"Info Edge (India) Limited Q3 FY '23-24 Results Conference Call"

February 13, 2024

Management: **Mr. Sanjeev Bikhchandani -- Vice Chairman, Info Edge (India) Limited**

Mr. Hitesh Oberoi - Managing Director & CEO, Info Edge (India) Limited

Mr. Chintan Thakkar – Director & CFO, Info Edge (India) Limited

Vivek Aggarwal: Hi Everyone. Good evening and welcome to InfoEdge India Limited Q3-24 Results Conference Call. As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please raise your hand on your screen. Please note that this conference is being recorded. Joining us from the management side, we have Mr. Sanjeev Bikhchandani, Promoter and Vice Chairman, Mr. Hitesh Oberoi, Co-Promoter and Managing Director, and Mr. Chintan Thakkar, Chief Financial Officer. Before we begin today, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve some risks and uncertainties. Kindly refer to slide no. 2 of the investor presentation for a detailed disclaimer. The audited financial statements, other schedules on segmental building, revenues, along with data sheets have been uploaded on our website www.infoedge.in. Now, I would like to hand over the conference to Mr. Hitesh Oberoi for his opening remarks. Thank you and over to you, Hitesh.

Hitesh Oberoi : Thank you, Vivek and a very good evening, everyone and welcome to our Q3-24 earnings call. We will start with an update on standalone financials and then we will cover the segmental financials along with the commentary on each business and then we will have time for Q&A. Starting with a summary of standalone financials for the quarter ended December'23 and for the first nine months of FY'24, the third quarter of the fiscal year'24 witnessed moderate growth in both revenue and billings on a standalone basis backed by strong performance in the non-recruitment businesses. In Q3 of FY'24, our standalone revenue was Rs. 595 crore, a year-on-year growth of 7% and billings were Rs. 577 crores, a year-on-year growth of 5%. Deferred sales revenue at the end of Q3 was Rs. 925 crores, a year-on-year growth of 11%. For the first nine months of FY'24, revenue and billings were Rs. 1,773 crores and Rs. 1,669 crores, a YOY growth of 11% and 3% respectively. Revenue and billings for standalone business including Zwayam and DoSelect were Rs. 614 crores and Rs. 596 crores, a year-on-year growth of 7% and 5% respectively. Nine-month FY'24 revenue and billings including Zwayam and DoSelect stood at Rs. 1,819 crores and Rs. 1,715 crores, a growth of 11% and 3% respectively. Operating expenses for Q3 grew by 7% and for the first nine months of FY'24, operating expenses grew by 6%. For the standalone business, operating profit was Rs. 219 crores in Q3 of FY'24, a year-on-year growth of 7% and Rs. 646 crores in the first nine months of FY'24, a year-on-year growth of 22%. The operating profit margin for Q3 was 36.7%, in line with Q3 of last year and for the first nine months of FY23-24, the profit margin improved by 328 basis points year-on-year and was 36.5%. EPS before exceptional items for nine-month FY'24 stood at Rs. 49, a year-on-year growth of 23%. We generated an operating cash of Rs. 272 crores in Q3 of FY'24, a year-on-year growth of 13%. The cash balance of Infoedge including wholly-owned subsidiaries at the end of Dec'23 stood at Rs. 3,724 crores. The headcount as of December 31, 2023 was Rs. 5,602.

Moving on to segmental performance, we will start with the recruitment business. In Q3 of FY'24, revenue for the recruitment solutions business was Rs. 451 crores, a year-on-year growth of 3% and billings were Rs. 429 crores, a nominal de-growth of 1% year-on-year. For the first nine months of FY'24, revenue was Rs. 1,353 crores, a year-on-year growth of 9% and billings were Rs. 1,258 crores, a YoY de-growth of 1%. Operating expenses for the quarter grew by 14% and for nine-month FY'24, expenses grew by 12%. PBT for the quarter was lowered by 3% year-on-year to Rs. 259 crores and PBT margin was 57.6%. For the first nine months of FY'24, PBT grew at 7% year-on-year to Rs. 793 crores and PBT margin was 58.6%. The business generated operating cash for Rs. 277 crores in Q3 FY'24 and Rs. 751 crores during the first nine months of FY'24.

Overall, the Jobspeak index for Q3 was down 14% year-on-year. The softness in IT hiring continued in Q3 and it also impacted our consultant business. Non-IT hiring continued to grow during the quarter, particularly in segments like healthcare, pharmaceutical, manufacturing and BFSI sectors. The recruitment business witnessed sound renewal rates during the quarter. The Naukri Gulf business, on the other hand, reported a growth of 28% during the quarter, primarily led by growth in new customers added to the platform. Other verticals like Naukri Fast Forward and iimjobs.com witnessed healthy billing growths of 19% and 22% year-on-year, respectively. The Naukri database now comprises of 95 million resumes and continues to grow 9% year-on-year. Daily app installs on the Android platform grew by 10% and on iOS by 29% year-on-year. The overall app install base stands at 14 million. We continue to make investments in AI and machine learning to improve the user experience on our platform. We continue to focus on developing strong product offerings like Job Hai and AmbitionBox to supplement and complement the Naukri business. We are also opening new branches in tier 2 and tier 3 cities to expand our coverage to more towns and cities. Moving over to the real estate segment, in Q3 of FY'24, revenue was Rs. 89 crores, a Y-O-Y growth of 22%, and billings for the period stood at Rs. 88 crores, a Y-O-Y growth of 34%. For the first 9 months of FY'24, revenue was Rs. 259 crores, a Y-O-Y growth of 24%, while the billings were Rs. 254 crores, a Y-O-Y growth of 22%. Operating expenses for the quarter in our 99acres business were up 5% year-on-year and for the first 9 months of FY24, expenses grew by 2% year-on-year. Year on Yearoperating losses were down 44%, from Rs. 26 crores in Q3 of FY'23 to Rs. 15 crores in Q3 of FY'24. For the first 9 months of the year, operating loss was down to Rs. 54 crores versus Rs. 96 crores in the first 9 months of FY'23. The operating cash loss was lower in Q3 of FY'24 and stood at Rs. 7 crores versus Rs. 20 crores in Q3 of FY'23. Cash loss for the first 9 months of FY'24 was Rs. 43 crores.

Growth momentum in real estate continued in Q3 on both the primary and the secondary side. Despite a considerable Y-O-Y increase in home prices, the demand from end-users remained strong. Unsold inventory levels continue to remain low in the top 8 cities of the country and many developers continue to launch new projects.

Of late, we are seeing more and more business move towards channel partners for new project sales. Demand continues to surpass supply in resale and rental markets across major metros. Monthly rentals reached record highs in specific metro markets such as Bangalore, Pune and NCR. Billing growth in 99acres was primarily led by an increase in broker engagement on the platform. With an increased focus on creating value-adds and gradual price rationalization of platform services, our listing realization has improved quarter-on-quarter.

Overall daily active users improved by 25% year-on-year during the quarter, and responses from the platform improved more than 25% across different categories in 99acres. We will continue our investments to expand our user base, enhance our platform experience, create unique content and drive monetization. Additionally, we will deploy more AI and machine learning to augment user experience, fraud/spam detection and improve search results on the platform.

Moving over to the matrimony business, in Q3 of FY'24, revenue from Jeevansathi Business was Rs. 22 crores, a YOY growth of 23%, and Billings were Rs. 20 crores, a YOY growth of 19%. 9-month FY'24 revenue was Rs. 61 crores, a YOY growth of 4%, and Billings were Rs. 59 crores, a YOY growth of 14%. We continued our focus on optimizing marketing expenses and reduced the same by 39% year-on-year in Q3 of FY'24. Consequently, our total expenses for the quarter were down 19%. For the first 9 months of the year, expenses were down 22% year-on-year. YOY operating losses were down by 48% from Rs. 26 crores to Rs. 14 crores in FY'24. For the first 9 months, operating loss was down to Rs. 49 crores versus Rs. 83 crores in the first 9 months of FY'23. The operating cash loss was lower in Q3 of FY'24 at Rs. 11 crores versus Rs. 27 crores in Q3 of FY'23. Cash loss during the first 9 months was Rs. 46 crores.

We continued to maintain our focus on improving monetization and reducing burn in this business quarter-on-quarter.

Moving on to Education Business Shiksha.com. In Q3 of FY’24, revenue for the quarter was Rs. 34 crores, a year-on-year growth of 23%, and Billings were Rs. 39 crores, a year-on-year growth of 41%. For the first 9 months, FY’24 revenue was Rs. 100 crores, a year-on-year growth of 18%, and Billings were Rs. 98 crores, a year-on-year growth of 18%. Operating expenses for the quarter were up 22% year-on-year, and for the first 9 months of FY’24, were up by 26% year-on-year. The business for the quarter reported a break-even, with a nominal profit of Rs. 10 Lakhs. For the first 9 months of FY’24, the operating loss in Shiksha was Rs. 3.6 crores. The business generated operating cash of Rs. 15 crores in FY23-24, and Rs. 10 Cr during the first 9 months of FY24.

Higher Billings during the quarter were propelled by early campaigns from some domestic customers, and the impact may be transitionary in nature. We continue to make investments in this business to improve our user experience and to create high-quality, student-friendly content.

Moving on to the consolidated financial highlights of the quarter. At the consolidated level, the net sales for the company stood at Rs. 627 crores in Q3 FY’24 versus Rs. 590 crores for Q3 FY’23. At the consolidated entity level, the total comprehensive income stands at Rs. 2,624 crores compared to a loss of Rs. 400 crores in the corresponding quarter ending December 23. After adjusting for exceptional items, the profit before tax in Q3 FY24 was Rs. 185 crores compared to a profit of Rs. 511 crores in Q3 FY23. Thank you, and that's all from us, and now we are ready to take any questions that you may have.

Vivek Aggarwal: Thanks, Hitesh. We'll now begin the Q&A session. Anyone who wishes to ask a question may raise hand on the screen. We'll take your name and announce your turn in the question queue.

Moderator : The first question is from Vivekanand from Ambit Capital. Vivek, go ahead and ask your question.

Vivekanand, Ambit Capital : Thank you for the opportunity. Hitesh, two questions here. The first one is on the recruitment business. So, you saw a 1% decline in billing, but I also heard you mention about renewal rates. So, could you elaborate a bit on how you are seeing the growth in this segment? And also, if you could help us understand Naukri India versus overall billing, and perhaps give some thoughts on the fourth quarter given that there is an element of seasonality in the business. 4Q is generally very strong. So, trying to understand how to think about the base here and growth trajectory for 4Q as well as the recovery that you are seeing now.

Hitesh Oberoi : So, we didn't see any recovery in Q3. IT hiring was slow in Q3 as well. What we've been seeing for the last three quarters now is a serious slowdown in IT hiring. And also in our consultant business, because a lot of the consultants we have on our platform also hire or used to hire for IT companies. So, this business has been hit because IT companies, one, attrition rate is down as far as IT companies go. Two, they've not been adding new people. In many cases, they've been letting people go. So, this has impacted our IT business. Of course, we had a very good two years before this, and the IT business grew up by more than 100% back then. But in the process, I suspect IT companies also over hired. And now because demand is soft, they sort of have some extra sort of manpower. The good news from our standpoint is that from what we hear utilization rates at IT companies have started improving. And they are now where they used to be pre-COVID. So, let's see what happens going forward. The non-IT business continues to grow. But within non-IT also, there are certain sectors that are doing better than other sectors, like healthcare, BFSI, pharma, manufacturing, engineering, construction. So, now what will happen in Q4, the Naukri India business, the Naukri India B2B business, if I exclude the candidate services business, and if I take out Naukri Gulf it's maybe 90% of our recruitment revenue, including, IIM jobs, including Ambitionbox and so on. So, that business, de-grew by 1%. So, the Naukri India business must have, de-grown by 2-3%, at least, over last year. Naukri Gulf and candidate services grew by over 15%.

What is likely to happen in Q4, hard for me to say, it's our biggest quarter, you're right. There's a big base. IT growth has started moderating by Q4 of last year. Last year, our billing grew by 80% in Q1, 55% in Q2, maybe 25-26% in Q3 and 15-17% in Q4. So, growth has started moderating by Q4 and by Q1, we were flat, Q1 of this year, we were flat. So, the base is modest. But I don't know how things are going to play out going forward. A lot will also depend on what happens to non-IT hiring. We are also sensing that attrition rate in a lot of the non-IT companies are lower this year than last year. Not in all sectors, but at least in some sectors. So, fingers crossed, I mean, we'll know only by quarter end, because what happens in our business, a lot of our business isrenewal led business. And a lot of the renewals happen around quarter end and what we are able to collect at that time will end up determining what happens to billing growth this quarter. I mean, we have a target internally, of growing over last year, but can't say.

Vivekanand, Ambit Capital: Okay, I appreciate the detailed commentary. From a non-IT growth perspective, was there any impact that you felt of the impending Lok Sabha elections on hiring intent of the non-IT companies? Because it seems that by looking at the Jobs speak, it seems that the hiring intensity or at least job posting intensity of the non-IT companies is also moderating.

Hitesh Oberoi : You're right, it's moderating. But like I said, some non-IT sectors continue to do better than other non-IT sectors. So, we saw reasonable growth in sectors like healthcare, travel, tourism, BFSI, pharma, manufacturing, construction, engineering. So, other sectors have been slower. But is it linked to Lok Sabha election? Hard for us to say, we don't know. I mean, maybe it's just linked to the fact that because IT companies not hiring as many numbers as earlier, it's easier to get talent at junior level,because talent at that level is often fungible. Especially talent from tier2, tier 3 universities. It's like, I remember last year we were approached by a couple of players who hire for banks and they were like, listen, there is so much demand for IT talent that we're not able to get people who we used to train for banking jobs earlier. And a lot of our trainees used to be actually engineers from tier 2, tier 3 companies. Now, maybe it's easier for them to hire also.

Vivekanand, Ambit Capital: I see, that's an interesting perspective. Okay, my last question is on the real estate market. And last quarter, you had alluded to, you had mentioned one thing that if the market is growing at a very fast pace on its own, then obviously that doesn't bode very well for intermediaries like you. So, but still, you have delivered very healthy growth in 99acres. So, what's really working for you here, and growth seems to be accelerating now. So, could you spend some time explaining to us what's going right for you in this business?

Hitesh Oberoi : So, I think what you're referring to is the fact that I said this once, that if it's very easy to sell, then we are not required. I mean, in fact, nobody's required, so when your inventory gets booked, even at pre-launch time, you don't even need to launch then no intermediaries is required, no broker is required, no platform like ours is required. But the real estate market is a large market, and we operate in every segment. So, there's a new launch market, which is where I think some of this action is, when you hear projects getting launched, and large builders collecting a lot of checks very quickly, that's mostly with very top end builders and in sort of the new launch market, right? We have a very tiny share of that market; it doesn't really contribute much to our revenue today. We primarily operate in the under-construction segment. So, once the project is under-construction, some part of the project sells at launch time, and then it's sold over a period of time. So, that's when we become very important for developers and channel partners. And of course, we operate in the secondary market, most of the secondary sales go through platforms like ours. So, our secondary business is also doing well this year, by the way, it's smaller than the primary business for us, but it's almost as big if you include rental, commercial, resale, and that business has been growing much faster than our primary business. In the new launch, there's a lot of action and business activities, but we don't really play a big role. And that's something we want to correct going forward. That's an opportunity for us. A lot of that revenue today goes to the Facebooks' and Googles' of the world. The under-construction business has been growing at a healthy pace because what's happening is that demand has been solid, and there was not enough supply, which hit the market during COVID. And as a result, the unsold inventory in most markets, is at a decade low. And that's also resulting in higher prices in some pockets. And in general, people want to upgrade after COVID. So, all these sorts of factors seem to be resulting in a reasonably solid real estate market. And you have to remember, even when we were hit by COVID, even when we were hit by GST, RERA demonetization, we were able to grow our business at 12-14% per annum. So, we would like to grow it much faster going forward in a good market. So, and the team has been executing well. So, that's the good news. We are happy with the way the team has been executing. But let's see if this sustains. If it's real estate, I've learned it's very hard to make forecasts.

Vivekanand, Ambit Capital: Fair enough. Thanks for the elaborate commentary. I'll rejoin the queue.

Moderator : Thank you, Vivek. The next question is from Nitin Jain from Fairview Investment. Nitin, go ahead and ask your question. Nitin, you're there?

Nitin Jain, Fairview Investment : Yeah, thanks. And congratulations on good execution in this tough environment. So, regarding the recruitment business, I just wanted a clarification first that in the past, management has guided that contribution of IT/ITES to revenues around 50%. But in the presentation, like if you look at the last three, four years data, it's somewhere in the ballpark of 35%. So, can you help me reconcile?

Hitesh Oberoi : Yes, you see direct revenue from IT companies is in that ballpark. But a lot of recruitment firms also work for IT companies. So, if you add,, revenue from recruitment consultants which is about 30% of our revenue. So, maybe half of that is also, or maybe slightly more than half of that is also IT or connected to IT hiring.

Nitin Jain, Fairview Investment : Okay, so the three buckets that you have shown, the consultants are outside those three buckets, is it?

Hitesh Oberoi : Which are the three?

Nitin Jain, Fairview Investment : BFSI and Infra.

Hitesh Oberoi : No, no, no, see, I don't know which slide you're referring to.

Nitin Jain, Fairview Investment : So, there is a slide on, hold on.

Hitesh Oberoi : So, there's IT, there's non-IT and there's consultants. So, these are the three buckets you're looking at?

Nitin Jain, Fairview Investment: No, so there is IT, ITES, and then there's BFSI and then there's Infra.

Hitesh Oberoi: Yeah, I think the buckets to look at are IT, non-IT and recruitment consultants.

Nitin Jain, Fairview Investment: Okay...

Hitesh Oberoi : That's how we, because that, the other, the other bucket you're looking at, I mean, there are 40 different sectors in which we operate.

Nitin Jain, Fairview Investment : Okay.

Vivek Aggarwal : I think we should look at our presentation, slide number 26, that will be have better breakup of the numbers.

Nitin Jain, Fairview Investment : Okay, okay, okay, so,

Vivek Aggarwal : Recruitment firms is 26% and 27%, so broadly half of it would be coming from IT businesses. So, that'll add up to around 50%.

Nitin Jain, Fairview Investment : Okay, okay, got it, that's perfect, thank you. So, and one more thing, so if I add up IT, BFSI and Infra, together, they're about 50% of the revenue. So, what is in the remaining 50%?

Vivek Aggarwal : Nitin, maybe you can refer that slide, you'll get complete details.

Hitesh Oberoi : We have there are 40-45 different sectors, there's BFSI, education, FMCG, durables, travel, tourism, hospitality, infrastructure, engineering. So, if you get all that, you'll add up to 100%.

Nitin Jain, Fairview Investment : Okay, okay, okay. And what has been a traffic share for the December quarter, like for Naukri?

Hitesh Oberoi : Similar, I don't think there's much that has changed on that front.

Nitin Jain, Fairview Investment : Okay, just asking because I think earlier the company used to disclose that with the presentation, but...

Vivek Aggarwal: It is still there, Nitin, we have been trailing at around 70% plus. There had been certain issues we are facing with SimilarWeb because the app traffic that we are getting from SimilarWeb doesn't match us with our internal sources. But broadly, you can assume the traffic right now remains in the range of around 70% plus for now.

Nitin Jain, Fairview Investment: Okay, great. And I just wanted to understand, like how pricing behaves in this kind of an environment, given that we are probably close to the bottom for the IT sector downturn, hopefully.

Hitesh Oberoi: I hope so, too.

Nitin Jain, Fairview Investment : So, how does the pricing behave in this environment? Like, do we give any kind of discounts?

Hitesh Oberoi : You see, it's very hard to take price hikes. It's a soft demand environment, it's hard to take price hikes. And it's hard to get volume growth as well. We don't get price hikes in this environment. I mean, we are adding new customers in non-IT, we are expanding to small towns on the non-IT side to acquire more customers. And there, if demand picks up, we should be able to get a price increase. But, not on the IT side and, certainly not with consultants,because consultants are the most impacted when there is a slowdown.

Nitin Jain, Fairview Investment : Right. So, do we even provide any kind of discounts or something in this environment?

Hitesh Oberoi: Yeah, it's a negotiation. At the end of the day, it's a negotiation. So, by the rate card, there is some discounting which happens. And, we try and understand how much value we create for the customer. And we equip the sales team with these tools. And then they use them to negotiate with customers.

Nitin Jain, Fairview Investment : Right. So, regarding the real estate business, I missed your comment on improved pricing realizations. Can you please elaborate once again?

Hitesh Oberoi : For our business?

Nitin Jain, Fairview Investment: Yeah. For real estate?

Hitesh Oberoi : Yeah. So, two things. One is, what I may have mentioned is that real estate prices are going up nationally because the market is hot. So, there is more demand than supply right now. And therefore, real estate prices are going up nationally. Of course, in some markets, it's a very local business. There are lots of micro markets. In some real estate markets, prices may be up 100% over last year. Same time, some markets are up 20%. But in general, prices are going up everywhere. And we have also been able to realize better prices for our listing products in real estate from our customers.

Nitin Jain, Fairview Investment : Okay. And would that be from brokers or like individuals as well?

Hitesh Oberoi : See, we have a very tiny B2C business. We work mostly with brokers and channel partners.

Nitin Jain, Fairview Investment : Okay.

Hitesh Oberoi : Yeah.

Nitin Jain, Fairview Investment : Great. And just one more thing regarding real estate. So, the paid listings seem to have declined from last year, but the revenue has seen growth . So, okay. So, I think this ties in with the pricing realization improvement comment, I guess.

Hitesh Oberoi : Correct.

Mr. Nitin Jain, Fairview Investment : Right. Okay. Great. And just one last question. So, at the overall business level, you have seen a good margin improvement in the first nine months. So, what has led to this improvement? Have we cut down on marketing expenses significantly?

Hitesh Oberoi : Yeah. See, our burn in both 99Acres and Jeevansathi is down over last year, right? And this is primarily because one in 99Acres, our sales are up 23-24% over last year, costs are up only 5%. We have spent less money on advertising than last year, but it's not that much less. It's just that we've kept our costs under control. And we are now seeing operating leverage play out. In Jeevansathi business, we've cut marketing spend substantially because marketing was a big chunk of Jeevansathi expenses. And we started monetizing more aggressively. If you remember, we actually changed our business model, we went freemium. We took a hit on revenue. We tried to gain market share through this route. And now we think we're at a point where we can slowly start turning the screws on monetization. And that is resulting in higher revenue growth than previous quarters. And at the same time, the market is not as irrational as it was earlier. So, we also managed to bring down our marketing spend. So, that has led to lower burn in Jeevansathi vis-a-vis last year. So, while in Naukri billing growth has been low and costs are up but overall, because of the improvement in Jeevansathi and in 99Acres business, our margins are perhaps still holding or looking better. May not continue if the Naukri business does not recover.

Nitin Jain, Fairview Investment : Okay, thanks for the clarification. And just one last one, if I may. So, regarding Shiksha, I think the business model seems to be relatively fine-tuned now compared to how it was three, four years ago when we were at a nascent stage. So, what would it take to scale up this model rapidly now?

Hitesh Oberoi : I think we need to do a lot more work in the Shiksha business. In our view, it is not at a stage where we can predict what's going to happen next year or the year after that. I think it requires a lot more work. We are comfortable, we are sort of breaking even we are growing a little bit. But if we really want to ramp it up, I think we need to do some more homework, go back to the drawing board. So, that's on the agenda, but not for the next few months, maybe after that.

Nitin Jain, Fairview Investment : Okay, that's it for me. Thank you so much.

Moderator: Yeah, thanks, Nitin. Next question is from Vijit Jain from Citi. Vijit, go ahead and ask your question.

Vijit Jain, Citi : Thank you. Hi, so my first question is on recruitment. So, last time, I think you guys talked about a little bit about giving more color on the GCC side, what trends are already visible in your numbers and how you look at them. So, I'm just wondering if you can shed a little bit more color on that front, on the recruitment business. That's my first question.

Hitesh Oberoi : Yeah, see, our sense of what's happening in the GCC market is that the number of GCCs are growing. But the bigger GCCs actually, perhaps are not growing as much. So, every market you have an 80-20 sort of thing. So, while there may be 1500-1700 GCCs of the ground, when you start a new GCC, typically, the new GCC starts small, they start by hiring 20 people, 50 people, 100 people. And when they start, they normally don't use a site like Naukri for hiring, they give the contract to somebody. And that's how they set up their first team. Only when they hit three, four, five hundred people do sites like us become relevant, because that's when they start having attrition with, they need to grow, add more people, etc, etc. So, our sense of what's happening in the GCC market is that while the number of GCCs in India is growing, the newer GCCs are small, they will take time to ramp up. The bigger GCC, on the other hand, the ones that employ a few 1000 people, did not grow this year, because these are GCCs, which are owned by or are captives of larger firms. And some of these firms, are large US companies or US retailers or US utility companies or US BFSI giants and so on. And they've not been hiring aggressively this year. That is our take.

Vijit Jain, Citi : Got it. Thanks, Hitesh. My second question is, I think kind of to both you and Sanjeev, because I saw a tweet from Sanjeev today, where he mentioned about the number of startups which are now hitting sustainable profits is higher than what he thought 16 months back. And I'm just trying to get a sense, is that something you're seeing in spaces where the non-recruitment business for you also competes? So, in 99acres, for example, I do note that housing.com seems to have grown a little less this quarter versus you guys. This is, I think, first time in a few quarters. And I'm wondering if you're seeing the same kind of trend for where Shiksha operates and maybe even Jeevansathi operates. I don't know if it ties in as neatly there as well.

Hitesh Oberoi : Yes, Sanjeev should be able to comment on the broader startup ecosystem. But our general sense of what's happening out there is that because raising capital is not as easy as it was earlier. A lot of businesses are behaving more rationally than they were behaving earlier. That's what is happening everywhere, in my view. And maybe Sanjeev can add to that.

Sanjeev Bikhchandani : Yeah, I think Hitesh has summed it up perfectly. When there is a shortage of money, you have to break even. And I think we're seeing that enough companies are doing that and more are doing it than I think I had anticipated 16 months ago and I had tweeted that. And in our own portfolio across our funds, we are seeing at least close to double-digit startups that are breaking even, making money or perhaps getting very close to it.

Vijit Jain, Citi : Okay, that's good to hear, Sanjeev.

Sanjeev Bikhchandani: If that is what is happening in our own funds, I would imagine what's happening across the ecosystem is running into 100 or 200 or 300 of our portfolio investments.

Vijit Jain, Citi : Got it. Perfect. Thanks, Sanjeev. And my last question, just a clarification. On the Shiksha business, you mentioned billing surged by 41%, propelled by early campaigns from domestic clients. So, I'm just wondering, is this seasonality shifting or something? Or is it that you've gotten some more business from domestic clients versus earlier? I'm just trying to understand.

Hitesh Oberoi : Yeah, I would not read too much into this. A couple of clients, if they start early, it sort of changes our billing growth. A lot depends on the education season. So, if JEE Mains, for example, is earlier this year, then clients start early. So, I would not read too much into it. It's not as if Shiksha is going to start growing at 40% from here on.

Vijit Jain, Citi : Oh, okay. Got it. Thanks. Thanks, Hitesh. Those were my questions.

Moderator : Thanks, Vijit. Next question is from Jaideep from Ascent Capital. Jaideep, go ahead and ask your question.

Jaideep, Ascent Capital : Hi, so my question is particularly in the real estate business 99 Acres. So, the earlier speaker has asked around the listings trend as well. So, we just want to double check on the point. So, the listings growth, if I were to tabulate, the growth has been fairly tepid in the last one, one and a half year, free plus paid. And on top of that, the share of paid listings has also come off from its peak. So, just wanted your comments on that. And then I will ask my second question.

Hitesh Oberoi : So, you see, firstly, listing growth is a reflection of the secondary market. And within listing, there are rental listings, there are resale listings, there are commercial listings. And the situation could be different in different cities. In general, in a hot market, real estate tends to move faster, right/ So, in a slow market, a listing could be on the site for six months, eight months, because it takes a long time to sell. In a hotter market, you may be able to post and you may be able to sell in two months or one month. So, there are these factors at work. So, this is the hotter market than what we've seen over the last few years.

Jaideep, Ascent Capital : Basically, what you're trying to say is the velocity of listings has kind of improved significantly. And hence, you see the number come off. And your point on the share of paid listings, I understand that the pricing has improved. But is that taking a toll on the volume of paid listings by any chance? If my understanding is correct on that front.

Hitesh Oberoi : See, we have a freemium model for owners.

Jaideep, Ascent Capital : Yes. Right.

Hitesh Oberoi : And we charge brokers. So, all broker listings on the platform are paid listings. Unless we give some, some free trials here and there. But that's a very tiny number. While most owner listings are free listings. The number of brokers we are working with has actually grown over last yearsubstantially. It's just that what may be happening is that at any point in time, they have fewer listings because property is moving faster. That's all.

Jaideep, Ascent Capital : And since 4Q is typically the strongest quarter for real estate and particularly because we are operating in the under construction and all this space. So, just want to get your sense how, because since we're already halfway there. So, how are the early trend is looking like for the quarter?

Hitesh Oberoi : What happens in our business is that it's a subscription model. There are renewals. A lot of these renewals are around quarter end. Sales teams have targets. And what I see how they work is that they do a lot of new BD in the first two months of the quarter. And they focus on collection of the last month of the quarter. Normally if the market is good, they do well. But it's hard for me to predict how things will play out. We have some internal modelling, which we do. But a lot depends on what happens on the last four, five days of the quarter.

Jaideep, Ascent Capital : Sure. And on the reduction of losses, how much has operating leverage aided because the top line grew by high teens, right? 22-23%. How much is of that is operating leverage? And how much of that is cost optimization? Basically, the marketing bit.

Hitesh Oberoi : So, in Jeevansathi

Jaideep, Ascent Capital : No, I'm talking about 99 acres.

Hitesh Oberoi : Okay, 99 acres. So, our marketing has become more efficient. Compared to last year, we've done made a few changes to our media mix and the mix between branding and performance and stuff like that. And we've optimized our marketing spend. And the ROI on optimized marketing spend actually higher than ROI on the higher spend last year. So, that's helped. And I'm sure marketing costs are down by maybe by 15% year on year in 99 acres or maybe 10%. I don't know exactly. We can get back to you. And otherwise, cost are up in single digits and revenues are 22%.

Jaideep, Ascent Capital: Sure, that helps. Thank you.

Vivek Aggarwal : Marketing expenses are down by 10% year on year for this business.

Jaideep, Ascent Capital : Thanks. Thanks, Vivek for the clarification.

Moderator : Thanks, Jaideep. Next question is from Aditya from Macquarie. Aditya, please go ahead and ask your question.

Aditya : Hi, Hitesh. Good evening. Just two questions. So, one was in terms of Naukri. Naukri typically sees a big quarter in March. Any kind of indications here in the March quarter, how billings are shaping up?

Hitesh Oberoi : I wish I knew. I had no idea. No idea at all. I mean, and I checked with Pawan also he said, listen, we will have a better idea by 15th March. So, it's very exciting. It's very hard to say.

Aditya : Because the March quarter has been, you've seen this big kind of, like, 35-40% kind of bump ups in that quarter. So, I was just wondering if...

Hitesh Oberoi : So QoQ we will definitely grow that's a given. But how much we will grow over last year, or whether we will decline over last year, etc, that is unclear to us. I mean, we can't predict right now.

Aditya : Got it. And are you able to kind of triangulate towards, okay, what the current rate of billings kind of really implies for your revenue growth for Naukri next year, even if that's a range which you can point to?

Hitesh Oberoi : See, a lot will depend on what happens to IT hiring. If our IT hiring business grows by even 10% then of course, it'll be a very different story. But right now, our IT growth is negative. It's down maybe 5% /6% year on year. Non-IT business is up maybe 7% / 8% / 10% year on year. So, we are at flat or slightly minus 1%. So, a lot will happen, but depend on what happens to IT hiring next year. So, if IT companies bounce back, if they start hiring, like they used to hire even pre-COVID, I mean, that's very good news for us. And if we are able to grow our IT business by 10% / 12%, and if we are able to grow our non-IT business by 14% / 15%, we can aspire to grow it. And if we can push our new products faster, we can still aspire to grow in double digits. But if IT growth does not recover, if IT companies' demand doesn't pick up, and then it'll be a challenge.

Aditya : Thanks, Hitesh. And as this dynamic kind of plays out, would it be a fair expectation to say that, and we've discussed this previously also, that your operating expenses would largely be steady, so there could be a period of margin erosion to the extent that your volume is soft, or your revenue is soft in Naukri?

Hitesh Oberoi : Actually, we want to continue to invest in the new emerging businesses that we are building. Like JobHai, we would want to continue to invest more in JobHai, that's a blue-collar job board what we're building. We would continue to make brand marketing investments in Naukri. We are opening new offices, we are hiring more salespeople, as we spread to tier 2, tier 3 towns. So, these are investments we would like to continue to make, we would want to continue with, irrespective of whether business recovers next quarter or not. So, if business recovers, we will be able to maintain margin. I mean, if we're able to get to double digit growth, we might be able to maintain margin. But if growth continues to be slow, our costs will rise next year in Naukri. Because we don't want to delay these investments. They're important for the long run.

Aditya : Thanks, Hitesh. Thanks for being so candid. And, Sanjeev, maybe one for you was that within the investment book, are you seeing any areas of optimism, which you can maybe call out or speak for?

Sanjeev Bikhchandani: I think by and large, most Founders are now a lot more frugal, a lot more cost conscious, a lot more conscious of good unit economics. And that's a broad-based trend. Now, having said that, there will be a few companies who are unable to make the switch and pivot because they got committed to the wrong kind of unit economics and costs early on, and may have a challenge getting out of it. But even they are making an effort. But by and large, I think a little shortage of capital is good for discipline. And that's what is happening. So, you'll see the fruits of this in the next year or two.

Aditya : Thanks, Sanjeev. Thank you.

Moderator: Thanks, Aditya. Next question is from Nitin Sharma from MC Pro Research. Nitin, go ahead and ask your question. Nitin, you are there?

Nitin Sharma : Hello, thank you for taking my question. First of all, with your losses already coming down, competitive intensity seems to be easing. Is there a timeline for the Jeevansathi business to turn profitable?

Hitesh Oberoi : There's no timeline as such. I mean we are, like I said, working hard on monetizing. We have moved to a freemium model. So, we are experimenting with a bunch of things. Some of them will work. Some of them may not work. Some of our experiments paid off last quarter. So, we saw healthy growth. Now, of course, we have internal targets, and we are working hard to get there. And we would like to break even as quickly as possible. But a lot will depend on, one, competitive intensity, and number two, whether these experiments we are working on start yielding results.

Nitin Sharma : So, is it fair to assume that your advertisement and the promotion cost would be remaining somewhere where they have been this year for first nine months?

Hitesh Oberoi: It will depend on what happens in competition. But yes, I mean, we would not want to up them significantly at least.

Nitin Sharma : Understood. Thank you.

Moderator : Thanks, Nitin. Next question is from Vikrant Gupta from ICICI Prudential. Vikrant, go ahead and ask your question.

Vikrant Gupta, ICICI Prudential : Yeah, thanks for the opportunity. So, I was wondering if you could provide some commentary on how you are seeing the attrition levels at the IT companies. So, at least the publicly available data is more a last 12-month sort of number. So, I was wondering if you could provide some color of how maybe attrition is in Jan-Feb versus December or something like that. What's the latest read?

Hitesh Oberoi: We don't have access to attrition data. What is available to the public is what is available to us. Everything else is anecdotal. So, I would not bank on it.

Vikrant Gupta, ICICI Prudential : So, anecdotally, what is your sense? Is Jan-Feb lower than December or is attrition bottoming out or picking up?

Hitesh Oberoi : My sense is right. Jan was similar, but I could be wrong.

Vikrant Gupta, ICICI Prudential : Okay. Thank you.

Moderator : Yeah, thanks, Vikrant. Next question is from Nikhil Chaudhary from Nuvama. Nikhil, go ahead and ask your question.

Nikhil Chaudhary, Nuvama : Hi. Thanks for the opportunity. My first question is regarding the losses we have, especially in Jeevansathi and 99Acres. What you mentioned that competitive intensity is shifting and because of the dearth in capital, which is leading to industry behaving more maturely and moving to breakeven or even profitable. Is it fair to assume, at least near term, or we have some timeline, when can we achieve breakeven basically in 99Acres and Jeevansathi?

Hitesh Oberoi : We would like to breakeven as early as possible and make a profit. I mean, Q4 is normally our best quarter. If we have a good quarter, you may see us generate cash and break even in Q4 in 99Acres, depending on where we end up. But see, we would be very happy to breakeven next year in 99Acres. A lot would depend on competitive intensity. A lot would depend on whether some of the projects we are working on to improve our monetization to increase our traffic, yield the results we expect them to yield. So, we don't want to be irrational. We would like the business to breakeven as early as possible, but we would not sacrifice growth. So, if required, we would spend if that's where the market is headed, then we will not want to give up market share either. So, that's how we're thinking about this right now.

Nikhil Chaudhary, Nuvama : Sure.Just in case a scenario IT do not pick up meaningfully, let's say in a hypothetical scenario, and non-IT continue to do well, what we are already seeing, right? Can we still grow in double digit on the back of some improvement in pricing plus non-IT being very good given you're already investing in tier 2, tier 3 cities, as well as what we were seeing in Naukri Gulf doing better. Can that happen or it will be very difficult?

Mr. Hitesh Oberoi : No, we wont. So, IT growth is perhaps minus 6/7 percent. Consultants are at minus 8/10 percent. We need to at least get IT back to base so we need to get to a situation where IT companies at least start growing at least 3/4/5 percent over last year. So, while they seem like they are distinct markets, they are somewhere also connected because at the junior level, talent supply is often fungible. People want jobs, if they're not able to get jobs in IT companies, they take up non-IT jobs, that's how it works and so our sense right now is that IT attrition rates are low. So, if there's a spike in attrition, of course, it benefits our business. Attrition rates are lower than perhaps they've ever been in the last 7-8 years for IT companies. If they go back to even COVID levels we'll get a double-digit growth. And if IT hiring picks up, it will also impact non-IT attrition in some businesses and in some companies. And that will also lead to a spike in non-IT growth. And actually, when companies start doing well, and things look good it's actually good for our new products also. So, they spend more money on branding, they will want to buy software, they will want to do more assessment. So, somewhere they're all connected. Our sense is that if IT companies recover, then our business will, of course, do very well, assuming, of course, that the economy continues to grow at whatever it is growing. And on the other hand, if IT continues to be very, very sluggish, it'll be hard for us to hit even double-digit growth.

Nikhil Chaudhary, Nuvama : Sure, that understood. Very helpful. Thank you.

Moderator : Thanks, Nikhil. Next question is from Salil Desai. Salil, go ahead and ask your question.

Salil Desai, Marcellus Investment Managers : Thanks, Anand. Hitesh, I just want to make sure I understood Jeevansathi, right. So, based on all your responses, is it fair to assume that you figured out what the model is? And this is the way to go. It's been about a year since you've been trying this.

Hitesh Oberoi : We're not going back to the old model. This is a model we are continuing with. We are just sort of now trying to figure out how to monetize better because we went free, right? And therefore, and as a result, we lost 30% of our revenue, our top-line. And now we're just sort of trying to figure out what should remain free? What should we start charging for? How can we sort of leverage the traffic we have to get 30% growth, 25% growth over last year? The team is experimenting with a bunch of things. Let's see how this plays out.

Salil Desai, Marcellus Investment Managers : And here again, if I understand this right, it is not something so difficult that the competition cannot replicate, right? So, I mean, how are you seeing their response to?

Hitesh Oberoi: No, they can replicate. It's just that they will have to take a 30% dip in revenue.

Salil Desai, Marcellus Investment Managers : So, you think it's a kind of psychological barrier to, for somebody to?

Hitesh Oberoi : And what is in it for them? See, we did this because we wanted more profiles. We wanted the network effect to sort of start working for us. We were a number three player. So, we were getting maybe only 50% of the profiles in the market and we wanted to go to 70% or 65%. They're already getting 70, 80% of the profiles in the market, right? Because they're leaders in the markets they operate. So, the cost benefit analysis may not necessarily work out for them.

Salil Desai, Marcellus Investment Managers : Understood, perfect. Great. Second question I had was the commitments that you've made to IEVF. I'm not sure if you disclose this number, that how much of it is actually deployed and given to them?

Hitesh Oberoi : To whom, sorry?

Vivek Aggarwal : Venture funds. Venture fund.

Hitesh Oberoi : Oh, AIFs.

Salil Desai, Marcellus Investment Managers : The AIFs, there's a commitment, right? And there must be some drawdown. So, is there a number where this is what you actually invested in then?

Sanjeev Bikhchandani : Do we make it public? There was a commitment we announced earlier. And there were four funds totally. One was 750 crores, fund two was 150 million, whatever the exchange was then. And then there was a Capital 2B of 75 million. And then a third LP joined and committed some more money across all three funds. But if you look at what we have committed, it's 37.5 million plus 75 million plus 100 million.

Vivek Aggarwal : 212.5 million.

Salil Desai, Marcellus Investment Managers : And that is still a commitment. That is not what you would have actually.

Sanjeev Bikhchandani : A lot of it is drawn down and some of it is in middle.

Salil Desai : Okay, great. And Sanjeev, again going back to what you were talking about. So, on one hand, there is capital is becoming a little more scarce for startups to, I mean, it's not so easy to raise money. And then we are seeing that now the secondary markets seem to be a little more willing to take risks with loss making startups. Do you think now?

Sanjeev Bikhchandani: When you say secondary market, what do you mean?

Salil Desai, Marcellus Investment Managers : I mean, public markets. So, you think the route to IPO kind of shortens for most people that if the private markets aren't as attractive.

Sanjeev Bikhchandani : My submission is that after 2022 market correction, while technically loss-making company can go public. I think I'm doubtful as to how receptive public markets will be for loss making companies. Unless there's very clear visibility of profit next year or two. But I'm not sure that people will be willing to really give loss making company the kind of valuations that these companies hope and expect.

Salil Desai, Marcellus Investment Managers : Understood. Thank you so much.

Sanjeev Bikhchandani : Well, I could be wrong with markets. You're a public market investors. I mean, you tell me, would you invest in a loss making?

Salil Desai, Marcellus Investment Managers : No, like I said there seems to be, people seem to be more receptive now, right?

Sanjeev Bikhchandani : I think that window was there for a while, but with the correction in 2022, I'm not sure how many people will still be willing. I mean, if you look at the sort of rise in the share price of Zomato and a policy bazaar, the last 6, 8 months, 10 months, 12 months, it's coincided with the improvement in the bottom line. Maybe there's a causal effect there.

Salil Desai, Marcellus Investment Managers : Got it. Got it. Thanks, Sanjeev.

Moderator : Thank you, Salil. Vivek from Ambit Capital is back. So, Vivek, go ahead and ask your question.

Vivek, Ambit Capital : Hey, just following up on Salil's questions. So, Sanjeev, it's been almost two years since the new money was earmarked for the AIFs. At that time, you had said that you will deploy the funds in three years. Has anything changed? So, will you end up deploying?

Sanjeev Bikhchandani : We are investing a lot slower than we initially imagined. We are writing smaller first checks. We are taking our time. We are investing a slightly lower valuation than earlier. And that, I think, is consistent with market conditions. And we think it's a smart thing to do, a more prudent thing to do. So, yeah, it may not happen in three years, but it may take a little longer. But listen, when you say three years deployment, it meant we will give our first checks into companies in three years. Obviously, the follow-on checks will go in over the next four, five, six years.

Vivek, Ambit Capital : Okay. And when you said that, you meant that the follow-on checks would also be coming from the same AIFs or what would that entail?

Sanjeev Bikhchandani : Yeah, yeah, that's right. Same AIFs. We don't want any conflict of interest with having two different funds under our stable invested in the same company.

Vivek, Ambit Capital : Understood, sir. And just one more follow-up. Recently, the government permitted overseas listings in Gift City. Do you think that that will be a game-changer in any way, as far as Indian startups are concerned in any sector or any segment?

Sanjeev Bikhchandani : Too early to say, but what has emerged is that, while there was a lot of glamor, say, four, five years ago, to be allowed to list in the US, even though you're domiciled in India, what has seemed to have emerged is that the Indian markets have been giving better IPOs to Indian startups than the US markets. Because I think that threshold turnover size valuation requirement for US listings is much higher than India. It's harder to get research coverage. And therefore, I think only one company went public in the US as compared to, I think, more than a dozen in India. So, it's pretty clear that even if you allow overseas listings, Indian startups might prefer listings in India because that's where the investors are for their companies.

Vivek, Ambit Capital : Okay, thank you. That's a great perspective.

Sanjeev Bikhchandani : And if you list through Gift City, I think the rules are such that you are cutting out the Indian investors.

Vivek, Ambit Capital : Oh, I see.

Sanjeev Bikhchandani : I think so, I'm not sure. And if you do that, I think you may have a bigger challenge getting your IPO to succeed.

Vivek, Ambit Capital : Okay, understood. And Sanjeev, you had mentioned about five companies that you had invested in during the 2016 to 2019 period. Have any of them...

Sanjeev Bikhchandani : There are more than five. There the promising ones are Shipsy, Adda 24x7, Shopkirana, a couple of others. But yeah, look, there'll be a while before they get to go public or make profit.

Vivek, Ambit Capital : Understood. Thank you so much and all the best.

Moderator : Thanks, Vivek. Vivek, this was the last question for the day.

Vivek Aggarwal: Okay. So, thanks, everyone. On behalf of InfoEdge, we conclude this conference. You may disconnect your lines now.

Hitesh Oberoi : Thank you, everyone. Have a great evening.

Sanjeev Bikhchandani : Thank you.

Moderator: Thank you, everyone.