"Info Edge (India) Limited Q4 FY 2019 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Info Edge Limited Q4 FY 2018 FY 2019 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.

I now hand the conference over to Mr. Hitesh Oberoi. Thank you and over to you, Sir!

Hitesh Oberoi: Thank you. Good Evening, everyone, and welcome to our fourth quarter and annual results conference call for FY 2019. We will first take you through the quarterly and financial performance of the company. Then, we will cover each business in more detail. And in the end, we will be happy to take questions.

For your information, the audited financial statements file has been uploaded on our website, infoedge.in. We have also provided other financial details like segmental billing, revenue, profit before taxes and DSR movement in the data sheet on our website.

Firstly, talking about the standalone financials:

Billings in Q4 were Rs. 360.8 crores, up 19% year-on-year. FY 2019 billings stood at Rs. 1,176.9 crores, up 21% year-over-year. Revenue in Q4 was Rs. 292.6 crores, up 22% year-on-year. FY 2019 revenues stood at Rs. 1,098.2 crores, up 20% year-on-year.

Operating expenses, excluding depreciation, for the quarter were Rs. 201.3 crores, up 11% year-on-year. For FY 2019, expenses stood at Rs. 756.9 crores, up 22% year-on-year. A major proportion out of the Rs. 140 crores incremental expenses were on marketing and tech enhancements of the platform.

Operating EBITDA for Q4 stood at Rs. 91.2 crores versus Rs. 59.3 crores last year, an increase of 54% year-on-year. FY 2019 operating EBITDA stood at Rs. 341.3 crores, up from Rs. 297.3 crores last year. Operating EBITDA margin for the quarter stood at 31% versus 24.7% last year. For FY 2019, EBITDA margin stood at 31% versus 32.5% last year.

EBITDA adjusted for ESOP noncash charges for Q4 stood at Rs. 96.6 crores versus Rs. 59.6 crores last year and FY 2019 adjusted EBITDA stood at Rs. 356.5 crores versus Rs. 315 crores last year. Adjusted EBITDA margins stood at 33% versus 24.8% last year and for FY 2019, adjusted EBITDA margin stood at 32% versus 34.2% last year.

Deferred sales revenue has increased to Rs. 474.4 crores as of March 31, 2019 versus Rs. 395.6 crores as of March 31, 2018, an increase of 19.9% year-on-year.

The cash balance stands at Rs. 1,617 crores as of 31 March 2019, versus Rs. 1,562 crores as of 31st March 2018, and Rs. 1,522 crores as of 31st December 2018. Cash flow from operations stood at Rs. 131 crores during the quarter versus Rs. 130 crores in Q4 of 2018 and Rs. 296 crores for the year 2019 versus Rs. 307 crores in FY 2018.

During the year, we pushed the bank loan investments across all our brands. Some of you may have already witnessed our enhanced brand presence on the television shows and during major events on television as well as online. The same is reflected in our overall increase in the marketing and promotion spend, which went up from Rs. 116 crores in FY 2018 to Rs. 176 crores in FY 2019, an increase of 51% year-on-year. It is likely that we will continue to plowback part of the revenue growth to consolidate our brands for the positioning and gain traffic share in coming quarters.

Similarly, we began incremental investments in areas like technology, product design, AI and data science. We have started building a healthy pipeline of innovation, new products and features keeping in mind the long-term emergence of opportunities in the recruitment and other verticals. And we would, in fact, like to accelerate this space going forward. Such investments are mostly in the form of people cost and IT infrastructure and is likely to pass through P&L as incremental operating expenses.

The Board has recommended a final dividend of 20% for FY 2018 - 2019. This would take the dividend for the year to Rs. 6 per share, including the 2 interim dividends of Rs. 2.5 per share and Rs. 1.5 per share already announced earlier.

Moving on to consolidated financials:

At the consolidated level, the net sales for the company stood at Rs. 1,150.9 crores versus Rs. 988.2 crores for the last financial year. For the consolidated entry at the PAT level, there is a profit of Rs. 589.1 crores versus a profit of Rs. 502 crores for the last financial year. Adjusted for exceptional items, PAT stood at a loss of Rs. 24.4 crores in FY 2018 - 2019 versus a profit of Rs. 188 crores in last year.

The aggregate top line of the investing companies in FY 2018 - 2019 grew to Rs. 2,030 crores versus Rs. 937 crores in last year, an increase of 116.5%.

Moving on to performance wise segment:

We will first discuss the recruitment segment. In Q4, recruitment billings were Rs. 259.7 crores while revenues were Rs. 207.3 crores, a growth of 20% year-on-year. Operating EBITDA margins in recruitment segment were at 52.9% versus 53.2% in Q4 FY 2018. EBITDA margin adjusted for noncash, ESOP noncash charges stood at 54%. In the full year FY 2019, recruitment billings grew 20% to Rs. 847.5 crores while revenue grew 17.5% to Rs. 785.8 crores. EBITDA margin stood at 54.6% compared to 56.2% in FY 2018. Adjusted margin stood at 55.5%.

In Naukri, in Q4 FY 2019, we added an average of 14,000 fresh CV's every day and the Naukri database grew to over 63 million CV's. Average CV modifications were at close to 340,000 CV's per day. A traffic share in the job portal space continues to be in the mid-70's excluding Indeed and in the mid-60's including Indeed. And we continue to invest in our recruitment tools and systems business as we add more clients to the product. We will also focus on innovating and adding new functionalities in the platform through application of artificial intelligence and machine learning.

IT hiring, which directly or indirectly contributes to about 42% of Naukri revenue, continued to impact the growth rate of Naukri. The new customer acquisition as well as retention rate of existing customers remained high throughout the year, driving growth in business revenues. We also noticed billing growth through sales of more upgrades and additional usage from existing clients. Construction sector was impacted by a slowdown in IT hiring and however in last year. However, this got covered up in the latter part of the year.

Naukri Gulf business grew at 18% year-on-year in FY 2019 and the total revenue from this business stood at Rs. 48.4 crores. We have been deploying new marketing initiatives to increase active profile in the database and acquire more profiles from key cities. And this sort of resulted in our marketing spend going up through the year.

We also invested aggressively behind brand with a mix of TV and media advertising in key cities. This led to a gain in traffic share in the last few months and higher app engagement as well. We now consistently average more than 1 million DAU's on our app every day.

We also announced the acquisition of iimjobs on the stock exchanges today. We will be acquiring 100% share of iimjobs for an all-cash deal of Rs. 80.8 crores. iimjobs, as some of you may know, is India's leading online job platform for job seekers from premier institutions. iimjobs was founded in 2010 by Tarun Matta, an IIT-IIM alum, with the aim of addressing the job needs of job seekers graduating from premier institutes. Over the years, iimjobs has built a strong niche brand among such job seekers and recruiters looking to hire them.

With 23,000 job postings and 1.8 million job applications every month, iimjobs has become one of the leading recruitment platforms in this community. iimjobs reported a revenue of Rs. 16.6 crores for FY 2019. These numbers are not audited though. The business has been growing at 25% or so for the last 2 years.

Moving on to the other verticals:

The 99acres business billings in Q4 grew 19% year-on-year to Rs. 66.7 crores, while revenue grew 46% to Rs. 54.4 crores. For FY 2019, billing and revenue grew 32% and 41.7% to Rs. 206.6 crores and Rs. 192 crores, respectively. Q4 EBITDA loss stood at about Rs. 2.9 crores against the loss of Rs. 13.5 crores last year. EBITDA loss in FY 2019 stood at Rs. 22 crores, down from Rs. 30 crores last year. The Q4 adjusted EBITDA, adjusted for ESOP expenses, stood at a loss of Rs. 2.16 crores versus the loss of Rs. 13.5 crores last year. For FY 2019 adjusted EBITDA stood at a loss of Rs. 19.5 crores versus a loss of Rs. 25.7 crores last year.

Our traffic share amongst the real estate portals stood at around 52% during the quarter based on time spent as per SimilarWeb. And we continue to maintain our traffic leadership in all major markets.

Billings from the brokers and agents continue to inch up and cross-builder billings in FY 2019. Broker billings are around 52% of our total billings while builder billings are about 43% of our total billings. The proportion of billing from resale properties has been on increasing trend making the platform more comprehensive and vibrant. We will continue to invest aggressively in the 99acres business moving into FY 2020, as the evidence revival of the real estate segment and our competitors get more aggressive in the market.

Moving on to the Matrimonial business:

Billings in Jeevansathi for Q4 stood at Rs. 19.8 crores, a year-on-year growth of 11% on a base of Rs. 17.9 crores Q4 2017 - 2018. FY 2019 revenues and billings grew 5% year-on-year to Rs. 73.5 crores and Rs. 72.3 crores, respectively. Effective marketing spend during the quarter along with improved realizations helped higher sales growth in Q4. We are looking to consolidate our position as we penetrate deeper into our core markets in the matrimony business, especially in the north and west. We plan to spend considerably more on marketing across all our core markets as we move into FY 2020 to strengthen our brand presence and increase our profile acquisition rates.

Operating EBITDA losses in matrimony reduced to Rs. 5.8 crores in Q4 of FY 2019, down from a loss of Rs. 11.5 crores in Q4 of FY 2018. Losses in FY 2019, full year FY 2019 stood at Rs. 33.8 crores compared to a loss of Rs. 23.4 crores in FY 2018. Adjusted EBITDA loss stood at Rs. 5.6 crores in Q4 of FY 2019 versus a loss of Rs. 11.4 crores in Q4 of FY 2018. For FY 2019, as a whole, adjusted losses stood at Rs. 33.2 crores versus Rs. 22.7 crores in FY 2018.

Moving on to the Shiksha business:

In Shiksha, in Q4, billings grew by 5% year-on-year to Rs. 14.6 crores while revenue grew 14% year-on-year and reached Rs. 12.8 crores. FY 2019, billing and revenue grew 18% and 13% and stood at Rs. 49.2 crores and Rs. 48.9 crores, respectively. In Q4, we made an EBITDA profit of Rs. 63 lakhs, up 59% year-on-year. The FY 2019 profits stood at Rs. 90 lakhs versus a profit of Rs. 2.2 crores in FY 2018.

Adjusted EBITDA profit for the quarter stood at Rs. 90 lakhs, up from Rs. 70 lakhs last year. And adjusted EBITDA profit for FY 2019 stood at Rs. 1.9 crores, down from Rs. 3.7 crores last year.

We continue to sort of invest more in improving the site content and in building deep domain expertise. This will hopefully help us improve our response to our advertisers and build more going forward.

Moving on to our strategic investments:

Our investing companies continue to witness solid growth. Zomato concluded UAE business deal for approximately U. S. $170 million. The follow-up round of funding of U. S. %210 million from Alipay announced in November 2018 was also received in the last quarter. Zomato also received about $100 million of funding from Delivery Hero and few other investors during the quarter.

We also did follow-on rounds of investment in our investing companies, PolicyBazaar Rs. 413 crores, Meritnation, Shop-Kirana, Gramophone, Wishbook and ShoeKonnect. We also provisioned a few of our investments, including Rare Media, Vacation Labs, etc., during the year. And we continue to reevaluate new investment opportunities from time to time.

Thank you. That is all from us. And we are now ready to take any questions.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Ankur Rudra from CLSA. Please go ahead. Ankur Rudra from CLSA your line is unmuted. Please go ahead with your question.

Ankur Rudra: Just a question on the 99acres business. The billing growth here appears to have slowed down on a year-over-year basis from around 40% to 20%. Have you seen any impact on the business because of broader transitions in the real estate market? Or do you think this is the change in the momentum in the business?

Hitesh Oberoi: We saw good growth in H1 partly because H1 of last year was impacted due to RERA in key markets. So, the base for H1 was low. Growth has slowed down in H2, partly because base at H2 last year was higher, and what we have anecdotally in the market is that there are not enough new launches happening because the smaller builders are not able to raise funds very easily. But this is anecdotal. I think, we will have to wait and watch and see what happens in the next one quarter or two quarters before we can form an opinion on what is happening in the space.

Ankur Rudra: But this would be below trend growth from your perspective in terms of where the market penetration is?

Hitesh Oberoi: Yes. But we also had a great Q4 last year. So, this is on top of a great Q4 last year. Like I said, yes, I mean, we would expect to grow faster given market conditions. But we will have to wait for a quarter to see whether this is sort of a one-off or whether we can improve going forward.

Ankur Rudra: Okay. Just a question on iimjobs. Is this mainly to expand your focus areas beyond the experience level that the core brand focuses on and try and expand toward other segments?

Hitesh Oberoi: Yes. So, iimjobs is manageable. It is a great brand in the sort of premium sort of job seeker management sort of space. A lot of people who graduate from premiere institutions go to iimjobs to look for job. And then they have sort of executed well over the last few years. So, I think this will complement the offerings we have for our customers and will help us get a greater larger share of wallet from them in the long run.

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

Mayank Babla: Just wanted to know the latest number of builders and brokers that we have on board.

Hitesh Oberoi: So, in 99acres, we worked with close to about 19,000 brokers and about 5,000 builders last year. I do not have the exact number but that is the range broadly.

Mayank Babla: Around 5,000 builders, right?

Hitesh Oberoi: Yes.

Moderator: Thank you. The next question is from the line of Abhishek Joshi from CGS CIMB. Please go ahead.

Abhishek Joshi: Sir, if I can see your share of losses from joint ventures has increased significantly from Rs. 44 crores last year to Rs. 309 crores. So, what were the businesses which had majorly contributed to the losses this year?

Rajesh K Aggarwal: So, the Etechaces and Zomato for which we are following the equity method as per IndAS. So, our share of loans for those two businesses have increased.

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

Manish Adukia: Can you just provide an update on competition in all three verticals, real estate and Jeevansathi, please?

Hitesh Oberoi: Well, the competitors remain the same in the recruitment business, we compete with the likes of TimesJobs, Shine, Monster, Indeed, LinkedIn, a lot of startups. In the real estate, the main competition is from MagicBricks. There are smaller players in the market as well, like Housing and CommonFloor and at the lower end, we also have the Quikr's and OLX's of the world. And then, of course, there are all kinds of other startups. And in the matrimony space, the main competition is from Shaadi in the north and western part of the country and Bharat Matrimony in other parts of the country. So, the competitive situation is more or less what was last quarter. Yes, there are ups and downs, sometimes you have competition spending a little more than usual and then you respond. But broadly, the competitive landscape continues to be the same.

Manish Adukia: Right. And Hitesh in last quarter, for example, you had said that in the recruitment space you had said that competition was spending a fair bit on branding, etc., and that probably also led you to spend more in that space now. From a competitive behavior, especially coming from what Indeed is doing, are you seeing any impact of that on your traffic share? Or is there no impact there at all?

Hitesh Oberoi: See, obviously, when somebody is very aggressive, and especially if your share of voice is low, it does impact your traffic especially, in the period in which they are very active. But in the last three months or four months, we were a little more active as well, and we actually saw traffic share in jobs climb up. We, in fact, gained about 90 percentage points in the last four months. But prior to that, our competition was very aggressive. So, we lost a few percentage points as well. But what we have seen is that you sort oscillate within a certain range. But what you cannot do is sort of not respond to competition at all. So, if competition gets competitive activity, especially on the marketing front gets intense then you have to respond.

Manish Adukia: Right. And just last follow-up from me on this point, on 99acres, you mentioned MagicBricks as competition, but let us say they are #3 player I mean they also seem to be have been reasonably aggressive in terms of their spread, etc. So, what are you seeing from them in terms of the competition?

Hitesh Oberoi: Yes. You are right. We saw a lot more marketing activity from Housing in the second half of last year and in the last few months as well. But still a much smaller player in the overall scheme of things. Now if they decide to become even more aggressive going forward, we will see how to respond to that. One more thing sort of in the real estate space, we also compete with the Facebook's and Google's of the world because they also get a large share of the spend from some of the big developers. So, they are also in some way a competition. But we do not directly compete with them because they are not portals.

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

Mukul Garg: I just wanted to clarify, you mentioned that on the Naukri business, the EBITDA margin this quarter was 52.9%. Is this a correct number?

Hitesh Oberoi: Just one second. Yes, operating EBITDA margin in the recruitment segment was 52.9%, yes.

Mukul Garg: Right. So, if I look at...

Hitesh Oberoi: This is for entire recruitment segment, including Naukri plus Naukri Gulf plus Quadrangle plus everything else, yes.

Mukul Garg: Right. So, if I look at last six quarters or seven quarters, you guys have seen a margin correction from a peak of 59% to now almost 53%. And this is kind of a continuous trend. You have also highlighted that there is pressure on the kind of marketing spend from your peers. So, how should we see this stabilizing going forward? Is this something which should settle at this particular margin profile? Or is there a risk that continuing competition from Indeed might see further erosion in the margin profile?

Hitesh Oberoi: Well, this is not just competition we are also investing a lot, like I sort of said improving our platform, improving our user experience, building new products. We are creating new capability in machine learning, data science. We have been investing in the RMS sort of business for a while now. Now, all of this is OPEX. And of course, brand sort of activity also sort of moved up in the last six months. But we believe that we need to make these investments because these are important for the business to sort of remain strong in the long run. And yes, we need to grow our business at least 20% - 22% to sort of maintain margins going forward. And if that does not happen then margins could suffer in the short term. But hopefully, we will be a much stronger and bigger platform in the long run if these investments are successful.

Mukul Garg: Right. But you have any internal target that any particular margin profile is kind of a target, which you should not breach this 50% something which you do not see margins going below that number? And any thoughts on exactly how we should look at margin profile in the near to medium term?

Hitesh Oberoi: No, we do not have any such targets. And we are optimizing more for the long run than for next one quarter or two quarters.

Mukul Garg: Right. No, it was more in terms of how should we look for FY 2020 and FY 2021. Is it a one or two quarter kind of an event, the margin correction? Or do you think that the new investment will start paying off, maybe from second half onwards? Or will it take a little bit longer?

Hitesh Oberoi: So, the new investments we are making will continue. And they will only increase going forward. I do not know when they will sort of start paying off. So, that is hard for me to say. A lot will also depend on the state of the market. If hiring slows down, we could get impacted. On the other hand, if hiring picks up, irrespective of whether we made the investments or not, things could look up. So, it is very hard for me to predict what is going to happen on the revenue front and when these investments start paying off. But yes, the investments will only increase going forward.

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

Arya Sen: Could you give a bit of an update on PolicyBazaar, particularly revenue for this year, EBITDA, etc.?

Sanjeev Bikhchandani: So, we do not disclose this separately. It is not a subsidiary of us. So, we really are not in a position to disclose the data, but it is growing fast and it is a dominant market leader in its segment, insurance aggregation.

Arya Sen: And is it profitable?

Sanjeev Bikhchandani: No. It is not profitable.

Arya Sen: So, sorry, when you mentioned that the JV losses, one was Zomato and which was the second business? PolicyBazaar, is it?

Chintan Thakkar: Yes, ETechAces which is PolicyBazaar.

Arya Sen: Okay. Secondly, if you could talk about iimjobs revenue model.

Hitesh Oberoi: Revenue model is similar to Naukri, job listings and database access services mostly and some revenue from Jobseeker as well, very similar model to Naukri.

Arya Sen: Okay, understood. Also in terms of if I look at 99acres margins, it has actually been the losses have narrowed over the last two quarters - three quarters. So, is that a sustainable level? Or would you expect losses to increase again over the next two years? How do we look at it?

Hitesh Oberoi: See, we want to up our investment in this space, but it is very hard for me to predict what is going to happen. One, because on the revenue front, real estate is very topsy-turvy sort of industry. Every now and then, you have some, you think you are out of the world but there is some other issue. So, in the last three years - four years, we had RERA, demonetization, GST and now, we have this NBFC crisis. So, on the revenue front, it is very hard to predict what is going to happen. And on the cost side, we want there are some investment we have to make to sort of improve our product, improve our platform. Those, we will continue to make. And on the brands side, a lot will depend on competitive intensity like we were discussing earlier on the call. If housing decides to up its investment in the space once again then we will be forced to respond and so on. So, it is hard for me to say what the margin sort of profile could look like. It is well possible that we may sort of lose more money before we start making money in 99acres.

Arya Sen: Right. And then the narrowing of losses over the last three quarters is mainly a function of the fact that growth has picked up and competitive intensity has not sort of kept pace.

Hitesh Oberoi: Competitive intensity was moderate and yes, growth was good last year, which is why sort of losses narrowed a little bit.

Arya Sen: Right. And Jeevansathi again, the losses seem to have narrowed this quarter relative to the last two quarters. So, were the last two quarters an aberration? Or how do we look at it going forward?

Hitesh Oberoi: No. See in Jeevansathi also, the competitive intensity is very-very high. And so customer acquisition costs are going up and realizations are going down. The trend even in the matrimony space is more sort of competitive activity and therefore, while our growth rate may go up, but our losses are also likely to increase going forward in the medium term. Now there could be a quarter where we advertise less, somebody advertises more and losses may go down that quarter and they pick up in another quarter. But overall, it is likely that we will invest more in the business going forward.

Arya Sen: Sure. And just to reconfirm the numbers, last quarter, Jeevansathi was about Rs. 15 crores of loss. And this quarter, it is about...

Hitesh Oberoi: No, last quarter meaning Q3 or Q4?

Arya Sen: Q3 FY 2019.

Hitesh Oberoi: That is correct. It was around that.

Hitesh Oberoi: Yes. Q3, it was about Rs. 15 crores and this quarter, around Rs. 6 crores.

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

Mayank Babla: Sir, I was just wondering your views, a lot of our interactions and conference call lately suggest a slowdown in IT and IT enable services. Sir, I believe even this quarter, net additions have come down drastically compared to last year. So, what is your view on that?

Hitesh Oberoi: Well, IT was actually a growth driver for us last year. So, we are fairly well known in the IT markets. And our IT segment sort of grew faster than our non-IT segment. If things are going to change going forward, I really cannot comment on that right now. But so far, so good is all I can say.

Mayank Babla: Okay. And my second question would be while I understand you cannot give out numbers on PolicyBazaar, but I would like to know your views on the trends and latest updates on the online insurance space?

Sanjeev Bikhchandani: No, I think the market is large. You are seeing little insurance companies come in. I think, there is also movement happening on the non-insurance side of our business, which is Paisabazaar. So, all of that is looking good. Of course, PolicyBazaar has to determine how to deal with this online insurance companies and whether it is competition or whether it is collaboration or what is it. So, lots of moving parts, but the business is growing well.

Mayank Babla: Growing well, okay. And sir, my last question would be iimjobs, you had said that Rs. 16.6 crores were the revenue last year, right?

Hitesh Oberoi: Yes. That is correct.

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

Darpan Thakkar: Can you give some color on the employee additions, like roughly 300 employees have been added last year. Which segment these employees have been added? And similarly, on marketing spend, additional Rs. 60 crores of marketing spend, on which segment is the spend higher, some color on this?

Hitesh Oberoi: Employees are added in sort of almost all the business units and in almost all the departments. So, if we hire a tech product, data science, sales, customer service, support functions. I think we have added a few people, in every business, we added a few people, by and large. As far as the marketing spend is concerned, marketing spend again went up in all the businesses. So, we spent a lot more in marketing in Naukri as well this year over last year. Even in Jeevansathi and in 99acres, spends were higher than last year.

Darpan Thakkar: Okay. And somewhere you mention that Google and Facebook also contribute a higher revenue for real estate sector. So, any idea that how much of revenue these portals earn? And how much comes from Google and Facebook for the entire industry?

Hitesh Oberoi: So, they do not really reveal the numbers by category. But we know because we work with customers that a lot of these customers also spend a lot of money on Google and Facebook directly, especially the large ones. We do not know how much. But for the top 50 clients - 100 clients, it is fairly substantial. That is mostly on new home marketing.

Darpan Thakkar: Okay. So, that will be more than what they spend on portals?

Hitesh Oberoi: For the top 30 - 40 - 50 customers, that may be the case.

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

Gaurav Rateria: Hitesh, first question on iimjobs. You see overlap in client base or these are different set of clients and help you to expand the base of the clients?

Hitesh Oberoi: Yes. For Naukri, we sort of work with 75,000 - 80,000 customers of all shape and sizes all over the country. We have a sales team of about 700 people, and we have been working with these customers for years. At least, maybe 20% of these customers or 25% - 30% of these customers are fairly large customers. In the case of iimjobs, they have maybe 400 base customers right now. There is an overlap with the Naukri customer base. But there are some customers, a very few, of course, that are unique clients. So, the opportunity we see is, of course, on many fronts. One is, of course, we can grow the brand even further and get more job seekers under the umbrella of iimjobs, expand to more categories. And then, of course, on the sales side, we can hopefully take iimjobs to more customers, because we work with so many more customers than they do right now and over the next few years as well. So, we think, it really complements our sort of offerings and our value proposition to our customers. And recruit well, they can become a substantial sort of part of our portfolio over the next few years.

Gaurav Rateria: Sure. Second question, the billing growth slowdown, which happened in the 99acres, could you give us a color? Is it across all regions? Or is it specific to few regions? And also, a color, a cut across broker and builder segment?

Hitesh Oberoi: Sir, we do not give out so many details. But yes, basically what happened in the first half of the year was that in FY 2017 - FY 2018, thanks to the RERA rollout, a lot of new homes, sort of billings were impacted. In many markets, new home advertising slowed down considerably, right? So, the base was low. And in FY 2018 - FY 2019, that came back. So, we were able to grow substantially on that base. But if you look at absolute numbers, Q4 was fairly substantial. We billed Rs. 67 crores in Q4, which gives you an ARR of maybe Rs. 272 crores or so. But it is just that Q4 because RERA sort of the RERA sort of impacts are going away. And Q4 was a regular quarter last year. So, the base for Q4 for this year was high. So, new home growth sort of slowed down a little bit in Q4. Now, what will happen going forward is hard for me to say, just maybe with the new trend, going forward, we may grow at only 15% - 20%. On the other hand, if things look up once again, then we may grow faster.

Gaurav Rateria: But there is nothing to call out with respect to different segments or regions within that.

Hitesh Oberoi: We see some smaller markets were impacted because of delay RERA rollout in these markets. So, that some of the smaller geographies, including markets like Kolkata and a few other sort of states. But they are not a large part of our business. So, it is not as if we were severely impacted by delays. There are rollout in some of the smaller markets. But yes, so right now, there is nothing sort of we want to call out.

Gaurav Rateria: Sure, last question from me. The ad spends increased by roughly Rs. 60 crores in fiscal 2019. And you said that you will accelerate the pace of investment in fiscal 2020. Should we read that the incremental ad spends in fiscal 2020 should be even higher than fiscal 19? Is that the way to read it?

Hitesh Oberoi: Yes, it will most probably be higher than and it will be higher maybe in all the businesses. But the way we sort of go about this is we sort of review things every quarter. So, it is not as if we are working on a budget for the year. We sort of make our investments, see impact on those investments. If they work for us, then we sort of up their investment. If they do not, we go back to the drawing board and sort of plan once again. But yes, in general, we expect marketing spend to sort of go up this year as well.

Gaurav Rateria: I was referring to the incremental spend. So, Rs. 60 crore was the incremental spend, that Rs. 60 crore number should be even higher this year.

Hitesh Oberoi: Yes.

Moderator: Thank you. The next question is from the line of Abhishek Joshi from CGS CIMB. Please go ahead.

Abhishek Joshi: My question is regarding Zomato and especially the food aggregator industry. So, in what kind of phase the food aggregator industry is in? Is it like very competitive right now? Or we are seeing consolidation between two or three major players like Swiggy, Uber Eats and Zomato? And especially Zomato has been so aggressive in its marketing in last few months. Is it because we are losing market share or something?

Sanjeev Bikhchandani: No. Actually, as a consequence of its push, Zomato is possibly either maintaining or increasing market share. There is no announcement to be made on consolidation at the moment. There are no announcement to be made in consolidation at the moment. There are no talks going on that we know of. There was some media reports that Swiggy and Uber Eats are consolidating, but then there was further the media reports that is off. But we do not have any inside information about that. So, as of now, it looks like the 3 companies will stay independent and will continue pursue their strategies. Zomato's strategy is to push for growth.

Abhishek Joshi: No, sorry. My question was that like is there immense competition you are facing in this industry? Or is the market spend going to go on decreasing because of the satisfaction of the present three players of their market share right now?

Sanjeev Bikhchandani: So, I think, there is competition. All players are well funded. The market is growing really fast. So, companies grow really fast. But I do not see in the immediate term a reduction of expenditure of the companies that are in the space.

Moderator: Thank you. The next question is from the line of Prince Poddar from JM Financial. Please go ahead.

Prince Poddar: Just some questions from my side. I see 99acres, we have seen this trend of Internet or digital penetration increasing significantly in the last five years. My question is pertaining to the fact that as opposed to the portals or as opposed to Google and Facebook, do we anecdotally have any sense from builders or developers that they might have a better ROI from portals like 99acres and MagicBricks? Or is it too early to worry about it?

Hitesh Oberoi: So, see, builders have been using Google, Facebook for a long time. It is not as if they have just started using Google and Facebook. And I sense that they are using Google and Facebook because they work well for sort of developers. See, the truth is that when developers advertise their properties today on portals like 99acres and MagicBricks, it is not as if they are able to sort of get enough leads to sell all their sort of properties quickly. So, they spend that net wide. And Google and Facebook also have a lot of traffic. So, they probably sort of work for them, for some of the developers, at least, in some markets. So, it is not as if it is an either/or situation right now for them. It is just that property is hard to sell. Today, there are not enough buyers in the market. And therefore, they are sort of trying to sort of get leads from whatever they can. Our, of course, effort is to continue improve the user experience in our platform for buyers and sellers both so that we are getting more traffic going forward so that we can generate more leads to for our customers from our platform itself.

Prince Poddar: A follow-on on that, Hitesh. What do you think has been the role of channel partners in this regard in the past three years - four years? And probably going forward, how those players can change the game for the industry?

Hitesh Oberoi: Actually we love channel partners because see, channel partners unlike we work with 5,000 developers and about 20,000 brokers. Channel partners are a large part of our business. In markets like Delhi NCR for example, builders do not often sell direct. They sell only through general partners, right? So, while in the markets like Bengaluru, our builders go direct as well. The thing about with these channel partners is that they are sort of in the business for the long run and they sell multiple projects. So, when you go to one partner, you will start with them well you can get a lot of business from them over time. And often what happens is that because they are selling multiple projects, the least they get, they are able to convert them better. So, the ROI for them is pretty solid. So, every market is different, and every builder thinks a little differently. The very large builders, maybe it does make sense for them to sell direct and to sort of also sell through general partners. But the small and medium sized builders often go only through channel partners. So, a large part of our business comes from channel partners. And that is good.

Prince Poddar: Okay. And just one last thing, Hitesh. Anecdotally I have heard that channel partners are able to charge higher to builders probably for the reason that they take all the stress on themselves. Is it a case that we, as a portal, are also able to probably charge them higher or better relation from channel partners as opposed to builders and directors directly? Or is it not the case?

Hitesh Oberoi: I do not understand the question. Can you repeat it, sorry?

Prince Poddar: Basically, anecdotally, I have heard that channel partners are able to charge builders and developers higher than probably what these guys pay to other portals or other means of converting the leads. So, when we, as 99acres, what we charge to channel partners, is it higher than probably other of our clients?

Hitesh Oberoi: See, channel partners charge builders more than what portals charge builders because they provide an end-to-end service. So, they are actually in the broking business. So, they are not only source leads for them. They also convert those leads, organize site visits, negotiate, do the paperwork and so on and so forth. So, they charge for that service, and it is a transaction model. And that is why builders pay them more because they are paying not just for the lead, but also for closure. So, we would not charge. See, we are on a model where we are sort of selling space on our site, we are selling listings on our platform, we are selling leads and so on. So, irrespective of whoever sort of buys those leads from us, we charge the same.

Moderator: Thank you. The next question is from the line of Ravi Menon from Elara Capital. Please go ahead.

Ravi Menon: So, your advertising spend has pretty much doubled over from FY 2017 to FY 2019. So, just wondering, should we think about the same sort of quantum of increase in absolute terms, I would say, at least, the next year? So, should we see FY 2018 to FY 2019 kind of increase again or FY 2020?

Hitesh Oberoi: We expect our FY 2020 spends to be higher than our FY 2019 spends in all our verticals. But like I said earlier on the call, it is not as if we have a budget in mind. It is not as if we have a goal that is what we have to spend on marketing this year. We sort of review performance quarter-on-quarter. And if anything, our marketing spend in a quarter we look at the kind of impact we got from that spend and then we fine tune our plans going forward. But yes, the general sort of feeling right now is that our marketing spend in this year will be higher than the previous year.

Ravi Menon: Right. And this whole advertising, promotional expenses, if we were to think about it across your various divisions, approximate breakup, would it be possible to provide that?

Hitesh Oberoi: No. We do not sort of give out these numbers by segments.

Ravi Menon: Okay, thank you. And one more thing 99acres, you are talking about in sort of regional trends in the pickup that you have seen over this year? That will be helpful.

Hitesh Oberoi: Sorry, could you just repeat that?

Ravi Menon: The pickup that we have seen in 99acres over this year, any regional trends to that?

Hitesh Oberoi: Regional trend, okay. So, we saw regionally good growth everywhere. Like I was saying, on the call, some smaller markets were impacted because of the delay in RERA rollout. But they are a small part of our business. But otherwise, we saw reasonably good growth almost in every region.

Ravi Menon: Right, thank you. And lastly, you are saying it will be probably tough to hold on to the margins unless you see, (20%) kind of growth. But given where your recruitment business seems to heading into and we have seen 99 Acres also grow pretty well, so that sustains. Do you think that you can hold on to the margins or possibly even improve this?

Hitesh Oberoi: Well, a lot will depend on, like I was saying earlier, competitive activity and a lot will depend on whether we are happy with the investments we are making. So, if we sort of start getting good results, or if we see an opportunity to sort of do more because that is going to help the business in the long run, we will not shy away from making those investments.

Ravi Menon: Okay. And this would be primarily more, like you said, people and product innovation? Or would this be more advertising and promotions?

Hitesh Oberoi: Both.

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

Hitesh Oberoi: Well, thank you, everyone for taking time out for this call. And have a great 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.