



## “Info Edge (India) Limited Conference Call”

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**Moderator**

Ladies and gentlemen good day and welcome to the Q3 Results Conference Call of Info Edge (India) Limited. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing '\*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Hitesh Oberoi. Thank you. And over to you, sir.

**Hitesh Oberoi:**

Good evening and a very happy new year to all of you. We welcome you to our third quarter results conference call. I will first talk you through our quarterly financial highlights for the company on a standalone basis, after that we will get into the main businesses and cover them in a little more detail, and finally, we will give you a brief outlook for each business going forward and take Q&A after that. Before I start all our results and financial statements are available on infoedge.in.

For the company on a standalone basis net sales in Q3 were Rs. 92 crores versus Rs. 75 crores in the same quarter last year, an increase of about 22%. Sequentially sales were flat. For Q3 operating EBITDA was at 35 crores, up 26% year-on-year and 5% quarter-on-quarter. Operating EBITDA margins was at 38% versus 37% in the same quarter last year. PAT was at 29 crores versus 22 crores in Q3 last year, an increase of over 32%. Operating PAT was at 22.5 crores, up 32% year-on-year. And operating PAT margins was at 24.5% versus 22.6% in the same quarter last year. Clearly the operating leverage is playing out on the positive side as growth sustains. Deferred sales revenue increased to 92.4 crores as of December 31 versus Rs. 91.7 crores on September 30<sup>th</sup>. Year-on-year it is still up 34%.

A word of caution here. While business is still growing the growth rate is coming down gradually. There is deceleration in the Recruitment market and we are very cautious in this environment about Q4 and a couple of quarters after that as well.

Moving on to the Recruitment business, in Q3, Recruitment top-line grew 20% to Rs. 75 crores. Naukri corporate sales grew by about 23%, quadrangle sales declined by 20%, EBITDA margins in Recruitment were at 50.6% versus 47% in Q3 last year, in Naukri EBITDA margin was at 56% up from 54% in Q3 last year.

In Naukri, during the quarter we added an average of 10,500 fresh CVs everyday and the Naukri database grew to over 28 million CVs. Traditionally the number of CVs we add in Q3 is always lower because of the festival season. CV modification were at 86,000 down from 98,000 per day in Q2, again due to the holiday season, but up from last year. The Naukri JobSpeak Index reached 1203 in November but declined to 1072 in December. It has been above 1000 since February 2011 indicating sustained demand. In the nine months till December we serviced 38,700 unique clients versus 35,000 clients in the same period last year.

Moving on to the Real Estate business, 99acres had a fantastic quarter. Growth has been very, very encouraging despite slowdown in the market. Topline was up 50% year-on-year in Q3. In Q3 99acres made a small profit of about 50 lakhs which is very encouraging. While the Real Estate sector continues to be impacted because of higher interest rates and the slowdown in the economy and transaction volumes have been low, and project launches have been delayed especially in the NCR region we continue to do well as we penetrate the market more and more. Strategically, we want to keep investing in this business. We are building up a leadership in various markets and if we execute well this business could become very, very big in the years to come.

Jeevansathi on an average quarter. Net sales grew by 14% in Q3 year-on-year, Shiksha sales grew by 52% and ACD closed 492 sales transactions in Q3 versus 370 sales transactions in Q2.

Moving on to investee companies – All the six external investee companies put together have in the nine months done a top-line of about 35 crores and incurred EBITDA losses of around 35 crores as well. These are unaudited management estimates. We will know the status (of associate vs subsidiary) with regards to these companies in Q4. Our current estimate is that our share of the loss at the post-tax level, for the full financial year, would be about Rs 30 crores in all the six investee companies put together, excluding allcheckdeals. No additional commitments were made during Q3. Of course, our investment companies continue to grow and may need further funding going forward which will evaluate from time-to-time.

To summarize, while sales continue to grow, there is a slowdown in the marketplace. As a result of which sales growth is slowing down gradually. Advances of collections from customers in Naukri grew in Q3 year-on-year but the rate of growth has slipped. We are very happy with the progress being made in the Real Estate business. 99acres continues to do very well. Margins have been improving in Naukri showing a healthy operating leverage. Going forward we continue to be cautious about Q4. We plan to up our Ad spends in Q4. We plan to take some brands to television and we take it as it comes. Thank you very much. We can now take questions.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may kindly press '\*' and '1' on your touchtone telephone. If you wish to remove yourself from the question queue you may press '\*' and '2.' Participants are requested to use only handsets while asking a question. The first question is from the line of Anand B from Spark Capital. Please go ahead.

**Anand B:** Just one question. Last quarter you had indicated that comScore had changed the traffic share methodology from panel towards adding methodology. So just wanted to understand what are the implications of this on the various verticals of Info Edge as regards traffic share?

- Hitesh Oberoi:** We are still figuring out the implications because as things stand today some of the sites are on a panel system and some are on the tagging system. So the data is not really comparable across the sites especially real estate.
- Moderator:** Thank you. The next question is from Yogesh from Anand Rathi. Please go ahead.
- Yogesh:** I needed a bit of perspective on the growth in the Recruitment business. So while the YoY growth has slowed down in this quarter but several of the indicators in terms of the JobSpeak Index or deferred revenues, there the trend seems to be quite strong. So needed some more thought or your color on this thing.
- Hitesh Oberoi:** What we are seeing in the market is that companies continue to hire. It is just that the rate of hiring and the pace of hiring have slowed down. It is not a recession like it was in 2008 and 2009. And therefore, what we are seeing is that almost every customer is buying our products, they are renewing, what has taken a beating are the higher end products which is there in the market to some extent. So some very big customers are buying, are paying us a little less than they were paying us last year. In many cases customers are not upgrading like they used to. So that is what has taken a beating to some extent. Of course, almost everybody continues to use our regular products like database access services and job postings which is why the JobSpeak Index is still healthy.
- Yogesh:** And especially we are talking about the IT sector. So we have seen the IT companies mainly they reiterated their hiring plans. So whether this particular segment has been doing fine?
- Hitesh Oberoi:** Yes, especially in the first half of this year we saw good growth from our IT customers, sectors, markets like Bengaluru, Pune and Chennai did very well for us. Q3, there was a slowdown even in IT. Even IT companies were sort of a bit cautious about hiring in Q3. Let us see what happens going forward. It is too early to say.
- Yogesh:** And secondly, how our market share in some of our key businesses have moved especially the Recruitment over the last quarter?
- Hitesh Oberoi:** So our traffic share in Naukri has been hovering around 60% mark for a long time now. So neither we moving up nor are we going down. So we seem to be stabilizing at about 60%, but I think the slowdown to be an opportunity for us to gain share in this market because like we saw in the previous slowdown, before while we went into the slowdown our traffic share was 48% when we came out was 60%. That was a recession. So, if there is a slowdown and if competition gets hurt more than we get hurt it will be an opportunity for us this time around.
- Yogesh:** And finally, if Sanjeev is around, my question is regarding the new investments. So I believe you have total committed investment of about 125 crores. So any color or guidance of what sort of investments we could see over the next 12 months, additional investments over and above those committed?

- Sanjeev Bhikchandani:** Nothing really in the pipeline right now that we are extremely bullish on, as valuations have climbed in the private investment market in the internet space. We got a little cautious because we want to get a high bar and make sure that in a frothy probably we do not do any large sort of investment which subsequently we have problem with. Having said that there would be further money going into our current investee companies. We have to support them in the next rounds. Even if we do not all the investments we have to co-invest. Now, I would imagine our over the next 6 to 9 months maybe our current investments will absorb another maybe 30, 40 crores from us and other than that we keep looking at new companies but there is nothing in the pipeline right now. But having said that if we see anything good we will still do it. But we sense that the across in the eCommerce valuations, those valuations have peaked and in fact they are coming off a bit.
- Moderator:** Thank you. The next question is from Radhika Merwin from PUG Securities. Please go ahead.
- Radhika Merwin:** Just a couple of thoughts broadly on the Recruitment business and you were mentioning pace of growth coming off and it is not comparable to say what we faced during the recession. So is there a ballpark growth number that we can look forward to in FY13 considering what you are looking at a market right now?
- Hitesh Oberoi:** What we have seen over the years is that growth in Naukri often depends on how fast the economy grows. If the Indian economy starts growing at 8% once again next year then we can expect healthy growth. On the other hand if we have only 6% growth then it will be very different numbers. So I guess it will depend to a large extent on how the economy does going forward.
- Radhika Merwin:** But do you see a chance of decline as we saw in 2010 or do we see the 20% growth probably coming off a few basis points here and there and that is where it will stabilize for the year ahead?
- Hitesh Oberoi:** So in 2008 what happened was that the economy fell off a cliff. From 9% or 8.5% GDP growth we went to maybe 6% in one quarter. So that does not seem to be happening. In fact, it is still very difficult to hire people. Good people are very hard to find. If we speak to companies attrition rates have come off a little bit but they are still high. Unless something happens in Europe I do not see that scenario playing itself again. I think if the economy continues to grow 7, 7.5% we will continue to grow maybe not a 30%, 40% but less than that. On the other hand if the economy starts growing at 8%, once again then our growth could look very healthy. Very difficult to say what the economy will grow going forward.
- Radhika Merwin:** On the margin front, especially in the Recruitment business considering that this growth kind of tapers off what are the comfortable margins we are looking at going forward?
- Hitesh Oberoi:** Like I said in the last slowdown we gain about 12 percentage points in terms of traffic share. So slowdowns for us are an opportunity to gain share and to cement our position in the marketplace. So this is not a very serious slowdown, we would want to continue to invest in

our businesses whether it is 99acres or in Jeevansathi or in Naukri. So margins could come off a little bit if we do not grow more than 20%. But if we grow at 20% plus then maybe margins will not get impacted. But if we grow at 11-20 then margins could come off a bit going forward.

**Radhika Merwin:** I just want to get some thought on 99acres. We have seen excellent growth there in spite of macro headwinds we have been discussing recently. So what is really driving this growth and how sustainable is this? And also on the operational front as you mentioned you have done a 50 lakh profit, is it sustainable going forward to see this come off in the coming quarters in a combination like this?

**Hitesh Oberoi:** So the Real Estate market is actually very, very big. In fact, by all indications it is much bigger than jobs and we are very, very underpenetrated in this market. So there are two markets here which we target through the site; one is that the market for branded real estate which is basically new houses being sold, new projects get launched and they are marketed and some of these builders use our site to market these projects, and the market for secondary sales or rentals and so on. In our estimate there are at least 200,000 dealers who operate in the Real Estate market in addition to maybe a few thousand builders. Our effort is to get all these people to do business online, to try and sell their houses and all their inventory through our site. What is happening right now is that we are now because of our sales effort we are able to get a lot of these dealers to use our site and that is why business is growing rapidly. At last count we had maybe close to 10,000 dealers on our site and the market like I said is 200,000 dealers. So there is a lot of scope here for us. We can continue to sort of add customers for many years. And therefore, it is possible that even if there is a slowdown in the Real Estate we will continue to grow our business at a healthy rate. Of course, if there is a crash then it is a different story. But if the market continues to be slow but still there are some transactions taking place we expect the business to grow healthy in the Real Estate.

**Radhika Merwin:** And on a very long-term perspective when can we really expect 99acres to be a significant portion of our business both on the top-line and earnings? Just a thought. Are we looking at a time span say four years or something that the management has put their thought process .

**Hitesh Oberoi:** We are growing at 50% right now. So if we continue to grow at 50% for the next three or four years it will be a big business very soon. But if for some reason there is a crash in the market or if we are not able to execute and growth slows down then of course it will take a much longer time.

**Ambarish Raghuvanshi:** So right now it contributes about 7% of the top-line for the company. So over the next three to four years with this sort of momentum and with these kind of growth rate you could look at maybe it is contributing maybe 10%, maybe even 15% over the next three to five years. But the important thing is that Naukri which is the biggest vertical continues to once growth comes back in the economy it is going to go back to high growth. So, Naukri will continue to be the

dominant business for several years. But 99acres certainly looks like the next more sort of attractive business both in terms of top-line and bottom-line.

**Radhika Merwin:** Just very last one if I can squeeze in, on the valuation which you touched upon, there is broaden trends on the internet space what is your sense, are we looking at another bubble burst in terms of valuations really spreads or just want to know your sense as you are seeing it right now the Indian landscape?

**Ambarish Raghuvanshi:** Are you referring to the valuations in the listed market for the listed companies or you are talking about the private market?

**Radhika Merwin:** Both probably, but yes, primarily on the listed space.

**Hitesh Oberoi:** The long-term story for internet companies is very strong. Because at the end of the day we have just 100 million people who are online and only 40 million use internet on a regular basis. China has 500 million internet users. If the Government of India is able to roll out broadband in an effective manner and if Smartphone prices continue to fall, Tablet prices continue to fall, and if becomes cheaper and cheaper for people to access the internet then it is possible that in the next five years we will have 300, 400, 500 million people on the internet. So it will depend what shape and form the internet economy takes. If that were to happen I would say valuations even today are not very high, but on the other hand we are at maybe 150 million internet users in three years or five years then of course it looks high today.

**Moderator:** Thank you. The next question is from Sonam Gulathi from VC Circle. Please go ahead.

**Sonam Gulathi:** I just want to know that Info Edge is investing in a lot of eCommerce companies for the last year. But this quarter has been quite dull. So what are you plans for the coming year, any specific interest for investing in the eCommerce sector?

**Sanjeev Bikhchandani:** Actually, we just invested in one eCommerce company which is 99Labels and like I answered earlier we have done a total of six investments in three years and we have been cautious in the last six months as valuations have skyrocketed in the private market. We also feel the need to support our current companies for their further rounds of investment as and when they require it. So we will continue to set the bar for quality high. And we have no announcements to make at the moment on any refresh investment in the pipeline. But I expect 30 to 40 crores will go into current companies further from us in the next 9 to 12 months. And should any really good deal come along the new company we will look at it.

**Sonam Gulathi:** Any specific sectors that you are looking at?

**Sanjeev Bikhchandani:** Not really. We look at ideas that bubble up and come to us and we have not targeted any sector where we are saying we need invest here and go after the company now.

**Moderator:** Thank you. The next question is from Ajay Nandanwar from UBS.

- Ajay Nandanwar:** A couple of questions; your revenue booking has improved quarter-on-quarter which seem sort of counterintuitive. I am just taking revenue and differential in the deferred sales. What is driving Q-on-Q growth in this?
- Hitesh Oberoi:** I did not get your question. Revenue booking, net sales sort of flattish.
- Sudhir Bhargava:** Ajay, you are referring to deferred sales.?
- Ajay Nandanwar:** Yeah, deferred sales have actually gone up quarter-on-quarter.
- Sudhir Bhargava:** As we said there is still growth, right but the rate of growth has slowed down. So that is what is contributing to the increase in deferred sales.
- Ajay Nandanwar:** Is there any seasonality in bookings that for any particular quarter that is stronger especially because budgets get done in March, etc. do you expect that March could be – because that is what I have seen historically March is typically stronger quarter than –
- Hitesh Oberoi:** Normally, in a growing economy Q4 is the best quarter. So if the economy continues to be healthy in Q4, then it should be a best quarter. But if that slowdown continues and if the economy slows down even further then we do not know what is going to happen.
- Ajay Nandanwar:** Within that any pockets, any verticals where you are seeing robustness or we are seeing slowdown?
- Hitesh Oberoi:** So if you look at the last nine months within the jobs verticals some sectors did badly, sectors like Insurance, Telecom, Financial Services, Infra companies, while IT companies were by and large okay. But in the last slowdown when there was a real slowdown almost every sector got impacted.
- Ajay Nandanwar:** And 99acres what has been your sort of Y-o-Y growth? You mentioned about 50%?
- Hitesh Oberoi:** 50%, yes.
- Ajay Nandanwar:** How is cost growing in that in terms of employee base or advertising cost?
- Hitesh Oberoi:** So 99acres made a profit of 50 lakhs last quarter.
- Ambarish Raghuvanshi:** We are continuing to invest in both brand as well as in terms of augmenting the team there. So cost will continue to go up because we believe in the long-term potential of this business. Revenues are something which can be volatile and quarter-to-quarter cost again will be volatile depending on whether you are in TV in a particular quarter or you are not. So in Q2, we were on television which led to a small loss. In Q3, we were not on television but revenues also continued to scale up. So, rather than looking at it on a quarter-to-quarter basis 99acres I would look at it on an annual basis. The underlying theme is that we are continuing to invest. We

believe that we have a good market position. It will continue to sort of improve. And I think the margins will be a derived figure and quarter-to-quarter they will be volatile but I think from a directional perspective it seems to be improving.

**Sanjeev Bhikchandani:** Fundamentally, the cost structures of 99acres are not very different from Naukri. There is a branding expenditure, there is product and technology, there are servers and there are B2B fields in force and there was also telecalling team. So in the long run after you reached critical mass if the growth continues you can expect similar kind of margins structures as Naukri. But that will depend on how large the business gets.

**Ajay Nandanwar:** Your sort of revenue per paying customer are vastly different between the two, right?.

**Sanjeev Bhikchandani:** That is correct. However, even in Naukri we pulled this number up over the years as we introduced new products and managed to raise prices and so on and so forth. Right now, in 99acres we are in a state where we want to penetrate the market and therefore while may raise prices a bit or we may reduce discounts a bit, fundamentally, the primary effort is to get more and more people who are in the business that is builder, broker, developer to use the site.

**Ajay Nandanwar:** Also, you mention that last sort of a chance for you to gain market share over your competitors. Now, this time around are you seeing any let up from the competitors which will allow you to fill the gap?

**Ambarish Raghuvanshi:** Are you referring to 99acres specifically or to all our businesses?

**Ajay Nandanwar:** To all your businesses, sir.

**Hitesh Oberoi:** So I think in general when the market slows down competition does tend to get hit a little more than us. And therefore it is an opportunity for us to further sort of consolidate our leadership position and that would be intent to do this time around as well, the verticals we operate in. So which is why I said, if the market slows down our margins may come up a little bit but we will continue to invest in our businesses.

**Ajay Nandanwar:** Sir, last time from what I understand I think your competitors were under-investing whether it be advertising or field sales force. Are you seeing that sort of a behavior from your competitors this time around as well?

**Hitesh Oberoi:** It is little difficult to say at this point in time but our belief is that our competitive position is improving every quarter.

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

**Miten Lathia:** Of the non-database revenue in Naukri, how much in your assessment by past observation is sort of your discretionary and how much is sort of corporates taking campaigns in a regular

basis? What do you think is a base level of recurring revenues on the non-database access product?

**Hitesh Oberoi:** We do not give a breakup of our revenues but in the last meltdown if you remember in the worst quarter we were down about 30%-odd or so on collections. But that was a terrible period. Right now we are still growing. And what has also changed in the last one or two years is that our penetration amongst non-IT clients is increasing. So, most of these companies are spending a fraction of their total budgets online three or four or five years ago, now they are spending a lot more than that.

**Hiten Lathia:** In the last downturn it was very severe, did you see a decline in the database revenues as well or was it only on display side?

**Hitesh Oberoi:** No, we saw a decline even on the database side, because many customers shutdown, some companies instead of buying five licenses bought two licenses. When the last slowdown happened companies just stopped hiring for almost six to nine months and in fact, many companies laid off people.

**Ambarish Raghuvanshi:** In the last slowdown, Nitin, it cut across all the product categories but clearly, the maximum impact was on branding product which is 'home page' product like panels or links or logos and so on. So, that is a space which has a highest beta relative to the economy. So, even now if there is any slowdown it is because people are trading down to some extent on branding solutions. So when you are referring to non-database product the listing products will do still okay, it is the branding products which get impacted. And to some extent in the last slowdown there was price pressure. This time there is not that much of price pressure because it is a linear sort of slowdown from 8.5% to 6.5% or 7%. Last time it fell off the cliff and therefore there was panic and that led to huge pricing pressure, that is not what we are seeing this time around.

**Moderator:** Thank you. The next question is from Ankur Rudra from Ambit Capital. Please go ahead.

**Ankur Rudra:** On the A&P line I notice it came off a bit this quarter could you break that up into maybe first is how much of this was seasonal versus how much was sort of preplanned because you did not want to be on TV as much this quarter versus last season, caution from your side as you saw the economy regress?

**Hitesh Oberoi:** Normally, we do not advertise in Q3 on TV. So therefore, what you should compare Q3 expenditure is to Q3 expenditure last year on advertising I think that is up substantially.

**Ankur Rudra:** But if I remove that seasonality, was there any extra caution from you side this time?

**Hitesh Oberoi:** No, we are not being cautious about advertising. We think this is an opportunity for us to build are brands cheap because our competition is not advertising right now.

**Ankur Rudra:** In terms of the wage we should think about advertising going forward ?

- Hitesh Oberoi:** In Q4, certainly, advertising expenses will go up.
- Ankur Rudra:** Understand. But more from a 1 year, 1.5 year perspective, we get two scenarios where one is 6% GDP versus 7-8%. How would the two A&P scenarios play out, how would you think about them?
- Sudhir Bhargava:** I think we will continue to invest.
- Sanjeev Bikhchandani:** No, it is like this. If competition cuts back its advertising 80% and we cut back 20%, it is a share of voice things, right? So it is not improving your share of voice so that your message reaches, outshouts the competition by a wide margin. So it is possible to actually reduce advertising expenditure but still get a same GRPs because you are buying at cheaper rates and your share of voice is going up. So it is a pretty dynamic thing, independent of what competition does we will figure out quarter-to-quarter.
- Ankur Rudra:** Just last point on that, do you think competition is better capitalized this time than last time?
- Sanjeev Bikhchandani:** I think everybody is better off this time than last time simply because the hiring has not frozen and companies are not laying off people. But having said that the companies get cautious on spending money which they are, then they are likely to if somebody is using one jobsite they might use to and then we are unlikely to be the one that is cut off. We will probably get cut off last. So if you look at the position of Naukri and the Recruitment teams of many companies it has become almost like utility, it has to be like electricity or air-conditioning that one of the last things to be cut off because you cannot function without that.
- Ankur Rudra:** Another query addendum to that was also is your competition in the listing business as opposed to the companies do you think they are better capitalized to also hold on their A&P spending, that is sort of the relative to last downturn.
- Hitesh Oberoi:** If you see even this year our competition has not been spending a terrible amount of money except for the Times of India Group where they can advertise in their own paper and they do not have to really pay for it, Monster has not been advertising a lot, Shaadi has not been advertising a lot in the matrimonial space, some of the competitors in the real estate space have not been advertising too much. So we believe we have an advantage with respect to our competitors in this regard. One, because our businesses are doing better and two, we are very well capitalized. So like I said earlier if there is a slowdown we would want to use this opportunity to consolidate and increase our share in all the categories we operate in this time around. So therefore, our advertising expenditure may continue to go up even if there is a slowdown, unless there is a crash. Like Sanjeev mentioned there is a crash and if the economy growth goes down to 6% and everyone stops advertising and then even with the current spend we will have large share of voice.
- Moderator:** Thank you. The next question is from Srinivas S from RBS Equities. Please go ahead.

- Srinivas S:** The first question pertains to the collections in cash which you have seen across the company. So just wondering whether was there any kind of trend change during the quarter like for instance, overall through the quarter either is taking a turn for either the positive or negative in a big way?
- Hitesh Oberoi:** Collections growth did slow down in Q3 compared to Q2.
- Srinivas S:** But would you say that trend was kind of uniform through the quarter or do you see any improvement or deterioration like say towards the end of the quarter?
- Hitesh Oberoi:** What happens in our system is that we have a quarterly sales target for our sales people and often sales people close a lot of sales in October-November but collect in December. So it will be very difficult for me to tell you whether October was better than November and November was better than December it is hard for us to tell you.
- Srinivas S:** And relative to your expectation how was it ? Like last time you did mention that it was a little below your expectations in September but how would you take it based on the environment which you had assessed like during the quarter ?
- Hitesh Oberoi:** We were very happy with 99acres because I think in a difficult market they have done very well. In Naukri we were prepared, we knew that the market was slowing down. Of course, we did not meet our internal target. We sort of came in lower. But it was not as bad as it could have been also. So on the whole Naukri was I would say we were okay with the performance and 99acres we were very happy.
- Srinivas S:** And the second question is like particularly on the IT sector -- I might be repeating an earlier question but joined in a little late, so I should apologize if I repeat -- on the IT sector how are you seeing the trend change, has it changed for the better or the worse in the last one quarter or so in terms of the recruiting pattern and the revenues?
- Hitesh Oberoi:** Even in IT we saw a slight slow down compared to the first half of this year.
- Srinivas S:** And the second question is on the VC investments, as Sanjeev also earlier pointed out that the market for VC Capital is kind of overheating at this stage. So particularly for your eCommerce companies like for example, either 99Labels or MyDala, would you say that compared to when you invested in these companies are the chances better for these companies to kind of emerge as winners or how would you say that because of the kind of fund infusion which is happening it is getting tougher to compete in the marketplace as such?
- Sanjeev Bikhchandani:** First of all, in my view the valuations of eCommerce companies peaked a while back, in fact, they are coming off now. And I believe at least some eCommerce companies will have a challenge getting the next round of funding. As far as we are concerned we believe our companies are going as per plan, in fact if competition does not get funding it is actually good for the eCommerce sector, companies that stay in there simply because there will be more

rational commercial practices where people will not sell below variable cost, will try and make a profit. And as far as we are concerned we support that kind of thinking in our companies and we would continue to support our companies.

**Srinivas S:** And on Jeevansathi, just wondering there was a fairly good increase in the realization per transaction. So was that through a price increase you have taken or is there any kind of seasonal element to it in terms of the way consumers use the site?

**Hitesh Oberoi:** We took a small increase in prices.

**Srinivas S:** And finally, just if you could highlight how many transactions happen through AllCheckDeals during this quarter?

**Hitesh Oberoi:** I think I gave out that number. 492.

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

**Ankit Kedia:** Just wanted to know one on the recruitment business side, how the head hunter section is doing because there was de-growth by 20% during the quarter, are we seeing de-growth from that section as well?

**Hitesh Oberoi:** In Q3 it was about 28%. We just tell you the Q2 figure. I do not think it will be vastly different. It will be around the same number.

**Ankit Kedia:** Quadrangle has degrown so much which is in the same line of business. So if we exclude the head under section the recruitment firm themselves then how is the growth in the business?

**Ambarish Raghuvanshi:** It was 27% in Q2 and the Quadrangle position is very different from what is affecting the entire search firm market. Quadrangle has had a problem with one or two clients. That is not necessarily true of the entire search or the head hunting industry. The industry is dependent on what is happening in the underlying economy. It is not just dependent on one client. Quadrangle had an issue over the last nine to 12 months with a particular client which has led to this sort of deceleration in its activity level.

**Ankit Kedia:** My next question is regarding our headcount. We continue to recruit. I just wanted to know what will be the bifurcation of headcount in recruitment services business and non-recruitment services business?

**Hitesh Oberoi:** We do not give out the number. But between 99acres, Jeevansathi, Shiksha, ACD, etc. we will have I think maybe close to 800, 900 people.

**Ambarish Raghuvanshi:** So clearly, a lot of the ramp-up in headcount has been in on recruitment.

**Ankit Kedia:** Let me put it the other way. 99acres still we have not reached a top 100 or top 50 cities, and the model is same like Naukri where we need feet on street. So going forward if we have to grow on 99acres business would not we need to recruit more on that front?

**Hitesh Oberoi:** You are right, absolutely. One business where we added a lot of headcount and we are still adding headcount in 99acres. So 99acres like Sanjeev mentioned earlier also, the model is very similar to Naukri. So we need to sort of add dealers and builders and we have close to 200,000 dealers in this country. We have maybe 5,000, 10,000 builders, and to sell to these guys we need to open new offices, we will have to add people, we will have to expand the sales operations.

**Ankit Kedia:** So what is the strategy on this front to grow the business? In a sense, one year back we had how many cities presence and now how many we are in targeting in a couple of years what is the target?

**Hitesh Oberoi:** There is no target as such. We are very happy with the pace at which this business is growing. We are growing at 50%. And if this kind of growth continues then we will continue to keep investing ahead of growth. So we are very bullish on this model. We are very bullish about the space. We believe that the real estate business in the long run will be bigger than jobs. Already the real estate companies spend a lot more in print than in your companies for hiring. So, if we continue to get good response we will continue to hire and continue to sort of grow this business. We enter more cities. And it is possible that 99acres ultimately will be in a lot more cities than Naukri because while corporate activity is only in 10 or 20 cities, real estate activity is there in every city.

**Ambarish Raghuvanshi:** But having said that I think the Phase I is going to be to expand the penetration in our existing market. So the 50% growth is in the first nine months of this year come through just penetrating more in existing cities. So I think Phase I is going to be doing that. It is only in Phase II that you will go to Tier III cities. We are right now in Tier I and some selectively in Tier II cities. That would be the next phase to go in there. You are absolutely right that at some point of time you need to continue to invest in feet on street. But that will lead to revenue growth maybe six months, nine months, 12 months down the road. That is normally the way its panned out on any of our B2B sales businesses.

**Ankit Kedia:** My third question is on Jeevansathi. Are we happy with the new traction and rate hike and how is competition reacted to that?

**Hitesh Oberoi:** We are the lowest priced in the market. We are a No. 3 player. Our pricing, we are still 20, 30% lower than the competition. So I do not think competition today really look at our prices before deciding their prices.

**Ankit Kedia:** Just to continue on Jeevansathi, are you seeing any M&A activity on that front? Are we willing to buy out competitors? Because if you are spending on other brands and other property, do

you not think consolidation in this vertical where we have spent six, seven years understanding the industry would make more sense, paying a bit premium to competitors as well?

**Hitesh Oberoi:** There are just two players in this market. For the consolidation to happen both have to be willing. We have looked at these businesses in the past. Right now we want to focus on Jeevansathi and build this vertical internally.

**Ankit Kedia:** Are we willing to sell out? Because on EBITDA front, we are neutral since a couple of years and the strategy has not been there, in a sense we have changed it in the last couple of years? On that front would it not make sense to cash out on this business?

**Sanjeev Bikhchandani:** We would like to build this business. We like to invest behind it. The issue for us is to figure out how, before we start investing. Once we get the template right we will invest behind it. Having said that we have always maintained that look we will always not put our personal ambition above the interests of the minority shareholders. Keeping that in mind we like to build the business.

**Moderator:** Thank you. The next question is from Vishal Shah from Allard Partners. Please go ahead.

**Vishal Shah:** I just wanted your comment on within the Recruitment segment how has been the pricing scenario over the last year? Say, if we compare to FY10 level say if it was 100 how has this been in FY11, the whole year and now?

**Hitesh Oberoi:** In the slowdown our pricing got impacted. We had to give more discounts than usual. We saw a rebound in pricing in last year and this year has been stable in terms of pricing. So we have not up priced too much nor we had to give a huge discounts either.

**Vishal Shah:** Just a revenue breakup if I have to see within the Recruitment business how much would be the database percentage, how much would be listing, branding and candidate based revenue and Quadrangle, approximate breakup?

**Hitesh Oberoi:** A lot of our products have sold as combos. So it is very difficult for us to give this breakup. The candidates services business and Quadrangle together would be about 15%, 17% of our total recruitment.

**Vishal Shah:** And just on 99acres, what would be your traffic share like over the last nine months? Has it moved up? Is it the case it just because of the way ratings have been done now, the way traffic share is calculated? The movement is this because of that or you have actually gained share?

**Hitesh Oberoi:** If you go by Google Sense or if you go by Alexa, our traffic share has been steady or moving up. On the other hand what has happened in the comScore is that they have been changing the methodology. Some sites in real estate are on a panel system while some are on a tagging system. So the shares there have been fluctuating wildly. So, of course, our unique visitors have gone up very healthily since we tagged our site from 650,000 to close to 12,00,000 every

month. But traffic shares have been, for a while between we went to 50% from 35%, now we are back in the 30s, so it's quite difficult to say what is going to happen with regard to comScore. But if I look at the other indicators, we look at Google analytics data, if you look at Alexa data, if you look at Google Sense data then it looks like our share has been sort of stable. We have not really moved up too much or moved down too much in the last 12 months.

**Vishal Shah:** And sir, lastly, whenever you have been asked on LinkedIn you rightly mentioned that they look at a niche profiles and our target market would be different. But we have been hearing in the media that they would be moving down going forward and trying to get aggressive within in India. So any additional comments on LinkedIn or social media from a medium-term perspective?

**Hitesh Oberoi:** I have been saying for a while that we do perceive LinkedIn to be a threat but we do believe that social media is an opportunity. So if we can harness social media in ways which are useful to our customers it will help us. Of course, LinkedIn because it is now a job site, the strength of LinkedIn are more in the area of passive hiring and in hiring sort of niche profiles. We continue to sort of look at what they are doing. On the other hand we also trying and do a few things in this space. We have a service called Naukri Premium which we are strengthening. We are trying to sort of figure out a new model in Brijj. So this is something which we will keep working on for a while. We are very conscious of the threat.

**Moderator:** Thank you. The next question is from the line of Omkar Redkar from Edelweiss. Please go ahead.

**Kunal Sangoi:** This is Kunal Sangoi from Edelweiss. My question is with regards to within Recruitment by and large in terms of the unique customers, what is our effort in terms of scaling the overall customer base? Because last few quarters if you look at five to six quarters by and large the customer addition base or the unique customers, the scale up has been slower there. So once the slowdown is through, maybe after two to three quarters, how significant this customer base can be?

**Hitesh Oberoi:** This year we are likely to do business with over 40,000 customers. So our customer base has been growing at about 10% in the slow year and about 15, 20% in a good year. So we have close to 500 people who work in the field. Most of them actually work on new customer addition. So what we see is in a good market it is easy to get new customers also. So if the economy starts to recover then I think the rate of customer additions would start inching up once again.

**Kunal Sangoi:** But in terms of the potential do you see that every year 10,000, 12,000 customer addition is possible even from a base of 40,000?

**Hitesh Oberoi:** I think so because if the economy continues to grow at 7.5, 8%, several new businesses will get created, and not just that as we penetrate more and as the internet penetrates more even the

smallest sort of companies will start using internet in a big way and we should be able to add customers.

**Kunal Sangoi:** Just for the next quarter in terms of pricing, usually Q4 from a sales perspective there are discounts being offered and things like that. So do you see pricing coming off a slightly higher this time around in the coming quarter?

**Hitesh Oberoi:** If the economy continues to decelerate and if growth in Q4 is not healthy then of course our sales team will come under pressure to give some discounts. On the other hand if the market looks like recovering and inflation continues to go down and companies sort of start getting bullish about the economy once again then our pricing will improve.

**Kunal Sangoi:** The other question is Sanjeev, is there any possibility for our business portfolio to have some kind of revenue model where you could actually cross sell different business segments trying to incentivize customers?

**Sanjeev Bikhchandani:** What we have learnt is that with experience on Naukri and Jeevansathi while there are synergies in the back end of using technology, platform, knowledge and how to build the sales team and so on and so forth, media buying, it is kind of hard to transfer traffic simply because when you are looking for a job you are not necessarily looking to get married. So even though your demographic may overlap it is about intent that what do I want to do now. Right now, looking at a job, please do not bother on anything else. So we do not try to force that. Having said that between Brijj and Naukri we are trying to do something on a selective basis and we leave the other sort of synergies to be exploited to the various business heads to work out arrangements among themselves keeping in mind our overall policy of respecting user privacy.

**Kunal Sangoi:** Are there any other areas maybe just within Real Estate or within Recruitment where there are some opportunities of monetization that you are thinking from the current perspective?

**Hitesh Oberoi:** So Real Estate we are going after two big segments; the builder segment, these are the guys who build new projects and try and market them and the dealer segment, the brokers who are not only into new projects sales but also into rentals and resale. So this is the market we are going after right now. We believe this is big enough for us to target for the next few years. As far as jobs are concerned we are experimenting with a few models like I said we will launch Naukri Premium services, we are trying to do something in the area of campus hiring. These are new sort of markets which the current Naukri site does not do a good job of catering to right now which we want to get into.

**Kunal Sangoi:** And in Real Estate you are currently witnessing 50% kind of growth. How would you see competitors also growing right now?

**Hitesh Oberoi:** There are four players in this market. There is us, there is MagicBricks, there is India Property, Makaan. We believe our competition right now is mostly with MagicBricks in most of the markets we operate and of course in one or two markets there could be other players also who

are strong. But it is mostly between ours and MagicBricks in most of the markets we operate in. And we do not have a number for MagicBricks but it looks like we have done a lot better than this year than last year vis-à-vis competition.

**Kunal Sangoi:** Any comments on the education Shiksha, how has progressed been there and how over the next few quarters do you think from a revenue scale up perspective there are opportunities here?

**Hitesh Oberoi:** So Shiksha still in start-up mode. Of course, it has been now a couple of years but it has taken us some time to figure out the right model and the right for this space. Shiksha sales in this quarter grew at about 50%. We have a lot of customers and we are getting repeat business from these customers and so they are coming back. The model is evolving. There is not too much competition in this space. It is a very sort of new vertical, it is a new vertical for everyone. The overall market is huge. All the education institutes put together spend a lot of money in print media on television to promote their institutes to get students. So, there is a huge opportunity here. So if we can figure out the right model and if we execute well then it could be a big business but it will take sometime.

**Moderator:** Thank you. The last question is from the line of Hiten Lathia from HDFC Mutual Fund. Please go ahead.

**Miten Lathia:** Just one thing I want to figure out your incentive is actually down year-over-year whereas your top-line has actually grown, that would be because of benchmarking against targets or is there something else?

**Hitesh Oberoi:** You are right. The incentives are paid on achievement of targets. And of course, like I mentioned earlier the targets we had in mind when we started out this year were a lot higher than what we done this year, which is why incentives have come out lower.

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

**Hitesh Oberoi:** Thank you very much for being on this call and a very happy new year to all of you once again.

**Moderator:** Thank you. On behalf of Info Edge (India) Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.