



“Info Edge (India) Limited Earnings conference”

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Moderator

Ladies and gentlemen good day and welcome to the Q2 FY12 Results Conference Call of Info Edge (India) Limited. We have with us today Mr. Hitesh Oberoi, MD and CEO, Mr. Sanjeev Bikhchandani, Vice-chairman and Founder and Mr. Ambrish Raghuvanshi, Group President Finance. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Hitesh Oberoi. Thank you and over to you sir.

Hitesh Oberoi

Good evening and welcome to our 2nd quarter results conference call. We will first talk you through our quarterly and half yearly financial highlights of the company on a stand-alone basis, after that we will cover the operating and financial highlights of the main businesses in more detail. And in the end we will summarize our talk and take question and answers.

Moving on to the financial highlights of this quarter – For the company on a stand-alone basis net sales in Q2 were Rs. 91 crores versus Rs. 71 crores in the same quarter last year an increase of about 28%. Sequentially also sales grew about 5% over last quarter. Operating EBITDA in Q2 was at 33 crores up 55% year-on-year and 4.6% quarter-on-quarter. Operating EBITDA margins were at 36.3% versus 30% in Q2 in last year. Other income increased on account of better returns from financial investments as a result of higher interest rates. Profit after tax was at 28.2 crores versus 17.9 crores in Q2 last year, an increase of 58%. Operating PAT was at 21 crores was up 62% year-on-year and operating PAT margin was at 23.5% was significantly higher at 18.6% in the same quarter last year. Clearly the operating leverage is playing out on the positive side as growth sustains. Deferred sales revenues however declined to Rs. 91.8 crores versus Rs. 95 crores in the last quarter on account of slightly lower collection growth however year-on-year deferred sales revenue is still up at 43%.

Recruitment top-line grew 27% to Rs. 75 crores this quarter and Naukri corporate sales grew by about 32%, quadrangle sales declined in Q2 by about 22%, EBITDA margins in recruitment were at 48.6% versus 46% in Q2 last year, in Naukri the EBITDA margin was at 54% up from 49% in Q2 last year.

All businesswise numbers that we are giving out today are management estimates are not audited.

On the operating side in Naukri we had added 12,100 fresh CVs every day and the Naukri database grew to over 27 million CVs. The average number of CV modifications per day grew to about 98,000 in Q2. Naukri Job Speak index was at 1094 in September 2011. It has been above 1000 since February 2000 level indicating sustained demand however the index has stabilized at this level of the last three months and has stopped growing further. We have also seen growth slowing down, collection growth slowing down as clients defer purchases or buy shorter duration products. In H1 of this year we have served 31,700 unique clients versus 28,500 clients in H1 of last year.

In the 99acres business top-line was up 41% year-on-year in Q2, we made a small loss in Q2 in 99acres because of our TV advertising campaign. The real estate sector constitutes to be impacted because of higher interest rates and on account of recent court decisions especially in the NCR region. However, our traffic shares amongst all the sites as per ComScore continues to be the highest. There is a small caveat there has been a change in the methodology at ComScore as a result at which our share has been moving up and down for the last few months. ComScore has been trying to move from a panel to a methodology of collecting data to a tagging methodology. And our traffic share therefore has moved to in the late 30s as opposed to the early 40s till sometime back. We are trying to seek greater clarity from ComScore on the change in methodology.

In the Jeevansathi business the net sales grew 18% year-on-year in Q2 and the Shiksha business net sales grew by about 78%. In ACB we closed about 370 transactions in Q2 versus 309 in Q1.

All our investee companies continues to witness growth. All the six investing companies excluding ACD put together have in the last six months a top-line of about 23 crores and incurred a EBITDA loss of about Rs. 14 crores. These are again unaudited management estimates. While the status as regards to the subsidiary/ associate company remains fluid given the early stage of these companies, our current estimate is that our share of the loss at the post-tax level would be higher than the Rs 20 crores we saw last year. In Q2 we committed to additional investments of Rs. 18 crores in Mydala Rs. 13.5 to Zomato and Rs. 20 crores to Meritnation.

To summarize growth has come off in some areas due to macroeconomic concerns such as global uncertainty, higher domestic interest rates and inflation. There is usually a lag till it shows up in revenue since it is cushioned by deferred sales which are brought forward from previous quarters. We are cautious about this year even as we continue to invest in our businesses. Margins in Naukri in recruitment side, especially Naukri has shown healthy operating leverage. 99acres continues to witness good growth but the rate of growth slowed down because of again higher interest rates. Ad spends on TV have grown in Q2 and we continue to invest in TV this year apart from investing in other branding activities for our brands. We're now ready for any questions that you may have thank you.

Moderator

Thank you very much sir. We will now begin with the question and answer session. Anyone who wish to ask a question may press “*” and then “1” on their touchtone telephone. Participants are requested to use handsets only while asking the question. Anyone who has a question may press * and 1 at this time. The first question is from the line of Anubhav Jain from CRISIL, please go ahead.

Anubhav Jain

Just wanted to ask about the trend in the 99acres traffic market share, do you still continue to have leadership or is there any competitive pressure?

Hitesh Oberoi

Well nothing much has changed on the competitive side, what has happened in the case of ComScore is that they had changed their methodology a little bit. So earlier ComScore used to give out market shares on the basis of panel data now they are moving towards tagging. However, as of now, we have a

situation where certain sites are tagged while certain sites are not tagged fully, some are still on the panel mode so we are seeking greater clarification from ComScore on this one however even as per the revived sort of numbers from ComScore we are still leaders in our space but our lead has narrowed.

Anubhav Jain One more question how much of revenues do come from feet on street channels, that is from telesales?

Hitesh Oberoi In 99acres?

Anubhav Jain Yes.

Hitesh Oberoi Well we do not give the breakup but we have close to about 200 people in sales in 99acres.

Anubhav Jain Do you see any upstream due to the TV commercial which you aired recently?

Hitesh Oberoi Well our sales in Q2 grew by 40% compared to Q2 last year. It is very difficult to say whether this was because of TV or because of the sales force and because of the other activities we keep doing on the brand. In general however the recall in the market improves because of TV advertising.

Anubhav Jain Why was the campaign pulled off?

Sanjeev Bokhchandani It was not pulled off prematurely it had run its course.

Hitesh Oberoi It was run for about a month.

Ambarish Raghuvanshi Most of our TV ad campaigns are run from a time span of 3 to 5 weeks and this is pretty much as per plan. And so it was not pulled off prematurely or ahead of schedule so it was pretty much on plan.

Anubhav Jain Okay thank you.

Moderator Thank you. The next question is from the line of Viju George from JP Morgan, please go ahead.

- Viju George** Thanks for taking my question. Just if I take specially this quarter maybe you can just probably tell us the significance of Naukri Job Speak and tell us how this index moved, weather this index is a fairly good predictor of how your Naukri.com revenue shape of going forward, I mean to say with what lag?
- Hitesh Oberoi** The index is just a proxy for job listing activity on our site and so the index has been above a 1000 for a while now, however it has been in the same range 1080-1090 for the last three months, so it has stopped increasing. It is still higher than what it was last year at the same time frame but it is sort of been at this level for a while. This indicates a slowdown in recruitment activity in our view. Activity is not picking up at the same rate or it is not growing at the same rate as it was sometime back.
- Viju George** No, I'm just trying to understand the predictive power of this, generally do you sense that this will tell on Naukri business down the road, that is what I am really look at?
- Hitesh Oberoi** Well if you go back to July 2008, this index was about 1000 and when the recession hit is in 2008-09 this index went to a low of 690, now we're back to 1090-1095, so there is some sort of correlation I do not know whether it is exact or not.
- Sanjeev Bikhchandani** So in general I would say look, index headed north is a good thing for a business and an index stagnant is not so good, and index heading south is really not good. But with what time lag, with what exact correlation it is hard to say.
- Ambarish Raghuvanshi** So I would just not rely on one indicator which is Naukri job speak index, there are several indicators of which Naukri job speak is one.
- Viju George** My next question relates really to the non-Naukri part of the business, I think your business there has declined sequentially, anything that is noticeably stood out in times of decline because I understand 99acres.com grew QOQ?
- Hitesh Oberoi** Sorry I could not get the question not operating part of the business, is it?
- Viju George** On the non-recruitment part of the business.

- Ambarish Raghuvanshi** There is no decline in any of these businesses actually. 99acres grew by about 41% year on year, Jeevansathi had growth, Shiksha had higher growth than.
- Viju George** I'm really talking about QOQ, 167 down to 163?
- Sudhir Bhargava** That is marginal 40 lakhs difference that is all.
- Viju George** Yes, I know but these are businesses growing of a very small base, presumably they are in scorching growth pace so when you see a QOQ decline you just question it, that is all?
- Sanjeev Bikhchandani** Two of our businesses in the other businesses, let's say a Quadrangle let us say a Jeevansathi though Quadrangle is in recruitment they are not really new businesses growing at a scorching pace on a small base and Shiksha is somewhat seasonal business when the admission season begins revenue tends to pick up. And 99acres grew 40% year-over-year so we do not see any new challenges there, let me put it that way.
- Viju George** Sure thank you and come back if I question's if I have any.
- Moderator** Thank you. The next question is from the line of Miten Lathia from HDFC Mutual Fund, please go ahead.
- Miten Lathia** Good evening sir, on Naukri, com score data as we have given out in the past probably we used to have a market share of 50% plus isn't it, in your early opening remarks did you mentioned that under revised methodology it has come to the late 30s?
- Hitesh Oberoi** That is for 99 acres. In fact Naukri with the revised methodology has moved to 61%.
- Miten Lathia** Okay so Naukri has improved and 99acres has gone down?
- Sanjeev Bikhchandani** This is more a question of the way com score measures rather than any real change on the market space in our estimate either of these two sites.
- Miten Lathia** And now the new methodology will be consistent going forward?

Sanjeev Bikhchandani Except that some sites are tagged some sites are on panel, some competitors are on panel so I guess the next few months there will be a little bit of flux but I think it will settle down in about six months' time. We look at com score and Alexa and Google trends more as directional inputs and order the magnitude or ranking inputs rather than exact this was the exact market share 21% went up by 2%. I do not think any of these measures in India are actually that precise.

Miten Lathia Sure I understand I will come back for more questions thank you.

Moderator Thank you. The next question is from the line of Srinivas Sheshadri from RBS Securities, please go ahead.

Srinivas Sheshadri Congratulations to the management on a good set of numbers. My first question is pertaining to the Naukri business, we obviously would have renewed a few contracts with some clients during the quarter so how was the experience there in terms of the license buying, did you see any trend change during the quarter?

Hitesh Oberoi No, major changes in the trends we renewed most of our clients during the quarter and except that in some cases the renewals were great while in some cases clients just sort of paid us what they paid us last year there was a slowdown, there has been a slight slowdown in the new business growth because of the market slowing down. So like I mentioned in my earlier call collections have been slower than what revenue growth in this quarter has been because the revenue growth this quarter benefits from the deferred revenue which has been brought forward from the previous quarter.

Srinivas Sheshadri So you do see this more as a kind of short-term phenomena in terms of clients trying to see what is happening there or do you think there is definitely some underlying trend change in terms of the buying behavior?

Hitesh Oberoi I think it has got more to do with the economy than anything else because the economy is slowing down there is a lot of negative press around what is happening in the rest of the world whether it is a debt crisis in Europe or whether it is inflation or whether it is interest rates. People are again being little cautious and that is seen in our collection.

- Srinivas Sheshadri** Is this more reflected on the non-IT domestic side or IT side as well?
- Hitesh Oberoi** Well certain sectors are certainly more impacted than the others so sectors like insurance, Telecom, real estate have been impacted more than the other sectors but there is a slowdown across the board compared to last year for sure.
- Srinivas Sheshadri** Even in the IT space?
- Hitesh Oberoi** Even in the IT space.
- Sanjeev Bikhchandani** So in the short run the sort of foreign exchange movement, the dollar rupee movement may boost IT company's prospects but volatility is so high overseas in the economies and certainly very high in Europe people are being very cautious about committing long-term resources.
- Ambarish Raghuvanshi** IT as a contribution to our sales continues to be in the 25 to 26% range which is true in this quarter also, so whatever deceleration we are seeing pans across the industry spectrum and it certainly includes IT but having said that in the last quarter or two we have several successes we have cracked some really large IT clients of course for confidentiality reasons we do not name clients with investors but we have had some major breakthroughs where we have got some large contracts even with IT service clients.
- Srinivas Sheshadri** Can you please give us some update on some of the other flanking websites to Naukri, like First Naukri or Confidential etc., what is the progress in terms of demand uptake for such web sites?
- Hitesh Oberoi** We're still working on the products and finalizing the products. We have been selling some solutions here and there but nothing very significant at this point of time plus we also are trying to figure out what the right business model should be, should be just be add-on services and should we continue just charge to the main Naukri product or should we charge separately for these services that are still under debate because in essence if you give more features for the same price that helps in a upgrading clients and better renewals and better price realization so we're not very clear whether we

should be charging separately for these services in the long run. But we're still working on the products and the sites are seeing some traction.

Sanjeev Bikhchandani To summarize, no major victory is expected here in the immediate term and nothing that will move the needle.

Srinivas Sheshadri Final question after which I'll come back. Jeevansathi can you give us some update on how the progress has been and what you expect from that?

Hitesh Oberoi Jeevansathi we are still a distant number three, of course our revenue has been growing at about 15 to 18% year-on-year but we still have not figured out a way to grow a 30 to 40% year-on-year because that is what we want to do, so still a challenge so we are still trying sort of figure out how we can become a leader in some communities at least. Like I mentioned some of my previous calls that this is a fragmented market, this is a market which was in community so therefore it is not important to be a number one player nationally as long as you are number one in certain commute committees, you are number one in those communities and that can improve your margins substantially. So that is what we are working on and we continue to and we are seeing some progress as far as the strategy goes but still a long way to go.

Srinivas Sheshadri Okay thank you I will come back if I have more questions.

Moderator Thank you. The question is from the line of Ankit Kedia from Centrum Broking, please go ahead.

Ankit Kedia Just wanted to know the client behavior in terms during 2008-09 down turn and compared to now, so how is the client talking to us in terms of upgrading or downgrading is there any parallel comparison over there?

Hitesh Oberoi No, we are not in a recessive mode as yet so we're still growing. In 2008-09 when there was a slowdown in our actually in certain quarters our collections actually went down by about 30% we're still on positive growth so there is no recession it is just a having a slowdown a little bit in some sectors. Now one does not know what is going to happen going forward but there is no comparison to 2008-2009 at the moment. Hiring has slowdown as compared to last year.

Ankit Kedia My second question is on the resumes modified daily we have seen a strong uptake during the quarter any peculiar reason for that, people are looking out for more jobs something else ?

Hitesh Oberoi I think we keep working on the product and we made some changes to our products and our interface and to our algorithm which has resulted in more number of people visiting our site, more engagements and therefore more modifications. I do not think it is got anything to do with the job market at the moment.

Ankit Kedia Thirdly on Jeevansathi though you mentioned a lot of that, so the number of unique paid customers have declined, also the profile added daily have declined consequentially anything to read about that?

Hitesh Oberoi Like I have said that we are focusing only on certain communities, so we are virtually vacating the market in other communities. So our focus continues to be the communities in North and the western part of the country. We are not a very strong player in South any more so our business has declined while in the south while we're gaining share in the North.

Ankit Kedia About the stores which we have started in Jeevansathi are we expanding them, are we close down some of them, whats the status on that?

Hitesh Oberoi Well it is status quo so we still about 13 to 14 outlets we have not expanded the number of outlets. We are working more on the call centre sort of model, so no change on that front.

Ankit Kedia My last question is on the investment we have done on the new portals so how much investment in second round and third round of funding is expected in the next coming quarters because some of them we have seen the second-round investments to sudden within three or four months of the first round so how much more capital are we looking to invest ?

Sanjeev Bikhchandani The places where we have seen a second round happening pretty soon after the first round those which either are extremely capital hungry like e-commerce or else there has been significant competitive reasons and therefore the company has to morph to second round very fast. Now as

regards further investments I think we are going to have an open mind as to whether to let in an external investor or not because clearly there are some sectors where we have to in terms of requirement may be to invest more faster than what we want to do it given the size of our investable funds and therefore as of now there is nothing seemingly in the pipeline which we have too announce right now. But it is not as if we are going to run up a portfolio of 10 or 12 very capital hungry start-ups which we will fund entirely on our own. We would be a little bit conservative about this but having said that we will trade by as the market evolves.

Ankit Kedia

Thank you so much.

Moderator

Thank you. The next question is from the line of Abhir Pandit from Parag Parekh Financing Services, please go ahead.

Abhir Pandit

Could you give me an idea about these thoughts on the valuation in the Internet on the e-commerce space. We have seen that some company are getting funded at very high valuations so I just wanted to know are you thinking about valuing the company in that space?

Hitesh Oberoi

We are pretty conservative on valuations and when we are investing and of course we may not be that we may run certain revenues when we are selling but having said that we are unlikely to put money into companies at those kind of valuations, especially companies which are yet to break even no matter how fast they are growing and no matter how promising the sector is, simply because it is still fairly high risk. Many of these companies that are getting the valuations still carry early stage risk. I think what we have heard it is just a hearsay anecdotal is even regular venture capital companies are being outcompeted by some of the private equity players who have decided to enter e-commerce. So quite honestly the paradox is that you have companies whose revenue is still early stage, whose business cycle is still early stage, but the valuations are late stage and that is the paradox.

And we find that it is good that we have got six companies earlier on and we may or may not be able to invest in further e-commerce companies depending upon valuations that we get. But this bubble is limited to may be less than dozen companies and few other dozen investors. And the rest of it

would make up a little bit of the expectation ultimately will go up a little bit because of what we are seeing in the e-commerce sectors and the couple of sectors. But really if you look at the valuations it is largely limited to e-commerce and companies that are aspiring to do e-commerce or which would be working with the model of e-commerce. There is only one other company that I've heard of which has got a sort of what can be called a very high valuations which is outside the e-commerce sector.

Abhir Pandit

Thank you sir I will come back if I have further questions.

Moderator

Thank you. The next question is from the line of Sandeep Muthangi from IIFL, please go ahead.

Sanjeev Muthangi

Congrats on the quarter good job. My question is more on the consolidated entity and with respect to the profitability and the revenues that you expect with the non-the new investment that you have made for the modeling purposes what is your will be taking as revenues or losses for FY12 in these entities?

Sanjeev Bikhchandani

So we saw at 23 crores top-line in these six investing companies, so these are small companies they are growing fast and therefore we have kind of hoping it should more than double but these are management estimates they are unaudited and they are as reported to us and there could be changes as we audit them and take them with a little sort of rough estimates only. So we expect top-line to definitely more than double. Having said that they have incurred EBITDA loss of 14 crore in the first half. Now this should more than double in my view because these companies are still in investment mode, they are still loosing money and they will lose more money as they grow and they invest in growth. Having said that how much they will consolidate into our sort of P&L will depend on what happens and how the auditors look at it at the end of this year of how many of associates and how many are subsidiaries, to what extent consolidation will take place, but I would definitely put it, put a number may be which is may be 20-25% higher than last year number in terms of consolidated losses, just to be as a best estimate right now but this could change. These early stage companies you cannot really tell.

Sanjeev Muthangi Just one more question I wanted to get your thoughts on the philosophy with this investment would you be willing to sell them at a price at a later stage or do you want to hold them as subsidiaries are probably associates and probably build a model similar to Internet conglomerates like ISC, etc.?

Sanjeev Bikhchandani So we have not got majority stakes in any of these companies and the fact of the matter is Indian entrepreneurs does not like to be majority easily and we respect that position but like I said in most these companies they have a right to refusal in the next round and whether or not we exercise that right will depend upon how the company is doing how soon they will make so much money, how much money it needs so for example in Policy Bazar and since the range is very large and we thought we would that would be too much of our money tied up in to one company, we took in an external investor, we may do that one or two more companies depending upon how much money they want to raise and when they want to raise it. As regarding exiting so right now we do not have any outlook to exit anything but like I said in a market which matures and as companies get valuable and we would keep an open mind but right now we are not looking at exiting anything.

Sanjeev Muthangi Okay thanks that would be all.

Moderator Thank you. The next question is from the line of Radhika Mervin from PUG Securities. Please go ahead.

Radhika Mervin One is a bookkeeping question. On the employee cost while I understand that we are not working on a linear model and it will obviously grow in proportion to revenue but it has been flat on an absolute term in this particular quarter. So are we looking at the employee cost remaining at those levels considering that we won't probably do much of investment going forward looking at the demand outlook right now?

Hitesh Oberoi We are still hiring and if we sort of do our revenue numbers going forward than employee cost could go up because the significant component of employee cost is actually variable pay and variable pay depends us meeting our internal targets. In the first half of this year we fell short of our internal targets, which is why variable pay took a beating. But in the second half of this year if we meet our internal targets and the variable pay could go up and

so could employee cost plus we continue to hire employees at this point of time.

Radhika Mervin

And 99acres after a good run up at least last year we had started to see some slowdown and you also mentioned being flat almost 10 crores in this particular quarter on the top-line. So any sense going forward, we expect kind of peak of at this level or stabilize at these levels?

Hitesh Oberoi

Well it grew at 70% all of last year and it has grown between 40% and 50% in the first half so I would not really turned that as flattening of any sort of performance. I think, 99acres is doing really well given the state of the underlying real estate markets because of high interest rates, high prices in most markets and couple of local issues in some other markets. Clearly transactions are lower than what they were. The fact that 99acres is continuing to grow means it is continuing to add value. So I would not believe that 99acres has either lost its position or it is still extremely well-positioned. It is clearly adding value to both to builders as well as agents. So I do not see a concern in 99acres. Yes, like Naukri the concern is on macro that if the underlying market continues to be weak for at two or three or four quarters going forward what sort of impact it may have on our performance but otherwise I think 99acres is okay.

Radhika Merwin

All right. So when do we look at 99acres at least start to contribute significantly on EBITDA at least by FY14 can we see significant 14% to 15% kind of margin coming on this vertical?

Hitesh Oberoi

Very difficult to say what will happen to 99acres it will depend on two or three factors. One does the real estate market sort of continue to stay good or will it crash. Will it sort of recover from here. Two, it will depend on a competitive position in the marketplace. If we continue to be leaders and continue to sort of grow rapidly then of course at some point of time the business will see healthy EBITDA margins. I think it is little early to say right now we're on investment mode, we broke even last year, we made a small loss in the first half of this year. Our focus right now is growing top-line and maintaining leadership and increasing the lead and that's what we are worried about right now.

- Radhika Merwin** Okay and on the advertisement cost you would be continuing to invest in advertising, at this quarter we saw a significant expenditure on ads. So can we look at similar trends for the next two quarters also?
- Hitesh Oberoi** Q3 is normally a lean quarter for us in terms of advertising but if the market continues to be like it is we will expect to invest more because at least some of our verticals, some of the new ones say 99acres and Siksha and even Jeevansathi which is I think would need a little bit more marketing.
- Radhika Merwin** Okay and on the deferred sales revenues part where we're seeing the numbers. I thought you opened the con-call saying collections were down. But if you look at defers....
- Hitesh Oberoi** Sorry, I did not say collection; I said collection growth was down compared to last year. The collection is not down compared to last year.
- Radhika Merwin** Yeah so otherwise if we look at that numbers we are still safe and we are on a very comfortable zone as far as the defer sales revenue goes. So the indicators are yet to come in right of slowdown in terms of upper segment for the clients?
- Hitesh Oberoi** Yeah, what I said was that we are seeing some slowdown in collection growth and this is bound to reflect in revenue growth going forward because what happens is we collect in advance and this gets recognized over a period of time. So our revenue growth is currently higher than our collection growth because of the impact of deferred revenue which have been brought forward from previous quarters.
- Radhika Merwin** Okay but you are seeing some sort of slowdown coming in there, right?
- Hitesh Oberoi** Correct.
- Radhika Merwin** Okay and just one last bookkeeping question I missed out on the numbers, so Shiksha has grown by how much this particular quarter?
- Hitesh Oberoi** I think 78%.
- Radhika Merwin** And Jeevansathi?

- Hitesh Oberoi** 18%.
- Radhika Merwin** And 99acres?
- Hitesh Oberoi** 40%.
- Radhika Merwin** Okay and Naukri has grown by about?
- Hitesh Oberoi** So, recruitment solution grew by 27%. Naukri profit and sales grew by 32% and Quadrangle declined.
- Radhika Merwin** Okay sir. Thanks a lot.
- Moderator** Thank you. The next question is from the line of Rajan Vora from BCCL. Please go ahead.
- Rajan Vora** My first question was around the impact of social networking websites on the recruitment market?
- Hitesh Oberoi** What is the question sir?
- Rajan Vora** I wanted to know what would be the impact of social networking sites like LinkedIn and Facebook on our recruitment portal like Naukri?
- Sanjeev Bikhchandani** So as of now we are not seeing any impact, we do believe that LinkedIn is active in India. It has got profiles and selling to recruiters and some recruiters are using LinkedIn but sales team has not come back with any feedback yet as where they believe that it was either us or LinkedIn. So thus far our belief is that we seem to be solving different problems where LinkedIn is used for the head hunting, individual hire kind of situation and job portals including Naukri are use for the more hires kind of thing which is what the Indian market is about. Having said that we are keeping an eye on what's happening between LinkedIn and Monster overseas in the US and we continue to invest in product innovation and we have plans for that going forward to look out some of these gaps can be plugged.

- Rajan Vora** Okay and my second question would be about the recent TV commercials around Naukri. have they had any impact on the traffic or would there be any correlation between them?
- Hitesh Oberoi** We do TV advertising for multiple reasons, traffic which is one of them. Yes, it results in more jobseekers coming to our site but it also has an impact on recruiters so in the past we have seen that when we advertise in TV our sales move up positively. Now it is very difficult to say exactly whether is this because of the TVC or for some other reasons as well but we continue to sort of believe that TV does add value to our brand.
- Sanjeev Bikhchandani** And our traffic share in Naukri did work but like I said earlier partly could be because of the Com Score measures. So it is not a hard to isolate and pinpoint how much of traffic increase, how much of the market traffic should increase, how much the sales were because of changing which variable.
- Rajan Vora** Another question would be what will be the contribution of revenues of Naukri from outside India?
- Hitesh Oberoi** We do not give that numbers for competitive reasons.
- Rajan Vora** Okay thanks a lot.
- Moderator** Thank you. The next question is a follow-up question from the line of Srinivas Sheshadri from RBS Securities, please go ahead.
- Srinivas Sheshadri** Just a few questions on the current quarter financials, firstly as the depreciation has dipped a bit quarter-on-quarter so just can you tell us the reasons for the same ?
- Rajesh Khetarpal** We had bought certain assets for which the useful life got over in this quarter and therefore the deposition is no longer there on those assets, this is primarily in the plant and machinery category and therefore there is a small dip.
- Srinivas Sheshadri** Would this be based to a model for the current quarter?

- Rajesh Khetarpal** Going forward the depreciation would be there on the normal cycle for the addition and whatever is the balance as on date.
- Srinivas Sheshadri** And you have also shown are other operating income of about Rs. 8 million so can you tell us what is it about?
- Rajesh Khetarpal** There were some provisions made in the last financial year which we have assessed that are no longer required only so we wrote those back and that is the other operating income line.
- Participant** Can you also give us guidance on the tax rate for the current year it has been little below the marginal tax rate for this quarter?
- Ambarish Raghuvanshi** I think the rate of surcharge have come down a bit, and secondly on the dividend income there has been a slight change and there has been a change on the component is a mix of how much we are putting into debt mutual funds or putting into fixed deposits, so those are slightly more tax efficient so therefore the marginal change in the tax rate.
- Srinivas Sheshadri** So one should assume that the tax rate should be around these levels?
- Hitesh Oberoi** That is right unless there is a significant change in the mix on the financial investment portfolio.
- Srinivas Sheshadri** Thank you.
- Moderator** Thank you. The next question is a follow-up question from Radhika Mervin from PUG Securities, please go ahead.
- Radhika Mervin** Just wanted to confirm your views basically going forward what you're saying is you are witnessing early signs of slowdown but it is yet to come in, have you started seeing as of this month have you seen some specific indicators that say from next quarter or from the fourth quarter start seeing some sort of slowdown?
- Sanjeev Bikhchandani** No like I mentioned our collection growth has been lower than our revenue growth in the first half of this year and that is why we have seen a slowdown going forward because our revenue gets recognized over a period of time. It

is very difficult to say what collection growth going forward would be like but collection growth in the first half of this year has been lower than the revenue growth.

Radhika Mervin Okay if all this slowdown comes than it will start from what is your sense that it would start from the fourth quarter or from next year, what kind of a lag do you this slowdown now coming in?

Sanjeev Bikhchandani It will depend upon how what happens to the collections in the next quarter and the quarter after that so if collections recover for example if the economy recovers and we have great collections in Q3 and Q4 there would not be any slowdown but it continues to be businesslike as usual as like it is today than it would be a slowdown, even in Q2 compared to Q1 our topline growth slowdown a little bit. So on the other hand if there is a recession if the economy slows down considerably going forward then it would be impacting much greater.

Amabrish Raghuvanshi I think it depends upon the extent of the slowdown in the macro picture and the length of the slowdown so if you expect that it is going to last a quarter or 2 I do not think it is going to have a very significant impact because of the lag effect and the deferred sales revenue which will carry us through till we get back into the growth mode. But if you expect that the slowdown in the growth is going to last a little longer than the impact may be deeper and could last a little longer.

Radhika Mervin Thanks a lot.

Moderator Thank you. The next question is from the line of Ankur Rudra from Ambit Capitals, please go ahead.

Ankur Rudra Good afternoon I'm sorry if I'm repeating a question which has already been asked, but in terms of your collection growth do you share this number if you can just highlight, can you give me some sectoral colors where are you seeing collection growth increasing the most and where is it holding up better?

Sanjeev Bikhchandani No, we do not giving out our collection growth numbers every quarter but the slowdown is more prominent in certain sectors like insurance, banking, financial services, real estate, telecom, etc. But in general growth in collection this year across sectors is lower than last year.

Ankur Rudra Is this reflected in your Quadrangle business performance also?

Sanjeev Bikhchandani No, I think that is more on account of a large customer downgrading. So we used to get a large part of our business from a big customer in the IT space and that business has slowed down considerably and that is showing in the Quadrangle numbers, it is not on the account of the economy slowing down as a whole.

Ankur Rudra Just one customer as opposed to general trend, so generally Quadrangle is actually holding better if you take that customer out than keep them under....

Hitesh Oberoi If I break up Quadrangle into IT and non IT and if I break up IT into that one customer and the other customers than I would say that the Quadrangle business in non-IT and the other customer IT is still growing. It is still that this one customer was a large part of the Quadrangle business our billing has suffered and that is why Quadrangle is negative compared to last year.

Sanjeev Bikhchandani But there is a bit of a self fulfilling prophecy there because once a customer is not growing or declining you take out resources from there and then you put them into chasing other customers and new clients and therefore that is why we are putting more effort there, so that is not necessarily a reflection of the market.

Ankur Rudra And in this customer loss was this a comparative loss or structured loss of the customer in terms of activity?

Ambarish Raghuvanshi We have not lost that customer it is just that the amount of business we used to get from them has slowed down, yes but there is a structural thing so it is not specific to Quadrangle alone. That particular client, their pattern of recruitment has changed a bit.

Ankur Rudra I guess this is clearly an effort to more lateral hires as opposed to.....

- Hitesh Oberoi** That 's correct.
- Ankur Rudra** Thanks a lot.
- Moderator** Thank you. The next question is a follow-up question from the line of Viju George from JP Morgan please go ahead.
- Viju George** Thanks for taking my question. I am just trying to understand should the downturn come and its going to be a stretched downturn, you mentioned that you wanted to keep your investments are relevant to hold on to market share or to increase during the downturn so would you have a double squeeze on margins because on the one hand you do not have revenue growth and that is why the operating revenue on the hand you are forced to keep your advertising expenses intact to either gain market share or at least to retain it?
- Hitesh Oberoi** We will know when the slowdown hits us and then we will take a call then but right now the thinking is that we will continue to invest even in the slowdown as well, if there is a slowdown.
- Viju George** Thank you.
- Ambarish Raghuvanshi** Advertising expense is a function of what competition is spending so if competition has also slowdown Ad expenses significantly it will give us an opportunity to set our own sort of trend and set our own benchmark of what we will do but yes clearly be gained in traffic share across all our categories in the last slowdown, we will try and do the same. So whether that means that we have to up Ad spends to do that and in near-term sacrifice margins we would do that. But we will definitely go to gain more traffic share and market share across all categories.
- Moderator** At this moment there are no further questions.
- Hitesh Oberoi** Thank you very much, thanks for being on the call.
- Moderator** Thank you on behalf of Info Edge Ltd. that concludes this conference call. Thank you for joining us and now you may disconnect your lines. Thank you.