"Info Edge (India) Limited Q1 FY'17-18 Results Conference Call"

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Moderator: Good day, ladies and gentlemen and a very warm welcome to the Info Edge (India) Limited Q1 FY'17-18 Results Conference Call. Joining us on the call today are Mr. Sanjeev Bikhchandani - Vice Chairman; Mr. Hitesh Oberoi - Managing Director and CEO; Mr. Chintan Thakkar - CFO. As a reminder, for the duration of this conference call, all participant lines will be in the listen-only mode. 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 '*' followed by '0' on your touchtone. 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 First Quarter Results Conference Call.

As always, we will first take you through the "Quarterly 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."

We would like to mention that similar to Q1-Q4 of last year, the reported Q1 numbers to the stock exchanges are based on IndAS, the new accounting standard. In this call, we will discuss numbers based on IndAS. The audited financial statements filed, uploaded on our site for Q1 is also based on IndAS. We have also uploaded the deferred sales revenue numbers under IndAS to help understanding of the movement of revenue numbers under each segment. For Q1 FY'18, we have also provided segment revenue, profit before taxes and DSR movement under iGAAP in our data sheet on our website.

For the standalone company, revenue in Q1 was Rs.223 crores Vs Rs.198 crores in the same quarter last year, an increase of 13%. Billings in Q1 were Rs.241.4 crores Vs Rs.212.2 crores in the same quarter of last year, an increase of 14%. Operating expenses excluding depreciation were at Rs.152.1 crores Vs Rs.149.8 crores in the same quarter last year, an increase of 2%. Operating EBITDA excluding any exceptional item was at Rs.70.3 crores Vs Rs.47.8 crores in Q1 of last year, an increase of 47% YoY, on account of an increase in revenue of nearly Rs.25 crores and marginal increase expenses of around Rs.2 crores. EBITDA adjusted for ESOP non-cash charges stood at Rs.79 crores Vs Rs.54.7 crores in Q1 of last year, again, an increase of around 44%. Operating EBITDA margin in Q1 was at 31.6% Vs 24.2% in Q1 of last year and adjusted EBITDA margin stood at 36% Vs 28% in Q1 of last year. Deferred sales revenue has increased to Rs.354 crores as of June 30th, 2017 Vs Rs.337 crores as of March 31, 2017, an increase of 5% Q-o-Q, and the cash generated from operations during the quarter was at Rs.105 crores and the cash balance therefore now stands at Rs.1455 crores as of June 30th, 2017 as per IndAS.

Moving onto Segment Wise Highlights: For the Recruitment segment, Billing in Q1 were at Rs.182 crores, an increase of 12% Y-o-Y. Recruitment revenue was at Rs.160 crores and grew 11% Y-o-Y. Operating EBITDA margins in the Recruitment segment were at 55% Vs 51% in Q1 of last year and EBITDA margins after adjusting for ESOP non-cash charge stood at 58% Vs 53% last year. For Naukri India Corporate sales, the operating EBITDA margin was at 64% Vs

59% in Q1 of last year and operating EBITDA margin after adjusting for ESOP non-cash charge stood at 67% Vs 61% last year.

In Naukri India in Q1, we added an average of 17,700 fresh CVs every day Vs 14,600 last year and the Naukri database grew to around 53 million CVs. Average CV modifications on a daily basis were at 264,000 Vs 238,000 last year. In Q1, we serviced the total of 47,200 unique customers Vs 43,800 unique customers in Q1 of last financial year, again based on IndAS revenue.

We continue to make reasonable progress in our Recruitment tools and Systems business and continue to add new customers. Strategically, the business is very important for us in the long run, but the size of the business is still small and is unlikely to move the needle on top line significantly in the next four to six quarters. All solutions pertaining to CSM, Applicants Tracking and the Referral Hiring tool are being rebranded and repositioned as a Naukri recruitment management system (RMS) which will now be available in different versions.

If you recall, we had indicated in our previous calls that due to the change in sales incentive policy last year, we expected higher billing growth in Q1 this year on account of some renewals being deferred out so as to help us reduce discounting and improve realization. We were therefore expecting higher than 12% growth that we have reported, but that did not turn out to be the case. On further analysis, though it appears that while the above sales policy change did impact billing and pricing of our core offerings positively, growth in Q1 seems to have been impacted on account of (1) lower hiring trends in some sectors especially the IT sector, which as you know formed a significant proportion of our revenue – this resulted in lower offtake of our high value campaign/advertising and branding products; (2) Collection growth seem to have been hurt slightly around the end of the quarter because of GST. There were some clients who seem to have delayed purchases as they were unsure of the impact of GST on their businesses.

Though we believe that Internet hiring will be the last to get impacted as we are still the cheapest and fastest way to hire for IT companies, if the slowdown persists so long, it could impact our business adversely going forward.

Our Traffic share continues to be about 74% excluding Indeed and about 60% if you include Indeed. The Naukri Gulf business which is about 5%-6% of our revenue continues to be impacted negatively by the fragile state of some of the economies in the Gulf.

Moving on to the 99acres Business: In 99acres, Billing grew 8% Y-o-Y in Q1 FY18 to Rs.30 crores while revenue grew 13% Y-o-Y to Rs.31.4 crores. In Q1, 99acres made an operating EBITDA level of about Rs.9.6 crores Vs a loss of Rs.18.9 crores in Q1 of last year. EBITDA loss after adjusting for ESOP expenses stood at Rs.7.1 crores vs. Rs.17 crores in Q1 of last year.

We have been continuously rationalizing our spend given lower competition and the slowdown of the real estate market without compromising our investments in product and technology which are required to maintain leadership.

Our Traffic share among real estate portal continues to be in the mid-40s despite us cutting advertising expenditure. This is very encouraging. We are now between 40% to 50% larger than our nearest competitor on Traffic at an overall level and have traffic leadership in all major markets.

The Real Estate market however continues to be very-very sluggish. As you are aware, the Real Estate Act RERA which was passed by the center a while back and was to be implemented in the states, is now being implemented. Some states have now notified rules and appointed a RERA regulator as well. As more and more states notify rules and appoint regulators, we hope the state of the industry will start to get better in the long run. There is many a slip between the cup and the lip though. In the interim, there is massive confusion regarding RERA and whether builders and developers are allowed to advertise old non-RERA registered projects. New launches are also held up as they are yet to receive RERA approvals. Developers are also distracted as they try and get RERA ready. Some consolidation/shake out on both the agent and developer side is expected post-RERA and there is likely to be huge volatility in the business for the next two to four quarters as a result. The good news is that the competitive activity in the space has reduced significantly at least for now and this is helping us cut our cost.

Moving on to the Jeevansathi business, Jeevansathi Billing stood 25% Y-o-Y in Q1 of FY'18 to Rs.18 crores while net sales grew 23% Y-o-Y and reached Rs.17.5 crores. Operating EBITDA losses in Jeevansathi increased to Rs.4.1 crores in Q1 of FY'18 Vs profit of Rs.0.1 crore in Q1 of FY'17. EBITDA loss after adjusting for ESOP noncash charges stood at Rs.3.7 crores for Q1 of FY'18 Vs profit of Rs.0.4 crores in Q1 of FY'17. In the Hindi belt, our share continues to grow and our position is getting stronger. Jeevansathi has now been growing at an average of 24% for the last eight quarters. Mobile traffic in Jeevansathi is North of 85% of our total traffic and the Jeevansathi Mobile App continues to be the best in the category.

Moving on to the Education business, Shiksha: Billing stood at 45% Y-o-Y in Q1 FY'18 to Rs.11.5 crores while net sales grew 20% Y-o-Y and reached Rs.13.8 crores. Shiksha made a profit of Rs.2 crores at the EBITDA level and the EBITDA profit was Rs.2.9 crores if you adjust for ESOP and noncash charges. We continue to work on our product and are making good progress both revamping the site earlier this year. Over the last 12-months, we have substantially improved our content and SEO as a result our user base is growing at a healthy rate. We continue to be a leader in this market and saw good renewals and upgrades with our key accounts.

Moving on to our Strategic Investments: Our investee companies continue to witness growth. We have put out the required financials as part of our annual report last quarter on www.Infoedge.in. Meritnation and Canvera continue to be our subsidiary companies. Most of the investments are now parked in subsidiaries which in our view gives us more flexibility and options. Additional funding by existing companies, investee companies could be required from time-to-time and we will evaluate each case on its own merit. We also continue to evaluate new investment opportunities.

To summarize, we need to be watchful of the top line growth in Naukri for the next couple of quarters if the IT slowdown continues and domestic GDP growth does not pick up. The full impact of GST on businesses will also play out over the next few quarters. Our competitive position in Naukri continues to be very strong, cost are under control, and we continue to invest in new products and site improvements. Over the past year or two, our Mobile Apps and sites in all our businesses have witnessed improved traction with more and more users accessing our sites through them. This is very encouraging. This is clearly an area of continuous improvement and product enhancement for us. The Real Estate market continues to be weak in most cities and implications of RERA are expected to unfold over the next two or three quarters. In our view, a more transparent and organized industry is good for market places like us in the long run. RERA, however is likely to lead to consolidation in the industry and this will result in volatility for the next two or three quarters. Competitive intensity in real estate is suppressed for now. We continue to focus on rationalizing our cost without compromising on product quality and user experience. We continue to invest aggressively in the Jeevansathi and Shiksha businesses as well.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The question is from the line of Rajesh Sharma from HSBC. Please go ahead.

Rajesh Sharma: I just missed the number on your Traffic growth in Naukri which was including Indeed?

Hitesh Oberoi: So our traffic share excluding Indeed is 74% and if you include Indeed is around 60%.

Rajesh Sharma: My follow-up on this is that Indeed is just six to nine months old and it is already causing 14% damage on the traffic. So how do you see this panning out and also Google getting into jobs directly by improving their algos there? So if we leave apart the slowdown in IT, how do you see both Google and Indeed as the potential threat to Naukri?

Hitesh Oberoi: Actually Indeed has been in the Indian market for around five or six years now, they have just been advertising sort of a lot more lately, that is all. So, while they have started monetizing for the last few quarters and advertising aggressively, they have been around for a while, in fact, we used to do business with them even five years ago when there was just a pure aggregator. As far as Google is concerned, it is very early days, they have announced their plans to get into jobs in the US market, they have also launched a recruiter app. Let us see how this pans out. Our sense is that Google will first end up competing with Indeed in the US market because Indeed is the number one player in the US right now and they have a very similar model to that of Google. Our model is slightly different from both Indeed and Google. Let us see how that pans out. It is very early days to sort of comment on that right now.

Rajesh Sharma: Just one more follow-up on the Naukri side, with your margins being at 60% or even at 58%, do you not think that in itself makes the whole job vertical very lucrative for any new competition to get in, and also the fact that Indeed is spending more on ads for the last six months, so does that mean that you need to do something about this 60% going back to 55% and need to invest more in ads or some other product developments?

Sanjeev Bikhchandani: In the last 20-years if you notice, Naukri that we have had a number of competitors who entered, there has been TimesJobs, Shine, Monster India, JobsAhead, YellowJobs, JobStreet, StepStone, AllTimeJobs, etc. all of them came in, there are at least 15 to 20 competitors came in. We still have 75% traffic share if you just count traditional job sites. Indeed has been around for six-seven years. It is not a new phenomena. Indeed traffic is also pass-through actually because these are jobs for other sites. I think our goal is that we get the most number of jobs with the traffic, this is a network-effect business. Our sense is that Indeed has essentially succeeded in those markets where there has not been a strong entrenched leader. Having said that, obviously, we cannot do nothing and we continue to innovate and I will let Hitesh talk about what we are doing on Naukri. But at the top strategic level, yes, we are concerned as we should be and we have been concerned in last 20-years every time our competitor has entered. But thus far at least we have not been threatened by any competitor seriously.

Hitesh Oberoi: Like Sanjeev mentioned, Indeed started as an aggregator, basically they started aggregating jobs from other job boards. So that strategy worked in markets where there was fragmentation, where there was no clear leader, where people therefore willingly gave their jobs to Indeed to start with because they wanted more traffic to compete with the other portals. That strategy succeeded in the US, succeeded in UK, did not succeed to that extent in Australia where there was a strong incumbent in the form of SEEK which was the dominant player in that market. In fact, we stopped giving our jobs to Indeed a few years ago when we realized what they were up to. So we believe that we can compete with them. In fact, we also started aggregating jobs sometime back so that we do not miss out on anything. So there is not much more advantage which Indeed has over Naukri in India right now unlike the other markets where they were fairly strong compared to the other players in that market. The business model of Indeed is also very different from that of Naukri and plus we have these relationships with our clients for the last many years, we have 600 strong sales team, we sort of have 65,000 customers who have been working very closely with us, they used our platform, our interfaces, our products plus still we are investing aggressively in new product development, I also talked about the RMS solution, by which we are trying to sort of go closer to enterprises and see what we can do to help them improve their recruitment hiring practices and not just be a sourcing arm for them. Now, we are aggressively investing in improving our algorithms and improving the relevance of our search in terms of big tools and techniques. So there is a lot of stuff that we are doing to ensure that we stay ahead of competition. So let us see how they work. Like Sanjeev mentioned, we have seen many players in the past. Yes, Google is different, Google is a very big company, and one should worry about Google even more than one worries about Indeed. But like I said, Google will first end up competing with Indeed in the US. Let us see how that moves and then we will see.

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

Ravi Menon: In your opening remarks, you spoke about how despite the change in sales strategy, you did not see the kind of results that you had hoped for Naukri. I thought that revenue per customer grew pretty strongly about 7% Y-o-Y if my calculations are right. Were you are also disappointed by the number of customers added, that resulted in overall revenue being a little lower?

Hitesh Oberoi: Typically what happens is, when we grow, we get upgrades, we get price increase and we also end up adding new customers. Because some revenue was deferred out to this quarter from the previous quarter, we expected growth in this quarter to be higher than what we reported in the previous quarter. That has not happened. On deeper analysis, we were able to lower discounts, we were able to negotiate better deals with some of our customers because of the fact that we deferred out sales, there was some shortfall in collections towards the end of the quarter. So in the last 15 days, we collected a little lesser than what we thought we would. My sense is that partly it was because of the IT slowdown in some markets, and partly it is also because of GST being rolled out around the same time and some companies said they are very busy, will come back next quarter. But this is just a preliminary analysis, we will see what happens this quarter.

Ravi Menon: Secondly, a follow-up on business revenue numbers for Jeevansathi if you could give that?

Hitesh Oberoi: Under IndAS Rs.17.5 crores in top line, is about 23% growth on top line in revenues, billing grew by about 25% to Rs.18 crores.

Ravi Menon: You are looking at the other verticals you said that Shiksha grew pretty well. Anything that you can highlight there and it is already breaking even, any more investments that you see something that would change the breakeven back to being negative?

Hitesh Oberoi: This is a seasonal business and the last quarter is of course the big quarter for the season and we have made a small profit, but it is very early, this is not a business which has been generating a profit year-on-year for the last several years, we made profit only once or twice. So this has to sustain for us to be able sort of say that this will be a profitable business and grow healthy from here on. So we will have to wait and watch and see what happens here. Otherwise the team is executing well, the market is okay, we are a leader, but like I said, it is still a very young business.

Ravi Menon: Is there any other vertical that you are seeing in Naukri that is showing some promise, so you call out three verticals of IT Services, BFSI and Infrastructure, anything else where you are seeing some growth?

Hitesh Oberoi: We are seeing a slowdown in IT for sure, so the IT business is not growing as fast as the non-IT business and there is some difference there. Non-IT sectors like telecom, etc., have been hit to some extent, but the other sectors are by and large okay. So it is not as if something is witnessing massive growth, but they are all positive.

Moderator: Thank you. We will take the next question from the line of Ashwin Mehta from Nomura Securities. Please go ahead.

Ashwin Mehta: Hitesh, you had last quarter indicated that IT slowdown will not necessarily have an impact, but now, you seem to be suggesting that is starting to have an impact. So what kind of clients -- is it largely the service providers which are having an impact or is it the GICs and the MNCs also starting to have an impact?

Hitesh Oberoi: I said in the previous call, when you say IT is 40-45% of business and includes IT services companies, exporters, IT services companies which focus on the domestic market, product development companies, internet companies, back offices of MNCs and so on. We do not know how much percentage is what. But anecdotally, I can tell you that in some of our large IT services companies, we did not manage to bill what we thought we would bill from them this quarter.

Ashwin Mehta: Just one follow-up in terms of 99acres. The revenues did grow better this quarter but you are indicating that the impact of RERA and the sluggish market will likely be felt over the next 2-4 quarters. So do we still hope for positive growth or the impact is going to be materially negative?

Hitesh Oberoi: Actually, the answer is we do not know. It is basically every state has to notify RERA rules and they have to set up a regulator and then they have to put up a website and then people have to apply to get clearances and then they have to give clearances. So every state is at a different stage. Maharashtra has of course taken the lead. So the Maharashtra market for us got hit badly because of the confusion around RERA. The other geographies have been hit to some extent, but one does not know how this is going to play out over the next few months. If I go by what clients tell us, it looks like this could lead to some consolidation, this could lead to a shake out of the smaller builders and brokers, nobody is launching the projects right now because of the confusion around RERA. It is not very clear whether projects which were launched long time back but have still not been sold or are under construction, are allowed to be advertised or not right now, and different states have different guidelines, so some states are saying "Listen, if you have a completion certificate, you can go and advertise." Others are saying, "Listen, if you do not have a completion certificate, but 60% complete then go and advertise." So there is confusion and nobody wants to take chances. So one has to see how this plays out. 31st July is the deadline in many states who are applying for a RERA registration for a project. So there is likely to be a surge of applications under RERA over the next one or two weeks and then maybe it will take a month or two for projects to get clearances and then action may start. But like I said, it is very difficult to say what is going to happen. This is what we are hearing in the market.

Moderator: Thank you. We will take the next question from the line of Arya Sen from Jefferies.

Arya Sen: Firstly, the impact of the change in sales incentive structure, are we through with it or would there be some impact on 2Q as well, so would that support growth in the second quarter as well?

Hitesh Oberoi: Of course, Q1 and Q2 are the two quarters which were supposed to benefit because of the change in incentive policy. So my sense is that we will still benefit because like I said, this has given our sales team more time to negotiate and is helping us reduce discounts with some of our large customers. But as I mentioned, in the last quarter, there was also negative impact because of GST, there was a negative impact because of the IT slowdown. So our overall growth will depend on what really happens to IT hiring and to the general, economy as well in Q2. So we will get some positive impact because of changes in sales incentive policy, but there could be a negative impact from other places.

Arya Sen: But if it is to do with getting better pricing, then that impact should be there through the rest of the year as well, right, because you recognize it slowly?

Hitesh Oberoi: We changed the policy last year in the 1st quarter, right. So now of course like-to-like going forward. It is only the sales which got deferred out in Q1 or from Q4 of the previous year which we were sort of looking to benefit from, because that was not counted in the base for last year.

Arya Sen: Secondly, continuing with the question on Real Estate. 99acres growth seems to have been okay this quarter. Was there some sort of a one-off despite RERA? What led to 13% growth despite you said that Maharashtra there has been a hit.

Hitesh Oberoi: RERA started impacting our business towards the middle of May. So we had a reasonably good first quarter - first one and a half months and our business grew at a higher rate and then things slowed down towards the end of the quarter.

Arya Sen: In Maharashtra, how much of a hit has it been post RERA?

Hitesh Oberoi: We do not really give out numbers by state or city, but yes, Maharashtra was impacted the most because Maharashtra was in the forefront of implementing RERA and the law there is very strict.

Arya Sen: Also, could you repeat the figure of revenue and revenue growth for Shiksha, I missed that?

Hitesh Oberoi: Shiksha, billing through 45% YoY to Rs.11.5 crores while net sales grew 20% to reach Rs.13.8 crores and profit of Rs.2 crores at the EBITDA level.

Arya Sen: The other income in the quarter seems to be on higher side, was there any sort of one-off?

Chintan Thakkar: There is no real one-off. Now the other income has been recognized more as per IndAS and that is why the securities that we have they are all mark-to-market. So that is the only impact.

Arya Sen: Lastly, if you could provide an update on Zomato what is happening there, what is the strategy, how it is panning out in terms of execution?

Hitesh Oberoi: Zomato has been executing very well for the last few quarters. They are almost breaking even and they have been growing at a handsome rate as well and they still have enough money left in the bank. So we continue to be bullish on Zomato and the way they are sort of executing, the delivery business also now doing fairly well.

Arya Sen: Is there a revenue growth target for this year?

Management: There is, but we are not announcing it on neither are they.

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

Dheeresh Pathak: In your Recruitment business, what percentage of the traffic is organic?

Hitesh Oberoi: It depends on what you mean by organic because we do not really advertise too much.

Dheeresh Pathak: Any traffic which you pay for which comes from let us say the likes of Google mainly?

Hitesh Oberoi: Our paid traffic is maybe less than 10% of our traffic.

Dheeresh Pathak: Also, in your Recruitment business, like would you be able to give numbers like what percentage of the revenue is annual subscription, what percentage is half yearly subscription, how much is repeat business? Can you give some cuts like that?

Hitesh Oberoi: We do not do that right now, but we can think about it and we will get back to you.

Dheeresh Pathak: Lastly, on Zomato, with the security breach and UberEats and other such things, can you share some color on the traffic growth numbers and traffic share and things like that?

Hitesh Oberoi: I think there was a bit of an impact for about a couple of weeks and on Online Ordering a bit of slowdown growth for about a month, but I think they are back to normal now.

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

Ankur Rudra: The Recruitment business has a lot of moving parts usually. What has been the difference in trend in terms of growth in Naukri India, Naukri Gulf or Quadrangle?

Hitesh Oberoi: Quadrangle did not have a great quarter, they were impacted a lot by the slowdown in hiring especially in IT, so Quadrangle billing was down 51% year-on-year and revenue was down 26% year-on-year. Naukri Gulf billing was down 17% year-on-year and revenue grew by about 4% year-on-year. Naukri India, including the Candidate Services business, billing grew by about 16% and revenue growth was about 13-13.5%,

Ankur Rudra: So you are worrying about Indian IT growth going forward it looks like the India business has not been impacted that much yet, but based on the trends in the market you fear that it might get impacted going forward. Is that what you are saying?

Hitesh Oberoi: Actually what happened is that we were internally expecting to do a little more given what we had said last quarter that we had sort of deferred out some renewals. So that has not materialized to the extent we expected. Now like I said, we benefited because of that to some extent but we have also got hurt to some extent because of the slowdown in IT hiring and also because of the confusion around GST rollout towards the end of the quarter. So the overall numbers will look okay, but we are little apprehensive what would happen going forward, that is all.

Ankur Rudra: Is it possible to quantify in anyway the impact of the deferrals, what percentage of billing was that, just to get a sense of where the disappointment was?

Chintan Thakkar: It is very hard to quantify because there is a positive impact coming because of the change in policy of the earlier quarter but at the same time as it is already said that last few days of June, we have seen because of uncertainty around GST and a lot of other factors, probably something is also pushed out as well.

Hitesh Oberoi: Like to give an example, some of the clients which we sort of pushed into this quarter were IT clients. Now, some of those clients under normal circumstances would have sort of paid us more but though they were deferred out they paid us less because of the slowdown in IT hiring maybe. So it is very hard to sort of break this down but this is a cumulative impact.

Ankur Rudra: Is it possible to just extend your commentary generally in terms of companies versus recruitment firms, has there been a difference - have recruitment firms slowed down more than companies directly using your platforms?

Hitesh Oberoi: Yes, that is true. A lot of the recruitment firms also have IT companies. So those firms have seen a bigger slowdown than the firms who have non-IT companies.

Ankur Rudra: In terms of you overall strategy vis-à-vis Indeed, I remember that when LinkedIn came into the market you never really change your strategy per se because it was a different product. From an Indeed perspective, does this merit a response either from a product perspective, pricing perspective or go-to-market perspective over the next two-three years?

Hitesh Oberoi: Indeed has been in the market for five years. It is just that they have been noticed by a general public a little more because they are on TV, it is not they have not been in the market. So we have seen them for the last five years and we have been tweaking our strategy to counter them. In fact, we stopped giving them our jobs many years ago, we worked on our SEO over the years because they were very strong in SEO in the early days, but now sort of we are much ahead of them on SEO on many key words; we started aggregating jobs a couple of years ago because we wanted to ensure that we have all the jobs because they were aggregating from other places and then of course there are a few other things which we are doing, which they are not doing and our mobiles experience, for example, we think is very good, we work very hard on that experience. So we have seen this coming and we have been sort of working on it for a while now and we will continue to do that in the future as well.

Ankur Rudra: So broadly should I assume that it has not really merited significantly different response from what you have been doing already for the last couple of years?

Hitesh Oberoi: Indeed is not impacting our business right now. If what they are doing start impacting our business, it may merit a different response. We may upper advertising spend in some point of time for example we may do a few other things, but right now we are okay, so let us see how it evolves. We invest aggressively for product development though because that is a mote around our business and that is something which is more sticky and more long-term, so that we will not compromise and we will continue to invest aggressively on that front.

Ankur Rudra: Could you just remind me the traffic share numbers for 99acres I think I missed that?

Hitesh Oberoi: The average has been around 44-46% for the quarter in that ballpark. If you take the market to be 99acres, MagicBricks, Makaan, Housing, Commonfloor I think and India Property. We are now about 45% larger than we believe at least in terms of traffic share in terms of time spent.

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

Ravi Menon: Just wanted to check, you said that a couple of large IT clients might have deferred to the next quarter, do you think this is possible because this quarter anyway they were under cost constraints due to the rupee depreciation plus even wage hikes for some of them, so do you think the next quarter we can see a bump up or have you seen some of it already through July?

Hitesh Oberoi: What happens is that most clients renew but they sometimes downgrade. For example, we have a product called Ehire, where we provide campaign, shortlisting services, there is not enough bulk hiring happening, clients do not buy that solution. Now if bulk hiring sort of picks up again, six months from now they may buy again but we cannot be sure. So most clients renew because they still need to hire people it is just that sometimes they downgrade. So what we saw was some large clients downgrading last quarter, so they paid us less than what they paid us the previous year and some consultants were very badly hit and some may have shut shop as well for a while.

Moderator: Thank you. The next question is from the line of Alekh Dalal from One Thirty Capital.

Alekh Dalal: Can you just tell me what is the nature of this Rs.9 crores ESOP charge please?

Chintan Thakkar: As per IndAS, we are supposed to provide for whatever ESOP that we issue to employees, we are supposed to provide based on fair method value of those. So this is the quarter charge overall for ESOPs that were granted earlier.

Alekh Dalal: So there is no ESOP grant has been done below market or any of that sort, you are moving from cost basis to fair value basis or something and that charges coming in this quarter, correct?

Chintan Thakkar: There could be multiple ways in which ESOPs could have been given, it could be in the form of SARs, which could be at market value. So even if it is SARs and market value, as per the Black-Scholes method, there would be a fair market value of even that and there would be a charge of that, there are certain bullets that are given which are at par value, so that also would have charged, obviously the charge would be different in both these cases depending upon whether it is par or whether the SARs are there, but in both the cases, there would be a charge to P&L.

Alekh Dalal: So if the stock price keeps going up then the charges will continue, correct?

Hitesh Oberoi: These charges are decided on the day when grants are given and it has no relevance per se where the stock prices are. The fresh grant, yes, it would be based on what the new stock prices are and that is how the Black-Scholes method working.

Sanjeev Bikhchandani: I think it is based on the stock price on the day of the grant and not the stock price on the day of the exercise.

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

Ashish Chopra: Hitesh, just wanted to understand that I think the trend in headcount has been one off slight decline over the last four to five quarters. So is it a reflection of any one particular business segment or just wanted to understand the escalation for the same?

Hitesh Oberoi: Yes, the decline is mostly on account of rationalization of cost in the 99acres business.

Ashish Chopra: You would think we are behind that or there is still more to come on that front?

Hitesh Oberoi: Basically, we have not been replacing some people. Given that we expect the market to sort of consolidate going forward, we expect the number of clients in the market to reduce going forward given that we have ERA etc., sort of happening, but we are I think mostly done.

Ashish Chopra: With respect to your investee company, Meritnation or Applect, so just wanted to get a sense of whether a product like BYJU directly compares with it, just your thoughts on the competitive positioning and the differences between the two models?

Sanjeev Bikhchandani: BYJU is trying to solve the same problem. But when the market is so fragmented and when you talk to Meritnation consumers, you will find that a very few of them also have BYJU or they have lost people to BYJU. So right now the market is so large that there is not much overlap, but yes, eventually there will be overlap. Having said that, I think the model of Meritnation is slightly different, it is a premium model and today registrations almost doubled over the last six months. So there is going to be a very large number of new registrations. This is something which is a huge asset which the company is trying to figure out how best to leverage it.

Ashish Chopra: Lastly, I wanted to know just some sense on the state of health of Mydala. I guess they were in for some fund raise and then kind of that did not happen and I guess they have not been doing particularly well. Any thoughts on that?

Chintan Thakkar: As per IndAS, wherever we have compound instruments, we have been marking it to market and our investment in Mydala was actually through compound instruments. So if you look at our 31st March numbers as per the IndAS balance sheet, now we have almost kind of marked it down by almost like 50%. So that is where we are based on whatever the current projection are and where the business is. That is the hit that we have already taken in March.

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

Rajiv Sharma: My question is around how do you see automation in the IT industry impacting hiring prospects, overall job additions. Lot of IT companies have been talking about this. Have you done some internal study or have you been watching this particular big trend - automation picking up or it does not affect at all in your case?

Hitesh Oberoi: It is very hard to say, meaning, we have also been reading about automation just like you feel. Most IT companies when you talk to them and when you sort of look at what NASSCOM is saying, seem to believe that they will still continue to grow going forward, of course, the pace of growth may be a lot less than it has been for the previous few years. But we do not know the exact impact of automation or any other sort of big trends out there, so it is hard to say at this point in time. If you talk to them, they also say that some new jobs will get created in the newer areas which are emerging like IoT, like Big Data and so on as well. So we will have to see what the net effect of all these is on IT companies over time.

Rajiv Sharma: One follow up is bulk of your revenues come from both direct IT and consultant IT. But if you were to change your business model to more of non-IT tomorrow in anticipation of the automation thing or slowdown in hiring in general, is it really possible for you to position to other sectors equally or it is just India has more IT jobs, that is why you get lot of the IT revenues, if you can just help me understand this?

Hitesh Oberoi: The IT companies were the first ones to get online many years ago because IT professionals were tech savvy, they had access to the internet, it is a services business, the margins were high. So people willing to spend a lot more on manpower hiring and recruitment than some of the non-IT companies and also the companies sort of grew aggressively for many years. So if the same thing were to happen in non-IT going tomorrow, let us say, certain sectors like at one point in time, the infrastructure sector sort of did very well for us, but it has been very slow for the last few years. Now for example, tomorrow if the infrastructure sector picks up and suddenly a lot of engineers start getting hired in infra, and infra companies start growing up, we will see the same kind of growth in infra as well. So we can do only that much because our platform is built and is available to both IT and non-IT companies, our sales teams reach out to both IT and non-IT companies, we are in every city. So we will benefit definitely if non-IT hiring picks up going forward, but we really cannot do much to impact hiring if you know what I mean in companies.

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

Hitesh Oberoi: Thank you so much for being on the call and have a great evening.

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