phenomenally well compared to matrimony. How is it that your billing growth is so good compared to their billing growth, what are the factors in your view -- is it something to do with your markets foray or strong presence and competition thereof versus say some of the markets or is there something else? My last question is with respect to the investees. We saw the secondary transaction in Policybazaar. Did you also have an opportunity to either buy or sell stake here, what are your thoughts on your stake in Policybazaar -- would you be keen on increasing your stake, decreasing it or are you happy with your stake? And a related question on the investees is do you foresee any potential for secondary transactions in Zomato?

Sanjeev Bikhchandani: Policybazaar, I think, our thinking right now is for the moment is stay put. We would not increase, we would not decrease, we have got a substantial exposure there, and we think that is more than adequate. As far as Zomato is concerned, look, we as of now are not looking for a secondary sale… quite happy the way company is growing, and if it does go to breakeven by March or April or even later, we think the world will be different.

Hitesh Oberoi: To answer your question on IT versus non-IT, like I said, our overall billing growth of 15% was much higher in the IT markets, lot lower than the non-IT markets, so billing growth has slowed down. And a lot of it is because of the slowdown in non-IT hiring, especially markets like Mumbai, etc., which have been impacted the most I guess by the financial services sort of slowdown. The other question was sort of growing faster than matrimony. I cannot really comment on the matrimony business, but basically we are spending a lot more on customer acquisition today than ever, and that is resulting in us sort of getting a lot of registration and a lot of profile especially from the North and Western parts of the country, and our market share in these markets is improving every month. What tends to happen in these businesses is that once your market share tends to starts improving, then your conversion rates also start to improve. So as a result, because we had more profiles, so people find matches on our site and therefore more people are willing to move from free to paid subscriptions on our platform. So, our conversion rates maybe, I do not have the matrimony numbers, catching up because we were always behind with our competitors. Maybe some of our competitors are losing grounds in the markets in which we operate. Because in the markets in which we operate, we are probably spending the most right now and that is resulting in us getting shares.

V Subbaraman: Just one small follow-up. So, you are suggesting that the market share you are focused on, you are spending the most, whether it is on marketing or say on customer acquisition. Is that assessment correct?

Hitesh Oberoi: Yes, and therefore we are gaining share in the markets, and therefore others are losing share in the markets.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.

Vimal Gohil: I just have three data points. Could you just tell me what was Jeevansathi's revenue? I missed out on that bit. Could you just give me recruitment businesses and 99acres businesses EBITDA numbers please?

Hitesh Oberoi: Jeevansathi billing growth was 16%, revenue growth was about 13.1%; billing was Rs.20.8 crores and so was revenue. Operating EBITDA in the recruitment segment stood at Rs.123.9 crores, up 19.3% for September last year, and EBITDA readjusted for IndAS 116 stood at Rs.125 crores, and EBITDA readjusted for use of non-cash charge in IndAS 116 stood at Rs.123.4 crores and EBITDA margins were around 54.7% or so. In the real estate space, EBITDA for the quarter stood at Rs.4.3 crores, EBITDA adjusted for IndAS, etc., stood at Rs.22.4 crores versus a loss of Rs.4.6 crores last year. Cash EBITDA for 99acres during the quarter were Rs.6.8 crores against Rs.57 lakhs EBITDA profit last year, and EBITDA adjusted for ESOP in IndAS 116 stood at Rs.3.3 crores versus a loss of Rs.4.2 crores last year same quarter.

Vimal Gohil: Recruitment EBITDA, what was it last quarter adjusted for IndAS?

Hitesh Oberoi: Sorry, adjusted for IndAS was Rs.120.85 crores, adjusted, meaning, actually, was at Rs.123.9 crores as per the new norms, but adjusted for IndAS 116 stood at Rs.120.85 crores.

Vimal Gohil: So actual EBITDA is Rs.123.9 crores?

Hitesh Oberoi: Yes, what is reported is Rs.123.9 crores.

Moderator: Thank you. The next question is from the line of (Swapnil) from JM Financial. Please go ahead.

Prince Poddar: This is Prince Poddar actually. Just 2 questions from my side; one, there has been a good 2.5%-odd margin improvement in Naukri on QoQ basis. I am just trying to understand this is primarily to do with lower marketing spend in Naukri for this quarter? And the second bit on will the technology spends continue in Naukri as you had planned and we have been doing for the last four, five quarters?

Hitesh Oberoi: To answer your second question, yes, we will continue to invest aggressively in all the products that we are building, all the platform changes we are making, all the new developments that we are developing and so on, so that will continue. Now "Why has the margin improved by 2.4%?" We will have to sort of get back to you on this one. Maybe on account of higher revenue. I think marketing costs have been kind of consistent. So it would be some of the discretionary costs impacting the margins.

Prince Poddar: And secondly sir on Zomato, the company has done phenomenally well to expand operations as well as decrease its burn simultaneously. But it is a bit intriguing how they are able to do that even while expanding into tier-2, 3, 4 cities expanding to 400, 500 cities now, how have they been actually able to reduce burn rates?

Sanjeev Bikhchandani: When you grow very, very fast and you focus totally on top line growth, very often, you do not keep your eye on cost of growth, right? So number of cost innovations is creeping. And then when you say okay now time has come to stop the burn, you start examining the cost and you figure out ways to do the same thing at a lower cost, for example, they are cutting discounts and they are cutting marketing at the bottom end on small orders, they are cutting misuse and abuse like people breaking up orders into two or three to get discounts, more discounts and so on. And just by doing that we have been able to cut the cost.

Prince Poddar: I think there is no more Piggybank now things like that?

Sanjeev Bikhchandani: No, Piggybank was not draining money.

Moderator: Thank you. The next question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: Hitesh, first on the Naukri business, can you help us the sectoral visibility in other industry except for the IT where are you seeing slowdown particularly or is it across the board? And also if you can share the traffic share versus Indeed for the most recent period?

Hitesh Oberoi: We produced a monthly job seek index and that has data by industry, and that is reasonably sort of accurate. So what we are seeing is that the slowdown is steady to more sectors. So earlier, it was limited to sectors like infrastructure and telecom and real estate. Now banking and Financial services have also been impacted. We are seeing a slight slowdown in exports in travel and tourism and some of the areas as well. It is not very pronounced, but things seem to be slowing down a bit in some of those sectors. In terms of like healthcare, education are still okay. IT services are still okay. But the other sort of manufacturing, exports, infrastructure, real estate, telecom, financial services, banking, some of these sectors seem to have been hit by the slowdown. What was your second question?

Mukul Garg: What is the online traffic shares which you have for the quarter or the month vs Indeed?

Hitesh Oberoi: For the last three months, I think, we have been averaging about 66% if you include Indeed in our competitor sort of list. Excluding, Indeed we are currently at about 88%. And this is when you take the market to be just us and Monster and Timesjobs and Shine and Indeed.

Mukul Garg: And what was the number if you include Indeed a year back – was it around same 62-63 or was it higher?

Hitesh Oberoi: Like I mentioned earlier, we have been out of Indeed for a long time. So, our market share had dropped a little bit if you would include Indeed along with the other players. We have maybe recovered about four to five points in the last two, three, four months.

Mukul Garg: You mentioned earlier on the call that you have cut your marketing spend on the Naukri business and you are kind of thinking about whether they can going forward. Given the business which you are seeing in other sectors high dependency on the IT, is there something which is going to be a big focus for the next few quarters, can you help us understand how you are planning the marketing spend on the Naukri business?

Hitesh Oberoi: Actually, we decide on some of these things at the beginning of the quarter. So depending on how the market is, what kind of activity we see in our platform, what kind of competitive activity we see or foresee, we take these calls. We have our media as in mainstream media, TV and stuff like that for a long time. And when we went back to media, the results we got were very encouraging. You may notice that the number of CVs we acquired last quarter actually went up to 20,000 a day. Modifications also went up. Traffic on the platform is very healthy. Now if the market starts to slow down, we will revisit some of these strategies, what also tends to happen in market is that you generally have more activity on our platform because there are more people looking for jobs. Unless the market is very-very slow, because if that happens, people actually give up hope of finding a job. So we sort of look at all these things every quarter, then take a call for a quarter how much we should be spending on marketing. It is hard for me to say what is going to happen going forward.

Mukul Garg: Sanjeev, on Zomato side, almost, I think for last one year there are news items which are coming out about fund raise especially up-round, we have not seen that stake sale kind of fund raise at the same thing. So can you help us with any visibility is Zomato looking out for funds or are they happy with their current cash position? The second part is, is there requirement for us to participate from a new entrant, would you be participating or you would like to stay away?

Sanjeev Bikhchandani: So, on the first one, I think there is enough investor interest in Zomato that should they need money, they will get it when they want it, right. But they are not announcing anything right now, so we cannot say anything right now. As far as our participation is concerned we are always supporting all good companies. Having said that, it is quite apparent to us in Zomato, it is perhaps a little bigger than our balance sheet can accommodate in terms of further investment, the kind of long size has led to this business requirement. So, if there is substantial interest for the investors to invest in Zomato should they need the money.

Moderator: Thank you. The next question is from the line of Ritesh Bhagwati from Rockstud Capital. Please go ahead.

Ritesh Bhagwati: Sir, could you just repeat in regard to the impairment that we have recorded under the Startup Investments Holding Limited under this quarter, like which company was it pertaining to, and why did we take that?

Sanjeev Bikhchandani: There was impairment in Meritnation Applect. And as a consequence, there was impairment, in Start-Up Holdings which is a 100% subsidiary of us, and which is a largely holding co. for some of our investments. But basically it was Meritnation Applect.

Ritesh Bhagwati: That was 8.3%, but what about under Startup Investments Holding Limited, which company is pertaining…?

Chintan Thakkar: So there are variety of assets under Startup Investments. It is 100% subsidiary. So it is possible that is some places, the investments have gone up, some places the investments have come down, so it will get segregated. There are some part of Meritnation which was held by Startup Investments and which would have an impact. But there is also some part of investment which were held directly by Info Edge. So it is in standalone as well. So when you are looking at this number, it is mostly a number around Startup Investments. But I think in Q1, also, there was certain impairment taken in some of our companies, and that 83 is a combined number of that.

Moderator: Thank you. The next question is from the line of Salil Desai from Marcellus. Please go ahead.

Salil Desai: On Meritnation, after this provision, how do you look at the business, any strategic approach?

Sanjeev Bikhchandani : Meritnation has been impaired because obviously the business is under some stress which it would have been. So we are still evaluating all options on this. Cannot say anything more right now.

Moderator: Thank you. The next question is from the line of Sanjay Ladha from Concept Investwell. Please go ahead.

Sanjay Ladha: First, how do you see the valuation for the start-up as they are loss making, still commanding a very expensive valuation, as we see the example of our Weworks and ITW and now the valuation is substantially corrected in Wworks. What is our view as we are sort of start-up company now? And the second is how you see yourselves going for longer-term horizon say three to five years, can we see growth rate going forward or it can be improved from here…growth rate in our company in the revenue and profit terms of Info Edge.

Sanjeev Bikhchandani: I will answer the first part of the question on what has happened in startup valuations, and maybe Hitesh can answer the second part. Look, we typically go into our startups early on before valuation have been bid up really. We sometimes do follow-ons, and those would be largely to defend a pro rata, sometimes even more. We do not pay terribly high valuations in most cases. So we are conservative as far as our investees line is concerned on valuation. Having said that, look, it is pretty obvious it has been a kind of divorce between public market valuations and private market valuations for a while. And essentially that is what happened to We Work. Private market is something else and the public market will give certain evaluation. But as long as you are conservative and you are going early, we believe our investments will be okay so long as the business operations are good.

Hitesh Oberoi: In both Naukri and real estate, a lot will depend on what happens to the economy. We are very, very tightly sort of indexed to the GDP growth rate, for example, Indian economy keeps growing at 5% per annum or 6% per annum, then of course, it is going to be hard for us to grow at more than 15%, 20%. But on the other hand, if the economic growth picks up and IT companies continue to hire like they have been hiring for the last four, five quarters, then who knows, you know, 7% to 8% GDP growth, we could also grow at 25%, 30%. Time will tell. But that is doable, we have done it in the past, and nothing much has changed. Our market share continues to be high and we are working on a bunch of new things, new products like I said. Similarly, real estate markets have been down for many years now. If the problems in the real estate industry is sorted out, over the next one or two years, then who knows, if more homes start selling, if real estate becomes more affordable, if buyer interest comes back, if builders are better capitalized, we may grow much faster than what we are growing today. On the other hand, if things slow down even further then our growth rate could suffer. So, there are two -- one is of course like I said we continue to invest aggressively in all the verticals and we will try very hard to sort of offer better services, improve our customer experience, try and gain share from our competitors, one. Two, there is a natural trend. The revenue is going to move from offline to online and that will only continue in all the verticals in which we are present. And three, if economy picks up from here on, then of course our growth can also move into the next orbit.

Sanjay Ladha: Just one follow-up, so apart from the three verticals, other parts of the business are loss-making, so how you are looking forward or how the companies will be profitable at net level if you give some guidance? I am not talking about the short-term, I am talking about upwards of five years.

Hitesh Oberoi: It is not as though we are losing a ton of money, 99acres has been floating a breakeven for some quarters now, in some quarter we make money, in some quarters we lose money, but it is not burning around money in 99acres. Shiksha has also been like a breakeven business for a couple of years now. Do we need to invest more to get the business? Do we see more option? Yes, we see a lot of opportunities and we will continue to invest aggressively in these verticals. And like I said, real estate, as an example, as a case study, volume have fallen maybe 50% over the last five, seven years in real estate. Offline advertising spends have shrunk, maybe by 50%, 70% over the last five, seven years. The total market advertising has shrunk by maybe 30%, 40%, 50% over the last five, seven years, but our revenue has been growing at 20% p.a. for the last four, five years. So if this market continues to be the market it is today for the next five years, hopefully we will still level our revenues grow over the next five years at the very minimum rate. On the other hand, if we get better in executing and improved experience further and sort of growth comes back to real estate, we could grow even faster. And a lot of the investments we sort of needed to make building our technology and our brand and our platform has been made. Yet, some more investments will have to be made as the business grows, but maybe not to the same extent as we have been doing in the past. So, therefore, if we take five years period, our margins should also sort of become a lot better than they are today in real estate if we are able to double, triple our revenue over this period.

Moderator: Thank you. The next question is from the line of Mayank Babla from Dalal & Broacha. Please go ahead.

Mayank Babla: Just one query on the accounting side. In the consol balance sheet, I have seen that investments have come down from Rs.340 crores to Rs.198 crores. So, could you explain that to us?

Chintan Thakkar: I would guess that it must be the impairment that we have taken, that could be resulting into the reduction in the investment amount.

Moderator: Thank you. The next question is from the line of Devang Bhat from ICICIDirect. Please go ahead.

Devang Bhat: I just wanted to know, in your standalone balance sheet, there has been increase in your noncurrent investments from Rs.1,000 crores to Rs.1,500 crores. Can you help me with that?

Chintan Thakkar: Primarily because of the investment that happened in Policybazaar in the month of April.

Devang Bhat: I just wanted a clarification, is that the reason that the standalone current investment has declined from Rs.339 crores to Rs.64 crores because of that investment is being funded from the current investment, some part of that?

Chintan Thakkar: Current investment could be because of the reduction that we would have withdrawn money from mutual fund, it is one way to say that we withdrawn from that and then we have invested in Policybazaar.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Hitesh Oberoi for closing comments.

Hitesh Oberoi: Thank you, everyone for taking time out on a holiday to be on this call and have a good evening.

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