



“Info Edge (India) Limited’s Q1-FY09-10 Earnings
Conference Call”

July 23, 2009



**MODERATORS: MR. SANJEEV BIKHCHANDANI – MD & CEO, INFO EDGE
MR. HITESH OBEROI - COO, INFO EDGE.
MR. AMBARISH RAGHUVANSHI - CFO, INFO EDGE**

Moderator

Ladies and gentlemen good evening, this is Rochelle, the Chorus Call Conference operator. Welcome to Info Edge (India) Limited's Quarter 1 Earnings conference call. As a reminder, all participants 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. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touch-tone telephone. Please note that this conference is being recorded and a transcript would be available in the next 2 to 3 days at the company's website www.infoedge.in. I would now like to hand the conference over to Mr. Sanjeev Bikhchandani – MD and CEO of Info Edge India Limited, Mr. Hitesh Oberoi – COO, and Mr. Ambarish Raghuvanshi – CFO, thank you and over to you gentlemen.

Sanjeev Bikhchandani

Good evening and welcome to our 1st quarter conference call. As we had indicated in our last call 3 months ago, this has been a challenging quarter. We expect one more challenging quarter and then we are hoping for some sort of recovery. What we have seen is that hiring activity has bottomed out around December last year and since then it seems it has been scraping the bottom. In June hiring activities saw a pick up but in general 5 or 6 sectors still remain challenged. These are IT, retail, real estate, banking-financial services is still challenged, media, advertising and most export industries. Barring these 5 or 6 sectors, we have seen a gradual pickup in hiring activities in other sectors and if we get hiring activity increasing over the next 2-3 months, the revenue should follow the quarter after that.

But as yet, visibility remains low and so we will give a call again after 2 months or 3 months about what we expect will happen in quarter 3, but right now we expect quarter 2 to be challenged, quarter 1 was a challenge.

The other thing is that while we have been impacted by the slowdown, our competition in all our segments has been impacted a lot more, whether it is job, real estate, or matrimonial or even education. And this has given us an opportunity to increase our traffic share and we believe our market share, which are trending upwards.

The data sheet with all the numbers was emailed to you today, which I hope you received, if you have not you can download it from our website www.infoedge.in.

Net sales were around Rs.53 crores down from 63 crores in the same quarter the previous year. We are unable to give a precise number for quarter 2 growth or de-growth, but we do expect it will be a challenge and it may even be negative as quarter 1 has also be negative. Operating EBITDA margin was down 2.16% year-on-year and stood at 24.34%. Operating PAT margin was down 1.5% year-on-year and stood at 13.81%. So, this is a quarter where we saw our top line being challenged and also our margins.

One of the reasons why operating margins have been affected is because of continued investments in other vertical including Shiksha, although we have reduced the burn in this quarter.

If you move the performance by business in recruitment, recruitment accounted for about 84% of operating top line in quarter 1 as compare to 88% last year. Other businesses Jeevansathi, 99Acres and with small amounts coming in from Allcheckdeals and Shiksha accounted for 16% of operating top line as opposed to 12% last year. The environment continues to be challenging in recruitment, however, like I mentioned the Naukri JobSpeak index, which is an index of hiring activities rose from 654 in May to 711 in June. For quarter 1 year-on-year recruitment top line had a decline of 20.3%, Naukri Recruitment Solutions top line declined 21.4%, Naukri Candidate Services declined 1.6% and quadrangle declined 36%.

EBITDA margins in recruitment were 39.07% versus 43.76% in quarter 1 last year. In Naukri the EBITDA margin moved down to 41.8% from 47.13% a year ago. I must mention that these EBITDA margins by business and the numbers by business are internal numbers and they are neither audited or reviewed.

As of June 30th, 2009, number of resumes on Naukri was 17.6 million as compare to 16.7 million on March 31st. During quarter 1, 12,000 resumes were added daily on the average, which is a slight increase from the previous quarter, which had about 10,000 resumes being added daily. The number of resumes modified daily increased from 44,600 in the last quarter to about 49,500 in quarter 1 reflecting an increase in job seeker activity on the site, which is a sign that perhaps job seekers are getting less risk averse in this environment, as opposed to earlier quarters.

Number of customers who paid Naukri in quarter 1 were about 17,700 as compare to 18,500 in the same quarter last year and 17,900 in quarter 4 last financial year. The share of IT in Naukri revenue moved down to 25% in quarter 1 versus 27% in the same quarter of the previous year. The share of recruitment consultants was at 24.6% versus 23.5% in the same quarter of the previous year. Infrastructure was flat around 21%. Our traffic share based on data from ComScore was at 60.7% in May, which is up over the previous month. So, in general our traffic share is moving up on Naukri. Although, it fluctuates as per ComScore but in general it is moving up, it is twice in the last 4 months it has crossed 60%.

Now moving onto other verticals, other verticals net sales view at 15% to touch 8.6 crores, they grew at 15% year-on-year. In 99Acres, we saw a decline of 20% over the same quarter of previous year. We got some traction on Shiksha. The EBITDA losses on other verticals that is other than recruitment reduced by 42% to about 4.4 crores in the quarter. 99Acres top line declined 20% year-on-year, however, EBITDA losses reduced by 54%. This is largely due to some cuts in advertising as competition advertised less, we were able to maintain our share of voice by spending less. We also had some headcount reduction in 99acres in the sales force.

The real estate environment continues to be weak but there is some traction in pockets. There are new projects are being launched at lower prices, which are seeing some traction. We revamped the product on the site and our improvements continue.

We expect weakness in the market to continue for a while with some traction in pockets over the next few quarters, but we do expect our market share to continue to increase and that is helping. As per ComScore, the 99Acres traffic share has trended upwards over the last few months and whereas earlier about a year ago, we were averaging around slightly above 30%, we are now in the 40% to 45% range and this is going to help us in the long run to get a larger share of the revenue from this market.

Jeevansathi net sales grew at 27% year-on-year, EBITDA losses reduced 83% year-on-year. Profiles, ever added increased to 3.12 million as on June 30th, 2009 versus 2.31 million a year ago. We have a total of 14 offline centers in Jeevansathi as of June 30th. We continue to invest, the response is encouraging, we will probably add a few centers more, this financial year but we will continue to review performance before taking that decision. We are hoping to breakeven in Jeevansathi this financial year. Of course we are going to take it quarter-on-quarter and see how the growth comes in but we have reduced losses substantially.

Our impression is that our main competitors are challenged for cash and capital and this is helping us in getting more bang for our marketing spend and we are also improving the products. We had revamped the site. We have improved product UI and that should kick in the next quarter.

Brijj.com continues to face challenges while there are a large numbers of registered users that is not in our engagement, we are getting about 2,400 new registrations a day. We need to increase the engagement and the virality and we are working on that and maybe some results will show in the coming couple of quarters.

Shiksha we did a product and site revamp and that is delivering good traction, UI has improved, rich listings are on. The sales team is in place. The feedback on the product now is very good. Leads have increased substantially. So, in Shiksha the building blocks are falling in place, although revenue is still small.

In Allcheckdeals we closed over 300 deals in quarter 1. Business slowed down in quarter 3 and quarter 4 last year due to the slow down in the real estate market, but it seems to be picking up once again because of lower price projects that have come up and are now selling. We spun off Allcheckdeals as a subsidiary in Q3 2008-2009 as we had said earlier and we would be consolidating with Info Edge accounts at the end of every financial year.

Brijj, Shiksha, and Allcheckdeals earned a top line of Rs.8.9 million and lost 26 million at the EBITDA levels in quarter 1. We launched FirstNaukri.com this quarter, it is currently in beta mode. The product is out there, we are exploring collaborations with a few campuses and we are going to revamp and improve the product as we go along. Currently, there is no revenue here but it will take about a year-year and half before revenue begins to kick in here.

In our other investments, in Applect and eTechAces are both regarded as associate companies in the financial year 2008-2009 accounts due to the level of share holdings and the terms of the

shareholder agreements. Applect had launched meritnation.com and has launched the paid product towards the end of April 2009 initial traction is encouraging. eTechAces site Policy Bazaar is also getting some traction. Revenues are primarily from lead generation and there is some fulfillment also happening. The site currently sells insurance or generates leads for insurance. We continue to evaluate other investment opportunities on ongoing basis but we have no announcement to make at this moment.

So to summarize, this has been a challenging quarter. Operating revenue has grown negatively at around 16% and the margin for Naukri has come under some pressure but it is still healthy at 41%. Jeevansathi is looking at a breakeven by the end of the financial year. The economic environment seems to be showing signs of getting better in a few sectors but a few sectors still remain challenged. Hopefully, the recovery would intensify over next few months.

We are making headway in our traffic share vis-à-vis competition especially in recruitments especially in Naukri and in 99Acres. We should be in a stronger position in both these segments when the markets improve. We continue to focus on all our product development, innovation, analytics, algorithms, and continue to improve our offerings which would help us when the recovery happens.

The final point to the summary is that we expect quarter 2 to be also challenged although, visibility is poor and we are hoping for a recovery in quarter 3. Thank you. We are now ready to take questions.

Moderator

Thank you very much sir. Ladies and gentlemen we will now begin with the question and answer session. If you have a question please press '*' and '1' at this time. Our first question is from the line of Mr. Rishi Maheshwari of Enam AMC, please go ahead.

Rishi Maheshwari

Hi thanks for taking my question. My question is largely broad based towards the advertising industry in the digital medium. Now, we have heard comments from where is other media like the GECs or the news channels or the print media which are seeing recovery right ahead. As opposed to that the digital medium as you have mentioned and you being the leaders would give the fair view that you are still not very confident of the recovery and there is also contingent on how the sectors pickup. Now, is that because a lot of advertisements on digital medium or Internet are discretionary and people are still not savvy about this or the ROIs for the advertisers are still not great. Could you throw some comments and that will be very helpful, thank you?

Hitesh Oberoi

See, we cannot really comment on the digital industry, what I can tell you is that, we get a very small proportion of our revenue from non-recruitment, non-real estate ads, so we are not really dependent on ad sales for our revenue in Naukri, 99Acres and Jeevansathi.

Rishi Maheshwari

I appreciate but if you could just give us a fair view of how do you see that advertisers coming to you in that sense?

Hitesh Oberoi

See, in the long run we see advertising on the digital medium increasing, for the simple reason that the number of users on the Internet is increasing every year. The numbers are in the region of 20%-25% a year, one. Secondly, broadband access is growing and thirdly you know the time we spent on the Internet and most users growing dramatically. And this time is moving away from other media like print and television. So, in the long run you know advertisers have to follow users and therefore advertising on this medium will increase substantially. Now, whether this will happen at the rate of 25% a year, 10% a year or 40% a year is difficult to say.

Sanjeev Bikhchandani

So, let me just add to that you know we work in verticals. Now, if you look at two of our verticals which are matrimonial and jobs, there has already been a substantial shift of budgets and activity away from traditional media to digital media. That is yet to happen in real estate and it is yet to happen in education. But if the experience in jobs and matrimonial as you go by and the international experience as you go by, chances are there would be a substantial shift, right but whether it would take 3 years or 5 years or 7 years we do not know. The other is in the short run, you know prices of digital media and therefore revenue, it depends on the demand and supply of advertising inventory. Now, if you find that Internet penetration and traffic and therefore inventory is growing faster than the demand for it and which is likely in a recession, prices do fall and you know whether that increases total revenue for companies or reduces total revenue of the companies that is remain to be seen. So in the medium-to-long term the digital advertising industry will definitely grow. In the short run, there are may be few blips we cannot say.

Rishi Maheshwari

Right and just one more on the IT industry at large what are the cues that you are getting from the industry at large. Are they saying that they will start hiring from Q3 and therefore you are getting the confidence to see a revival in your own growth?

Sanjeev Bikhchandani

See, there are two reasons why we look at Q3 and we are seeing revival in sectors other than the five or six I mentioned that are challenge. We do not see a revival in IT in Q3 as of now that is not the indication we have from clients. The clients too have very poor visibility, now the recovery could start in a quarter, it would start in three quarters, it would start in five quarters nobody knows right. What we are saying is that other sectors are recovering, other than the five or six I mentioned and hopefully they will out way the negative impact of these five sectors by Q3 and if recovery intensifies most sectors. The second reason is that in Q3 we are coming off a low base last year, whereas in Q1 and Q2 they are coming off a high base, because really the slowdown happens in around October last year and therefore there is greater chance of positive growth for us.

Hitesh Oberoi

You know when we speak to clients, just adding to that, what they tell us is that you know for few months in between starting October they have literally frozen hiring. Even people who are leaving companies are not getting replaced, but at least now many companies have started replacing people who are leaving. So, hiring is going up in most companies, slowly.

Rishi Maheshwari

And just a last one on what is the composition of revenues from these 6 sector?

- Ambarish Raghuvanshi** Well, IT is about 25% and placement consultants are about 23% and infrastructure is about 21%.
- Sanjeev Bikhchandani** And the remaining are much smaller.
- Ambarish Raghuvanshi** The remaining are less than 5% each. But you know just to continue on that IT services, still we have got more than 4000 clients from IT services, so not all of them are the bell weather you know the large IT services clients, they are you know multinationals in their development centers, they are captive and so on and not everyone is sort of moving in the same direction but in general IT is definitely challenged but within that there are some people who are hiring and who are ramping up numbers.
- Rishi Maheshwari** Alright thank you so much and all the best.
- Moderator** Thank you Mr. Maheshwari. Our next question is from the line of Nihar Shah of Enam Holdings, please go ahead.
- Nihar Shah** Hello sir, just one question that I wanted to know is where are you seeing the pressure coming in on your recruitment side, is it from the top 10% of the clients, which are historically been about 60%-62% of revenues or is it from the smaller clients ?
- Hitesh Oberoi** Well, initially the pressure was higher from top customers, for the first three months but now there is pressure across the board, which is why we saw decline of about 17%-18% in revenue. There is a larger pressure you know from IT companies, there is also markets like Bangalore and Chennai are affected more than markets like Bombay and Delhi.
- Nihar Shah** Okay and is this in terms of price cuts more or is this in terms of lower volumes in terms of licenses that they buy from you?
- Hitesh Oberoi** Well, I mean pricing is linked to the number of licenses so what customers are doing is they are still buying, but they are buying fewer licenses as they are buying fewer branding solutions than earlier.
- Ambarish Raghuvanshi** And there has been pressure on pricing you know which has been continuing for the last 12 to 15 months and in general pricing has been under pressure.
- Nihar Shah** Okay one more question would be of the 4.4 crore loss that you have reported in your other businesses this quarter. Could you breakout how much would be Jeevansathi and 99Acres in that?
- Hitesh Oberoi** 99Acres I think is about 1.6 crores, Jeevansathi is about 33-35 lakhs and Shiksha plus Brijji and Allcheckdeals are the rest.

- Nihar Shah** Okay, so you are pretty close to breakeven on Jeevansathi already?
- Sanjeev Bikhchandani** But you know Jeevansathi numbers would go up or down depending on how much we are going to add depending on the quarter. So, but in general like I said we hope to breakeven on Jeevansathi this year.
- Nihar Shah** Okay thank you so much.
- Moderator** Thank you Mr. Shah. Our next question is from the line of Ankit Kedia of Centrum Broking, please go ahead.
- Ankit Kedia** Hi I have few questions; one is on the IT sector. With most of the leaders in the sector who want to go the non-linear way on the manpower front, so what cues are we getting in next 2 to 3 years what is our strategy to reduce a dependence on the IT sector?
- Hitesh Oberoi** Well, we cover the entire market so it just happens that IT companies are hiring a lot of people in the last few years and therefore we got a substantial part of our revenue from IT. Going forward, we see a lot of other sectors hiring large numbers you know if you follow what the government has been doing or what they are saying. Sectors like education, healthcare, infrastructure, insurance, and telecom are likely to grow faster over the next five years than they have grown over the last five years. And these sectors are service intensive, are labor intensive and will hire a lot of people going forward. BPO and KPOs and IT enabled services will also grow, probably faster than IT going forward. And I do not think IT growth will maybe go to zero maybe it will from 30% a year; IT companies will start growing at 15%-20% a year which in terms of manpower requirements may still be very high because it will be coming of a large base.
- Ankit Kedia** Right, my second question is regarding the conversions we are seeing; a competitor just launched it services on the DTH platform, recruiting services, a matrimonial one also on DTH platform. Are we looking at such kind of transition coming and did on the handset side on television or any other platform?
- Hitesh Oberoi** So, we think DTH is probably not the right way to deliver such services. We think the future is mobile phones, so we launched a Naukri site on the mobile phone and that has been an area we will be focusing on going forward, because that is where we expect the growth to come from.
- Sanjeev Bikhchandani** So, in our opinion the DTH is a good gimmick, it is good PR, but I do not think you get a lot of response from there or it increases traffic. And that is not something we are going to expand our efforts on yet.
- Ankit Kedia** Okay, my third question is regarding Bharat Matrimony. Are we seeing Bharat Matrimony losing significant share in last 3 months and we are gaining you because of that?
- Sanjeev Bikhchandani** No, not really we have seen our growth coming in due to our efforts. We have not seen a significant market share shift or a traffic share shift on the matrimonial sites. It is a

matrimonial site but three of them are strong in different segments Bharat Matrimony is strong in southern states and among guys who hail from the these States, Shaadi is strong on NRIs who are not from South India and in Punjab and Gujarat in India and Jeevansathi is strong in the Hindi belt and in Maharashtra. So, those segments remains and we are finding our growth from the Hindi belt and Maharashtra.

Ankit Kedia

And one last question and well you mention you changed the UI and the product in 99Acres and Jeevansathi, anything on Naukri side new product launches we are expecting or any revamp on that side and what is the response of the users and clients?:

Sanjeev Bikhchandani

Well, actually Naukri revamp is already done in two stages over 12 to 15 months. First on the recruiter side and then on the job seeker side and so there is no further revamping plan, on new products, Hitesh you want to say something?

Hitesh Oberoi

There are you know incremental changes happening all the time in Naukri, on the algorithm sides, on the UI side both on the recruiter side and the job seeker side, so that will continue. We have launched a site called FirstNaukri for campus hiring and that is a new initiative on the Naukri side. We have also made a few changes to the Naukri Gulf side which you know targets the gulf market, so there is constant sort of improvement happening on the Naukri front, we do not have any major revamp in mind on Naukri at the moment.

Ankit Kedia

That is all from my side thank you.

Moderator

Thank you Mr. Kedia and our next question is from the line of Nikhil Pahwa of Media Nama please go ahead.

Nikhil Pahwa

Hi, I was just wondering if you could set some light on Shiksha, I know it's a young business but only to get a sense of who the clients are, what are your revenue streams, who is buying, also how are you getting your users, since it is a content business and not only the marketplace as compared to you other businesses isn't the upside limited. What does it take to scale this kind of a business how long do you think that will take?

Hitesh Oberoi

Well, the education category is the biggest spender in print, so the education spend on print publication is probably upwards of Rs 1000 crores and this is largely from management institute, engineering colleges and institutes, the fashion training institutes and test-prep companies. So, the major categories for Shiksha continued are management institutes, test-prep companies you know engineering colleges, animation colleges and IT professional courses. So, right now it is very early to say on how big this business will be but these are sort of main customers we have in Shiksha. On the traffic side Shiksha is doing fine, it is getting about 15,000 to 20,000 visitors a day and the business model is both advertising and leads so we get paid by clients for generating leads and for advertising on the site.

Nikhil Pahwa

Okay, but this I am wondering about whether, since it is content business, it is not going to take more of an investment in sales ?

- Hitesh Oberoi** No, it is not if you look at our site the way we are approaching is not by generating our own content. It is more user content. So, we have listing. We have “ask & answer”. We have “alumni speak” and some of these sort of tractions on the site, where the content is generated from users and not by us, so therefore it will not require huge investment from our side on the content side. Yes, we are building platforms to enable users to contribute to the site.
- Nikhil Pahwa** Also one thing about Brijj, how do you see that playing out, how is it doing in comparison to LinkedIn?
- Sanjeev Bikhchandani** Well, I do not have LinkedIn India numbers with me off hand but we estimate that the total number of users on, registered user on Brijj or registrations on brijj is probably more than the ones on LinkedIn from India. Having said that LinkedIn is ahead on the quality of the profile, LinkedIn is ahead of quality of engagement, extent of engagement. So, right now the task in front of Brijj is ready to first improve quality of engagement, therefore traction among the registered users. While we continue to get more new users, which we are getting at the rate of about 2400 a day. We need to increase engagement by the registered users and what we are trying you know improve the quality of the profiles. So, these are the two tasks ahead of us. Revenue will not happen for a while.
- Nikhil Pahwa** So all the best for the next quarter, thanks.
- Moderator** Our next question is from the line of Nihar Shah of Enam Holdings, please go ahead.
- Nihar Shah** Sir, just one quick question, could you just give us the numbers for the revenues this quarter from Naukri Candidate Services and Naukri Recruitment Services?
- Sanjeev Bikhchandani** You know Nihar, we do not disclose that for competitive reasons but in general in a year typically typically about 90% would come from corporate services. This will fluctuate quarter-to-quarter.
- Nihar Shah** Okay.
- Moderator** Thank you Mr. Shah. Our next question is from the line of Miten Lathia of HDFC Mutual Fund, please go ahead.
- Miten Lathia** I was just looking at the quarterly trends here and you know our overall as well as recruitment business revenues sort of peaked in quarter 4, FY08. So is it fair to say that our business is now more or less tied up to the broader economy and we should see the same cycles playing out here that we see other?
- Sanjeev Bikhchandani** Well, certainly the Naukri business is closely tied to hiring activities, it is totally tied to economic growth in the country and certainly if you know people hired in April 2008, assuming a 9% growth and they gave increments on that basis. When growth are trended down, hiring activity reduced sharply, so yes it would be hard for us to see a recovery of any great degree without a recovery in the economy that is something which..... Now, beyond

that there is scope for some increase in market share, there is scope for some innovation, some new products and services. But typically those result in revenues over a period of time and to really increase revenues, we would depend on the economic recovery.

Miten Lathia

My question was more directed towards penetration gains, I mean I am sure it is also to some extent a distribution and penetration game, so to the extent that we can tie up businesses or user we have hit that sort of a saturation level, do you think or there is more to do it is just a matter of going to the next level ?

Sanjeev Bikhchandani

No, so different businesses may behave differently on the issue of penetration. Clearly, for Naukri, companies have to be hiring for Naukri to get substantial growth in revenues from its clients, penetration or no penetration. You know if there are fewer job openings and there will be fewer companies hiring fewer people and they will pay us less, right. Even though you were delivering more applications than we were ever delivering earlier, because the revenue comes from companies, right. On Jeevansathi on the other hand penetration will result in more, more revenue because that is a consumer business. On 99Acres the belief is that we are under penetrated among brokers and builders as a medium to be used to generate leads and there again penetration may help, because we will generate more deals, they will see more value and we will get a higher share of the budget. So, in both 99Acres and in Jeevansathi, we may see the penetration working for us. Similarly, in Shiksha we are very, very new, we get a tiny fraction of the budget, so as the concept of looking online at a site like Shiksha to decide or to generate leads for admission as that picks up and as penetration grows, we hope and we believe that our revenue will grow.

Miten Lathia

Fair enough sir thank you very much.

Moderator

Our next question is from the line of Vishal Shah of Allard Partners, please go ahead.

Vishal Shah

My question is more towards the medium term to long-term trend like do you think Times group which are present in both print and online would be in a better position to take away market share by say bundling of products, I can say in other geographies Monster, which had a lead in career builder someone who had you know some sort of a background of print as well as online took away market share?

Sanjeev Bikhchandani

You know that has not panned out so far, you know the Naukri traffic share strengthened up from low 50% range to now high 50%, 60% range over the last year or so. And even the previous three years while there were some talk that you know that competition is there but the fact is that when you look empirical data, Naukri continued to be the dominant market leader and it had the highest market share and that has since trended upwards. So, at least past experience does not seem to indicate that.

Vishal Shah

Okay and do you think like online versus the print what has been trend like?

- Sanjeev Bikhchandani** So, if you look at number of jobs, or number of people hiring, online is a clear market leader right and before the meltdown we do not have you know, these publishing companies TOI, HT, Hindu all the ones that get appointment ads they do not reveal the ad revenue from appointment ads, some are listed, some are not and even the ones who listed do not reveal that, so we only have rough estimates of how much revenue they generate. But before the meltdown our estimate was that revenue shares of online, the total revenue of print plus online in recruitment at present goes to about 35% or 40% and growing faster than print. What we believe has happened in the meltdown is that both online and print have declined but print has declined a lot more than online so, the share of online continues to climbs up.
- Vishal Shah** Okay thank you sir.
- Moderator** Thank you Mr. Shah. Our next question is from the line of Mr. Nikhil Pahwa of Media Nama, please go ahead.
- Nikhil Pahwa** Hi Sanjeev I was just wondering about the margins being challenged in this last quarter, was this by any chance on account of perhaps the way were charging customers or modifications in terms of the packages or the rates, just wondering how are you trying to limit the downside in the recruitment business and what kind of implications this has in case of recovery?
- Sanjeev Bikhchandani** Look we are facing pricing pressure and some customers are buying some of the cheaper solutions, but really what we do expect is that once there is recovery and the hiring is back you know our prices will come back and more important we have a higher traffic share and a higher revenue share as opposed to competition. Now, having said that it remains to be seen how it works out. But yes, there is a problem, we believe it is temporary.
- Nikhil Pahwa** Okay and what kind of competitive activity that you are seeing in terms of pricing or changes in rate?
- Hitesh Oberoi** The competition is discounting heavily to get customers because they are even worse affected than we are, so there is sort of pricing pressure because of that as well.
- Nikhil Pahwa** Okay great thanks and all the best.
- Moderator** Thank you Mr. Pahwa. We have a follow up question from the line of Mr. Rishi Maheshwari of Enam AMC, please go ahead.
- Rishi Maheshwari** Hi just a quick one on the margins while you indicated that your revenue may slide down, do you think the margins at this level maybe sustainable at whatever revenue you have projected...?
- Sanjeev Bikhchandani** We have more or less got a lot of savings in cost already, so we do not expect in quarter 2, anymore great savings in cost. Right, so if revenue does not improve margins will be under pressure but we are unable to accurately predict exactly how much revenue we will get in quarter 2, because visibility is poor.

- Rishi Maheshwari** I am just trying to understand the operating leverage that business is like yours would have normally, if say that a recovery happens as per your projections within Q3 and onwards, would you then see margins increasing quite substantially, or would you then be going very heavy on your S&M expenses and therefore the margins would not be?
- Sanjeev Bikhchandani** No, we would probably evaluate that you know at that stage, because you know if it looks like recovery setting in, we may choose to up the ad investments to capitalize on that. But that is something we cannot say right now, but then that will be discretionary.
- Rishi Maheshwari** Sure, so for the moment I guess within the 23%-24% band is what internally you would be aiming at?
- Sanjeev Bikhchandani** You know we do not target margins internally, we will, however, be targeting revenue and we would be containing expenses as best it is possible, but I think we have got our cost savings already, in fact advertising expenses may move up in the next quarter.
- Rishi Maheshwari** Got it thank you so much and all the best.
- Moderator** Thank you Mr. Maheshwari. Our next question is from the line of Catherine Leung of Citi, please go ahead.
- Catherine Leung** I was wondering whether you could elaborate a little bit more on expected recovery in the 3rd quarter. Firstly, would you be able to allow a little more on the visibility that you have and what is the risk factor the timing of this recovery would be crushed out and what do you think would be so important....?
- Sanjeev Bikhchandani** To be honest Catherine, we do not have a lot of visibility. Okay, what we are seeing is feedback from the sales teams, we are seeing activity at the site when you look at our JobSpeak index, which we put out every month and June was 8% up above May and that is a good sign, let us see how next two months go. There is some risk where it may be delayed, but we will only know as we go along towards the end of quarter 2.
- Catherine Leung** The reasons are overall kind of given the overall recovery in the economy, I mean many people are still cost remained how sustainable or how strong eventually recovering maybe, do you think that even when we try to see recovery in some of these sectors that these companies may still be cautious in expanding their headcount again?
- Sanjeev Bikhchandani** There will be some caution but if people do not have a bench already and they need people to fulfill some contracts or orders they will have to hire. If they have a bench, they can utilize the bench but I think all the efficiencies were already brought in 2-3 quarters earlier on the bench.
- Catherine Leung** Okay thank you.
- Moderator** Thank you. There are no further questions at this time; I would now like to hand the conference over to Mr. Sanjeev Bikhchandani.

Sanjeev Bikhchandani

Thank you very much for attending. The data sheet as we mentioned is up on the site. In case you have any further queries we will be happy to answer them by email and good night. Thank you.

Moderator

Thank you Mr. Bikhchandani. Thank you gentlemen of the Info Edge India management. Ladies and gentlemen on behalf of the Info Edge India Limited that concludes this evening's conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.