"Info Edge (India) Limited Q1 FY '23-24 Results Conference Call"

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Vivek: Good evening. We welcome you to Info Edge India Ltd Q1'24 results conference call. As a reminder, all participant lines will be on listen only mode and there'll be an opportunity for you to ask question after the presentation concludes. Should you need any assistance during the conference call, please raise your hand on your screen. Please note that this call is being recorded. From the management side. We have Mr. Sanjeev Bikhchandani, Founder and Vice chairman, Mr. Hitesh Oberoi, Co-Promoter and Managing Director, Mr. Chintan Thakkar, Chief Financial Officer and Whole Time Director. Before we begin today, I would like to remind you that some of the statements made in today's conference call may be forward looking in nature and may involve risks and uncertainties, kindly refer slide number two of investor presentations for detailed disclaimer. I would like to hand over the call to Mr. Hitesh Oberoi, for his opening remarks. Thank you and over to you Hitesh.

Hitesh Oberoi: Thank you Vivek. And good evening everyone and welcome to our Q1'24 earnings call. As always, we'll start with an update on standalone financials and then talk about the external environment and then cover each business financials in detail. The audited financial statements and other schedules on segmental billing revenues etc. along with the data sheet have been uploaded on our website infoedge.in .Moving on to our standalone financial results, revenue in Q1 stood at Rs 584.3 Cr, a year on year growth of 15.1%. Overall billings in Q1 stood at Rs 523 Cr, a nominal drop of point 2% year on year. Billings and revenues along with acquired businesses Zwayam and DoSelect for the quarter student to Rs 539 Cr and Rs 600 Crore respectively registering a year on year growth of point 4% and 15.2% respectively. Operating expenses for the quarter were Rs 375.4 Cr , a year on year growth of 5.6% and Operating profit for the quarter stood at Rs 208.9 Cr versus Rs 152.3 Cr reported last year, a year on year growth of 37.2% and Operating profit margins for the quarter stood at 35.8% compared to 30% reported for the same quarter last year. Operating profit including acquired businesses stood at Rs 210 Cr a year on year increase of 35.8%. Cash from operations for the quarter stood at Rs 144.7 Cr compared to Rs 164.5 Cr in Q1'23 down 12% year on year and deferred sales revenues stood at Rs 958.8 Cr as of 30th of June 2023 vs Rs 825.4 Cr as a 30th of June 2022 a year on year growth of 16.2%.

The cash balance of Info Edge including the wholly owned subsidiaries stands at Rs 3562 Cr as on 30th of June 2023 versus Rs 3439 Cr as a 30th of June 2022.

Talking about our recruitment business, we continue to witness a challenging environment, especially for IT hiring. Slow growth and reduced discretionary spends for our IT customers has led to resource rationalization during the quarter. We also face strong headwinds face strong headwinds from our recruitment consultants, especially the ones who services IT companies. The Naukri jobs speak index is on a declining trend, index for the month of July was down 8% sequentially and 19% year on year while for Q1'24 the index is down 3% year on year.
The current phase of real estate market characterized by low inventory, stable interest rates and buyer affordability. The price corrections and residential rentals continues to rise and have peaked in most Metro markets.

Moving on to the quarterly financials of the recruitment business.
In Q1’24, the recruitment segment billings were down 4.2% year on year and stood at Rs 397.5 Cr while revenue was Rs 446.4 Cr a year on year growth of 15.3% , operating profit stood at Rs 263.5 Cr a year on year growth of 17% from Q1’23 Operating margin stood at 59% against 38.2% reported last year. Cash from operations for recruitment during the quarter stood at Rs 206.1 Cr as compared to Rs 235.4 Cr in Q1’23. Billings for Naukri India for the quarter were down 7% year on year and stood at Rs 329.4 Cr while revenues for the quarter stood at Rs 372.3 Cr a year on year growth of 13.9%. Recruitment segment billing including acquired businesses for the quarter were down 3.3% year on year and stood at Rs 413.5 Cr. Hiring from core IT clients pose a challenge for billing growth. However the business witnessed momentum in few pockets in this space especially captive centers. Non-IT businesses maintained reasonable growth momentum during the quarter with growth in hiring reported by manufacturing, BFSI, healthcare, retail hospitality, and infrastructure. While we maintained our pricing levels during the quarter, delayed renewal and volume reduction led to billing contraction. With longer sales cycles and hiring being predominantly backfill sales teams focused on ensuring timely renewals.
On the job seeker site engagement the platform was high during the quarter with 6% growth in the active user base 7% growth in daily users and 21% growth in the daily modifications of resumes.

Moving on to the real estate business 99 Acres, Billings in Q1 grew by 20% year on year and stood at Rs 73.4 Cr while revenue grew from 66.3cr in Q1’23 to Rs 82.7 Cr in Q1’24 a year on year growth of 24.6%. Operating loss for the quarter stood at Rs 22.5 Cr against a loss of Rs 38 Cr reported in the same quarter of last year. The business reported a cash outflow from operations of 40.5 Cr for the quarter against an outflow of Rs 46.6 Cr in the same quarter last year. The billing growth in 99 Acres for the last two or three quarters reflects the positive sentiment in the underlying real estate market. The billing growth is backed by strong traction of user activity on the platform. The traffic on the platform increased in the mid-teens and the responses on the platforms increased by over 25%. The user actions on the platform indicate a strong demand environment for Q2 2024 as well. The quarter also witnessed an increase in the number of brokers and owner clients on the platform. A number of new projects and live listings are also on an increasing trend. Our listing realisation continued to increase year on year on the back of price hikes, improved response rates and increased value added services for our customers. 99 Acres will continue to invest on platform experience differentiated content, client delivery and marketing to generate more traffic and leads for our customers.
This Shiksha business in Q1 reported billings to 33.3 Cr a year on year growth of 9.8% while revenues stood at 35.8 Cr a year on year growth of 14.6%. The business incurred operating loss of Rs one crore during the quarter against a profit of Rs 5.3 Cr reported in Q1 of last year. The cash inflow from operations for the quarter stood at Rs 30 lakhs against inflow of Rs 5.3 Cr in Q1 of last year. While there was healthy growth in platform traffic and student responses, clients reported delayed pickup in conversions of student inquiries into application and admissions. We continue to make long-term investments in the study abroad business in strengthening our platform and improve our counseling services in this space.

The Jeevansathi business billing in Q1 grew by 6.4% year on year to Rs 18.8 Cr and revenue declined by 15.3% year on year to Rs 19.4 Cr. The operating loss of the quarter two Rs 18 Cr against a loss of Rs 28.7 Cr last year. Cash outflow from operations for the quarter stood at Rs 21.1 Cr against an outflow of Rs 49.8 Cr in Q1 of last year.

New products to monetize increased traffic from free chat have shown positive results and business plans to continue with this strategy for the next few quarters. Spends on marketing further moderated for the quarter. The spends were down 29% sequentially and 48% year on year. Intense competition in the category continued as multiple players tried to vie for market share in this category.
As far as consolidated financial highlights go at the consolidated level the net sales for the company stood at 625.9 Cr versus Rs 547.3 Cr in Q1 of last year. At the consolidated entity, the total comprehensive income level there is a gain of Rs 3,001.9 Cr versus a loss of Rs 3342 Cr for the corresponding previous quarter ending in June 20th 2023 The consolidated PBT stood at Rs 216.7 Cr in Q1'24 versus Rs 339.4 Cr in Q1 of last year.
Thank you and we are now ready to take any questions.

Vivek: Thank you Hitesh. Will now begin Q&A session anyone who wishes to ask question may raise hand on the screen. Will take your name and announce you're, to question you.

Anand: Yeah. So, the first question we have from Vival from Alchemy Capital Management, Vival go in and ask your question.

Vival: Yeah, thank you for the opportunity, sir. So, my question Hitesh on there is a lot of movement on GICs. A lot of companies, MNCs are setting up global captive centers in India, that opportunity seems to be large, looking at you know, the kind of talent that is available in India, etc. So, how are we sort of participating over here? Do we see a chance of you know, resting some of the weakness in your normal IT services with, you know, participation in GIC Sector in India, thanks.

Hitesh Oberoi: A lot of captive centers are our clients. And we've been working with them for many years. And of course, if there is growth, in hiring from captives, then Naukri will benefit as well. However, captive hiring as a percentage of total IT hiring is still a small fraction. The IT sector employs over 5- 6 million people. While captives are ~ 15-20% of that, so it will be, difficult for to captives to compensate for the loss in business from IT services companies, by just focusing on captives.. But the hope is that the Non-IT sector will continue to do better going forward. And that's about half our business as well. So let's see how this plays out.

Vival: Thanks, thanks a lot, all the best.

Nikhil: Hi, can you hear me?

Anand: Yes, we can hear Nikhil. Go ahead.

Nikhil: Yeah. So, Hitesh I just want to understand regarding the billing, which declined 4%, YOY So which segment basically led to this decline, even IT is under pressure since last three quarters, right. So given now, we are finally in a negative trajectory? So was it higher than expected decline in IT? Or Non-IT and captives actually were not able to more than compensate for the decline in IT. So some slowdown, even in Non-IT side.

Hitesh Oberoi: So IT hiring has been slow for a few quarters now. And, you know, and it is not clear whether the slowdown in IT hiring has bottomed out, we don't know whether we've hit the trough as yet. The jobs speak index, IT continues to trend south. On Non-IT side, Q1 was okay. But, you know, July, jobs speak index for even some of the Non-IT sectors are not so good. So Non-IT hiring also slowed down a bit in July. But we don't know whether it's because of the economy slowing down or just because of rains or something else, things will get clearer, in a few weeks. On your next question that did the hiring slowdown more than expected? Well, you know, anecdotally, a lot of companies have been telling us that the bottom for of them have arrived, attrition rates have come down, and since their bench has grown and it will take maybe a quarter or two before things start going back to normal.

Nikhil: Very helpful Hitesh. I think second part is what you mentioned about the pricing, broadly stable on YY basis I believe, last quarter, we have seen some increase in pricing, especially in Non-IT . So is it like one blended level pricing and IT declined which specifically more than compensate or offset the benefit in Non-IT?

Hitesh Oberoi: I don't have data on that. But we'll try to get back to you.

Nikhil: Sure, The last one is on the delayed renewal. Have you seen that basically closing ultimately in the month of July? And are we seeing some increase in delays or decision-making now, compared to last quarter?

Hitesh Oberoi: That always happens when the market slows down, companies take longer to close deals, they have more time to negotiate. They're not under pressure to hire. They negotiate harder. So you know, they sometimes buy for shorter periods, they don't buy for a year. So there are, you know, the downgrade in terms of the kind of products they buy. So this is normal during any slowdown. And what we are witnessing is a slowdown. I mean, so, you know, I'm sure this is happening in the market.

Nikhil: Surely Hitesh, that's thanks a lot. That's all from my side. Thank you.

Anand: Thank you, Nikhil. The next question is from Jaydeev Charanzia, from advanced securities. Jaydeev would you ask your question.

Jaydeev: Ah, hey, hi. Hitesh. Am I audible? Yeah. Yeah, here's my question was regard to 99 Acres, the robust performance that we've been witnessing quarter on quarter. And somewhere in your initial comments, you also talked about reduction in the operating cash burn of the vertical from 46 cr to 40 Cr, just want to get some color around what has led to this reduction in the cash burn, is it totally driven by top-line increase, or there has been some cut back on the marketing spends is well.

Hitesh Oberoi: so three, four things, one, you know, of course, top line growth is healthy. So we've been growing at 20% plus for a couple of quarters. Now at the same time, manpower costs are under control, it's not as if we are not adding people. At the same time, you know, we will also optimize our marketing spend, without compromising on anything. So our marketing expenditure in 99 Acres has trended south. But at the same time, you know, we've managed to get more users on the platform by generating more responses, and we're getting more inquiries. And that has helped us to raise prices. And because the real estate market is buoyant, we are adding more customers as well. So it's a mix of everything, you know, market is, is good, and we've been executing well. And that's resulted in top line going up, and cost is remaining in control. And that's why the burn has gone down substantially.

Jaydeev: Any plans of, it is just a follow up, any plans of kick starting the marketing campaigns, once again, given that there are some, you know, high profile cricket matches in around the corner. So each company plans around that.

Hitesh Oberoi: So, you know, we were going to sort of plan quarter by quarter. And a lot depends on what we're seeing in the market. And how sort of competition is behaving in this space? Hard for me to say how this will play out going forward, if the market remains solid. And if we continue to grow at 25% or so, you know, year on year, we'll at least maintain this spend and we will be increase it going forward. It will make it hard for me to say right now.

Jaydeev: And as the competitive intensity kind of gotten normalized, as intensified, just how do we understand the competitive environment and the real estate?

Hitesh Oberoi: No, it's very competitive. There are a lot of players out there and they're all spending money. There are a lot of portals and then there are startups, a lot of real competition in this space, if you ask me today to for us even Googles and Facebooks of the world get a large chunk of advertising dollars from developers and large sort of channel partners. But yes, as the space remains competitive. There is a lot of action still.

Jaydeev: Thanks Hitesh, that was on my side. Thank you.

Anand: Thanks, Jaydeev. The next question is from Sachin from Bank of America. Sachin go ahead and asked your question.

Sachin: Thanks Anand, I have three questions. You know, first question, just wanted to understand a bit more about the mix shift happening towards Non-IT . Hitesh is it fair to assume that if it continues to remain the wait till, you know, one could see as sort of a makeshift, more towards non IT and just wanted to understand the implications on that in terms of billing and you know, margins and so on, so forth.

Hitesh Oberoi: About 50% of our business is indexed to IT hiring and if IT hiring, continues to be slow, and if Non IT hiring remains buoyant and then of course, this mix could change over the next few months, though it may not change by a huge number, but you know, from 50:50, it could become 48:52, to 47:53. A lot will depend on what happens in the long run if IT hiring continues to be slow and the economy, the domestic economy continues to do well, and of course, it looks to change even more. Margins may not get back to that much, because, you know, it's not as if, yeah, it's the IT business a little more profitable, but it's not as if the shift is going to be too much from IT to Non-IT.

Sachin: Got it. And, you know, on the long term point, you know, if we take a three to five-year view, general thoughts about generative AI, and the potential impact of that on IT hiring.

Hitesh Oberoi: There are two schools of thought on this, one view is that every time there's a new technology, then it creates more opportunity to sort of build new products and create new businesses, and the services business around any new technology is always larger. And if that happens this time around as well, and generative AI, and the advances in machine learning and AI in general, may result in more opportunity for Indian IT companies, what if there is more outsourcing of jobs to India, because people are hard to find in the US and every company, when the US wants to leverage generate AI, and they start opening their captives and so on and so forth, then, of course, it could mean, you know, it could result in more hiring than normal in the Indian, IT market. The other view is that, you know, generic AI could make, you know, developers more efficient, and therefore, the, you know, it could make them more productive, and therefore, fewer developers will be required for the same work going forward. Let's see how this plays out. I mean, in general, you know, when there is new sort of, when there are changes with technology, then people with new skills are required. And that creates opportunity. And that creates movement and, in the market, and that's good for us. Provided, you know, the legacy business doesn't get hurt too much.

Sachin: Got it pretty clear. And last question is on, you know, clearly, for the last six to nine months, we are seeing a funding winter. Just wanted to understand the implications on that on, you know, the kind of investment opportunities you guys are seeing. Clearly in India till date, we are not seeing massive down rounds. And you know, there's ample capital around Series A, you know, on that level. So just wanted to understand your thoughts out here.

Hitesh Oberoi: Sanjeev do you want to take that?

Sanjeev Bikhchandani: Can you repeat the question, please? Sorry.

Sachin: Yeah, so Sanjeev, the question was more from my point of view about the funding winter environment in India. What are we seeing right now at Series A and Series B, and, you know, any good opportunities for you?

Sanjeev: So, No, no, there are plenty of good opportunities there, our deal flow remains strong. The valuations are more reasonable round sizes are smaller, the same time we are taking a time and being cautious simply because there's a new risk. And the new risk is will this company be able to get our next round of funding with other investors participating or not. And that's something they fought? Are we convinced enough that if you have to next two or three rounds solo, in this company that we did in Zomato? Do we have that conviction? And then do we have the money and so on, so therefore, we've been really cautious and having said that, we think it's a good time to invest. If you recall, we invested in Policybazaar, 2008. Just before we even went out, we invested in the Zomato in 2010. During the global financial crisis, so we believe this because our investment time horizon is seven years, eight years, 10 years, when actually it's longer from the balance sheet. Because, you know, it's 17 years. I mean, it's 15 years since we went into, into Policybazaar, we still there. Its 13 years since you went into Zomato, we are still there. You know, so if you have a long term time horizon, we believe this is a good time to invest, but be careful.

Sachin: Thank You.

Anand: Thank you Sachin. Next question is a Mohit from Nuvama. Mohit you can ask question.

Mohit: Hi, can you hear me?

Anand: Yaa, Go ahead Mohit.

Mohit: I thanks for the opportunity. So my question is on you know, Jeevansathi and the 99 Acres business. And I know you're an expensive different come down. But you know, you have multiple times you have voice that you know that Competence and Integrity is very high. Now Jeevansathi, you said you have got more users, right. But if you look at the major competitor, that the realizations have come down there also. So can you give us a sense on how do we look at these aspects going forward? Will you be will there be and there'll be a case where you will increase them further, you know, to gain more market share? Or is it that competitive intensity? Has, you know, tapered down a bit? Can you give some sense on that?

Hitesh Oberoi: Yeah, so you know, right now, as things stand today, it's unlikely that these ad spents will go up in a hurry. You know, our model has changed, and we have now premium platform, and we offer chat for free. And we are using that, this feature to sort of try and get more users on the platform. And we've seen, you know, serious growth over the last few quarters. I think the real challenge, with Jeevansathi, is how we can monetize these users who will join the platform over the last few quarter and that's what we're working on right now. We don't expect the competitive intensity in this space to go up in a hurry. But who knows what could happen three-quarters from now.

Mohit: So can you say that you have been able to gain market share on the users?

Hitesh Oberoi: Yeah, certainly on the user side, you know, you gain traffic share, gain user share. But the challenge is to really monetize these, you know, additional users, we've been able to get on the platform, because, you know, we offer stuff for free. And that's good it's helped us cut down, bring down a marketing cost. But now we need to work on, you know, we need to develop products, and we need to sort of figure out how to monetize this new user base better.

Mohit: Sure, that's what helps.

Anand: Thank Mohit, next question is from Vivekananda Ambit capital, Vivek go in and ask your question.

Vivek: Thank you for the opportunity. Two questions. So one. Hitesh. I think a couple of quarters ago, you mentioned that if the domestic economy does well, and Non-IT hiring remains buoyant, you might consider increasing your distribution and sales network to cater to this demand. Is that something you pursued? Or are you seeing any indications that the hiring is becoming more and more broad-based given that previously, you're spoken about sectors like hospitality, travel, and others that may have more distributed hiring than say IT, which is concentrated in a few cities? So that's question one. And based on this answer, I will ask my subsequent. Yeah.

Hitesh Oberoi: So you know, you're right, you know, Non-IT , the Non-IT market is broader. Non-IT companies in a lot of cities, we already operate in more than 40 cities, it's very likely that the number of cities we have physical offices and will go up over the next year or two, we are already seeing more activity in smaller towns than was the case, maybe two or three years ago, very likely that Naukri. We'll have field offices in 60, 70, 80 cities over the next year or two. We are pushing hard on that front. But it's not as if we're going to have a lot of people, these new offices start with one or two sales people each. And these office, become profitable within a few months. In the in this larger cities where we already have offices, and we already have Field Sales Team, we are unlikely to hire more sales people to sell existing products. But for some of the new products which we've launched over the last couple of years, over the last few years, we may hire some people on the ground to push them harder as product like Zwayam and IIMjobs, and others. So let's see how this plays out. If the market continues to slow for a long time, and of course, we'll figure out a way to utilize the people we have more efficiently in the markets and enrich their present. Right now the hope is that, the slowdown is temporary and you things will bounce back in a couple of quarters. So let's see how this plays out.

Vivek: Okay, thanks. That's helpful. Just one extension to this question. Since you mentioned that the growth seems to be broad-based and you will perhaps open physical offices in more cities to cater to this demand for Non-IT talent. Is 99 Acres were also seeing something similar or is it is the action only concentrated in the top five, five to eight cities.

Hitesh Oberoi: See the top eight cities are a big part of the Business. So a lot most of the business does come from the top seven, eight cities in both Naukri and 99 Acres. But we are seeing more activity even in 99 Acres in smaller towns, and it is very likely that even 99 Acres will open more offices going forward and expand to other cities. The contribution of the cities to revenue in the short term is not to be large. But I think it strategically important to cover each and every part of the country and the overall 3, 4, 5 year period, revenue from the cities can will and can become substantial.

Vivek: Okay. The other question I have is on the recruitment acquisitions that you have done right. Zwayam Doslect and Coding Ninja the more recent ones. Right, and coding ninjas. So, these acquisitions seem to be focused largely on the IT verticals, is that is that assessment Correct? Or is are these solutions? The can you offer these solutions to customers across verticals?

Hitesh Oberoi: Oh, see, some of these can be you know, like IIM jobs is actually meant for an on IT hiring. Zwayam is a recruitment management system can be used for both IT and non IT companies. You know, Coding Ninjas if we don't if we haven't acquired the business, but we want

51% that’s more IT skilling up skilling for IT. But you know, the IT companies actually employ a lot of people. And they have larger budgets. So a lot of the customers for many of these products end up being IT services companies, they're not the only customers. But often a lot of the customers end up being the larger IT services or large industry companies. So the simple reason they hire a lot of people, they have big budgets, they have large workforces, and they need you know these ratios more than the other companies. But if the non IT market can be used to be widened for the next few years, is this the start of a new cycle? If India continues to grow at five and a half, six percent, even for the next few years, then you know, hopefully, I mean, we already have a lot of law large known IT customers, it's not as if you don't have them, but hopefully the number will on the non IT side will also grow over time.

Vivek: Okay, and Hitesh, I think you were spoken a couple of quarters ago about JobHai where it started from Delhi. But I think you wanted to expand it into new markets as well. Right. So is there something, something that we should know about that business now that you perhaps are taking it to more customers and in terms of business development? Are you working with any of the new companies that are setting up manufacturing facilities, perhaps capitalizing on the PLI schemes and maybe giving them any bespoke solutionsThrough JobHai any updates that you can offer on the grey collar, workforce

Hitesh Oberoi: Right Job Hai you know, we started Delhi now we've taken it to many more cities. It's growing nicely for us the number of jobs are growing the number of users the growing engagement of the platform is growing, the number of recruiters on the platform is also growing. So we're very happy with the progress. We haven't started monetizing aggressively as yet. Strategically, this is very important for us from a long term standpoint, it's unlikely that it will generate a lot of revenue in a hurry. The unit economics will have to be worked out since you know it's not so easy to make money in the gray collar space, we'll have to keep our costs or attrition low, we have to figure out how to monetize. But from a five year seven year perspective, I think it's a market we can't afford to ignore. It also helps us case keep competition at bay, we don't want to sort of keep any doors open from which competition can enter and then sort of get into our main business. So we'll keep investing in JobHai, the big categories for JobHai, where we are seeing a lot of fractions right now. Our categories like delivery boys, categories, like, credit card sales, Telesales, for domestic sort of customers, domestic businesses, not overseas call centers. You know, SMEs, you know, where, you know, we have a few Hundred Thousand- Ten and Thousands of SMEs on the platform, some and they need to hire a few people each every year, so these are the hotter category. These are categories where there is a lot of attrition, and there's a lot of demand for talent. The manufacturing piece is very tinny for us right now. Both in Naukri and on Job Hai.

Vivek: Okay, thanks. The last question I'll ask is on 99 Acres, seems that you have turned the corner there with respect to traffic share as well as growth. So apart from the market buoyancy, that that is currently manifesting and perhaps offering your tailwind? What is going right for you in 99 Acres and competitively what is changing there? Or is it just too early to comment?

Hitesh Oberoi: Oh, no. See, I think it's a bunch of things the market has been supportive. See, for a long time real estate was, you know, in deep trouble, I mean, starting with demonetization, and then RERA, the GST, and in the BFC crisis, COVID. You know, prices were sort of flattish. In fact, in real terms, prices had actually been down, the advertising spend in the space fell, you know, builders are sitting on lots of inventories, a lot of projects were took time to get completed. So, you know, the market was in trouble for a long time, I think we got to a gotten to a point where it's looking good. Now, there's more demand. The industry has sort of restructured, there are more, there are bigger developers better capitalized developers. RERA is being enforced strictly. So interest rates are reasonable, incomes have gone up. After COVID, there is more demand for bigger home. So in the industry, sort of. I mean, we don't want the prices to go by too much, because real estate will become unaffordable. But otherwise it looks good. The same time, you know, the LT just happened is that developers and builders and channel partners and brokers have become savvier about using the digital medium. So they are getting they realize that they you know, they can be their customers are all online, and therefore they need to be online. And therefore spend is also moving from offline media to online media, ad spend is going into as my ad spend is they need to move from offline to online. And three, I think we've also been executing well. So we've seen a surge of inquiries on our platform, we've seen more visitors on our platform, you know, we are seeing, we've done a lot of good work on putting out interesting real estate content, whether it's locality reviews, or society reviews, or transaction prices real state is a very opaque market, you know, there's no information available. So people sort of need to visit platforms on my like 99 Acres and to understand what's happening to prices, what's happening to supply what's happening to various other things in the market. So we are very happy with the way our team has also executed over the last couple of quarters, but fingers crossed, swallow does not make a summer. Nor does a summer make it like they say. So let's see if this continues for the next few quarters. And I'll be more confident about this.

Vivek: Okay, got it. Thanks a lot for the elaborate commentary. All the best.

Hitesh Oberoi: Thanks, Vivek. The next question is from Swapnil. From JM financial. Pls go ahead and ask your question.

Swapnil: Hi, thanks for the opportunity. So the first question is to the Hitesh. And that's on the commentary that we had in the previous quarter where the impression was that if the economic growth, let's say 6 to 7%. Our Non-IT business could grow 20 to 25%. But if I hear you correctly, you mentioned that July was a soft quarter now,.

Hitesh Oberoi: July month and not quarter

Swapnil: Yeah. So what has changed suddenly in the last two to three months that that for us to say that things are looking soft especially in the non IT.

Hitesh Oberoi: July Jobspeak number surprised us , we're digging deeper to understand what could have happened, was it that there was this some shift in seasonality, Was it because of the rains or is it because post Covid the non IT market opened up last year and there was a surge in hiring, so, is it a base effect in some way, but yes in long term, we continue to maintain that if the Indian economy continues to grow at 6% or more per annum then it is possible to grow at 20% Plus in India.

Swapnil: just a continuation to that, you mentioned that there could be an impact of the base effect also, can you just give us an understanding of like, how things moved between last two- three quarters, and it would be good if you can just give a sense and compare it with pre Covid things, how things used to be then.

Hitesh Oberoi: look see pre COVID When we have when we whenever we get 5-6% GDP growth the Naukri business we use to go 15% 20% 10% per annum. Now, last year, Q1, last year Q1 billing growth of 80% in Naukri. Even Q2 billings growth is very high 55-60%. So, the base is high. And then of course, it started moderating towards the second half by Q4, I think we were down to 15%. There will be some base effect here at work. The base effect was a result of the market opening up post COVID. Suddenly there was a lot of demand, you had the great resignation, and you have people coming back to work, etc. So that led to a lot of attrition, things have stabilized to some extent since then. But in the long run, once we go back to 5-6% growth and we are done with all these COVID and post-COVID effects, growth should stabilize at 15 to 20%, depending on how fast the economy goes.

Swapnil: Right. And my second question is with respect to unique clients that you report on a quarter to quarter basis. So this quarter, again, you had a decent growth in sequential growth in terms of unique clients. And the majority of the decline that has happened in Billings that seems to have come from the realizations or from people not renewing at the same rate that they were doing earlier. So can you just give some sense? Like, how should one, see this, trends going forward as well? And how to make sense out of these things, whereas your unique clients continue to grow, but realizations would have come down significantly, much more competently? Yeah.

Hitesh Oberoi: In real estate, we've added more customers, and these new customers don't buy, long duration products to start with, they don't buy high end products to start with, they test out the platform to get a good response, they upgrade. We upsell to them. So normally, when you get in a lot of new customers, your ARPU tends to fall or tend to remain flattish, because unless you take a serious price hike, because the new customers changes the mix towards more new customer. And new customers don't spend too much money to start with. In a slowdown, what you see is pressure on prices, you see pressure on even a new customer addition, and you see pressure on renewals. So in a serious slowdown, what you get to see is, you know pricing falls volume falls, number of customers also starts to fall. So, that's how that's the nature of the beast here in both real estate and Naukri. In Naukri, I suspect we may have lost some customers in the IT space, a lot of startups may have sort of stopped hiring. Stuff like that would have happened because of the market slowing down, on the Non-IT side we will continue to add new customers

Swapnil: Got it. Thanks a lot for that opportunity

Anand: Thanks Swapnil. The next question is from Raghav Bihani from Citi. Raghav go ahead ask your question.

Raghav: Yeah, hi Hitesh. My question is on the non IT side, so the realizations in non it seem to be much lower versus the IT. So any pockets here like BFSI, where you can take price hikes because we have seen some of the banks report higher attrition and wage increases in Q1. So any comments on the realizations over here?

Hitesh Oberoi: See if you're not looking to take an aggressive price hike at this point in time, however if the market heats up and if companies start hiring, a lot of people have attrition rates go up, then what we've seen in the past is it can companies negotiate a lot less, therefore I realized prices, goes up. They also hire more as they want more volume. And they also upgrade to high end product. So, in the end, hiring costs is a small cost for many of these companies, in a slowdown, because they're not in a hurry to negotiate harder, while in a good economy, they're constantly under pressure to hire. And they don't mind paying 10% more to Naukri at that time. So we are not looking to up our rate cards right now. But in general, I mean, if the market is hot, you end up sort of discounting a lot less than the market.

Raghav: Okay, just a follow-up question on the Non-IT side. So some of the capex-heavy sectors might slow down. Do you think they might slow down hiring before the general elections? Because in general, we see that some industries, just pull push back, hiring or capex to post-election clarity. Any comments on that?

Hitesh Oberoi: I have no idea how this works. In the past, at least what we have seen is that actually, governments spend more in election time. And that results in high demand for a lot of products. And while hiring in some sectors may slow down, like you said, if the government is spending money on capex I don't know how it works. But in general, there is more money sort of spent at election time. And that results in more demand for goods and services, and that will result in hiring in other sectors. But, I don't know how this plays out, I don't think it's going to have any material impact on the business.

Raghav: Okay.

Sanjeev Bikhchandani : Add to that, see, if the, if the company has got on dependent government contracts, right, and there is a serious possibility of the government changing, and the contracts either not coming through being cancelled, a company may be cautious. But if you know, it's not dependant on government contracts, or if the company is confident that the government will not change, I don't see making a difference. So you know, that's, that's what we don't know what they're thinking.

Raghav: Okay, sure. Thank you.

Anand: Thanks, Raghav. The next question is from Vaibhav Joshi on behalf of Aditya Suresh, pls go ahead and ask a question.

Vaibhav: Hey I am audible?

Anand: Yeah, go ahead.

Vaibhav: Yeah. Oh, yes. Thank you for the opportunity. I have two questions on behalf of Aditya. So the first is on renewals. What is the nature of discussions that you're having with clients as you renew these contracts? You briefly touched upon this, but would you like to highlight anything particular that is different this time?

Hitesh Oberoi: Sorry, can you say that again?

Vaibhav: Yeah. So on the nature of discussions that you're having with clients, as you renew your contract? Is there anything particular that you'd like to highlight different this time?

Hitesh Oberoi: No, no, see, what happened last year was, see for seven eight quarter, there was a surge in demand for IT talent and because post COVID, there was massive increase in digitalization worldwide. And there was a scramble for IT talent and attrition rates went sky high. And salaries went sky high, talented people were hard to get, our business also flourished as a result, revenue more than doubled profits maybe tripled over the last couple of years. So and then, and then it was a sudden sort of slowdown, or whatever reason. Attrition rates have gone back to where they were pre COVID. And suddenly companies realize that they have over hired, because demand suddenly vanished. As we speak companies realize their bench size has grown and is now higher than what they want it to be and therefore they are trying to cut down on hiring and they're waiting for some natural attrition so that they go back to the number they are comfortable with. Hopefully demand will also come back in a couple of quarters. And then they will start hiring once again, that's what companies are telling us.

Vaibhav: Right. So is it fair to say that we slightly more discussions on pricing or maybe tenure of contracts, anything in more particular that comes up?

Hitesh Oberoi: It's like they see they have their hiring requirements have gone down, and therefore, they negotiate harder and they need fewer licenses. They also realize that they're not growing anymore. They're not adding new headcount. So that results in lower realization in the end. And some of them sometimes, we may say, listen, we're not hiring for the next one or two months. So the response would normally be come back after a month, come back after two months, so that happens during slow down, it happens every time.

Vaibhav: Understood. And the second one is on Billings. So seeing this decline, how should we think about marketing and other opex?

Hitesh Oberoi: We continue bullish on the Indian market, these slowdowns don't last for more than 3-4 quarters, business always goes back to normal. And we don't want to cut any long term investments, maybe spend, we're currently spending maybe 20-25 cr a quarter on new businesses, like Job Hai and Ambition box, etc., where we don't generate any revenue. So we spending money on marketing doesn't move the needle in the short term for Naukri. But I think we think it's important, you know, from a long-term standpoint, so unless and until the slowdown is very prolonged and deep , these investments will continue.

Vaibhav: Okay, thank you.

Anand: Thanks, Vaibhav. The next question is from Sarang from RW Investment. Sarang, go ahead and asked your question.

Sarang: Hi, sir, Thank you for the opportunity had three questions. My first question is to Mr Chintan is it possible to give the breakup of other income on the console level and how this could pan out to be this year.

Chintan Thakkar: should be mostly, you know, Treasury income, knowing the other the other income part. But if you want a more detailed breakdown, we will get back to you.

Sarang: My second question do the Hitesh sir. For you said that a major chunk of revenue is contributed by top seven to eight city. Is it possible to put an approx. percentage figure on maybe Naukri site and 99 Acres?

Hitesh Oberoi: yeah, see, we don't give them breakup. But it's a large chunk.

Sarang: Okay. Okay.

Hitesh Oberoi: Delhi Bombay, Bangalore, Chennai, Hyderabad, Pune. These are big markets.

Sarang: And my third question is, to Sanjeev, sir. Is it possible to share your experience and learnings from investing in 4B networks? If you are allowed to speak about it?

Sanjeev Bikhchandani: Okay. Chintan you wanna take that, Hitesh, you wanna take that, should I take it I can take it if you want

Hitesh Oberoi: you can take it, see the matter is under arbitration, Sanjeev you can take it

Sanjeev Bikhchandani: Yeah. So I've said this, you know, to others who asked me that. Look, sometimes we make mistakes. Investments do go wrong. We have in the past, you know, lost money on several companies, but we made money on someone, we made some big money on some overall your company. Yes. So you know, 4b was a mistake. I think we have to admit it, I mean you can't write off Rs 276 crs.

Chintan Thakkar: Yeah, total 288.

Sanjeev Bikhchandani: You canot write off 288 cr and say it wasn’t a mistake. It was a mistake.

Sarang: Or any other step you're taking to ensure this doesn't happen, Internally.

Sanjeev Bikhchandani: In fact, we discussed at the board meeting today. We have already reviewed internally and we have taken some steps. And we continue discussing it at board level on how do we do we need to change some of our diligence practices tighten it up, what are the signals and indicators and red flags that emerge during conversation with founders that you know, there may be a problem here, how we deal with other situations in case anything comes up, which thankfully so far is not in terms of fraud. Companies go under but fraud is a different thing.

Sarang: Thank you, thank you so much, and all the best.

Anand: Thank you, sir. Next question is from Aashish Chopra from Goldman Sachs. Aashish go ahead and ask question.

Aashish: Sorry, my question has been answered. Thanks.

Anand: Okay. Thanks Ashish. Next question is from Vivekananda, maybe follow up question, Vivekananda go ahead and ask a question from Ambit Capital.

Vivekananda: Thank you for the follow-up opportunity, two questions. So, this is to Sanjeev. So, with Infoedge ventures getting a new investor for its funds. Is there any change in the objective or the conditions as far as these three funds are being run, whether it's governance or fund life, or objectives of capital deployment? So that's question one.

Sanjeev Bikhchandani: Yes.

Vivekananda: Secondly, Sanjeev the comments you made on the round sizes, getting smaller valuations getting more reasonable. Now, you have two kinds of funds, right. One is funds that scout for new companies where you want to be the first cheque. And the other one is a follow on fund which is basically identifying the winners from the previous aim and doubling down on them.

Sanjeev Bikhchandani: Yes.

Vivekananda: So, where are you finding it easier to deploy money in the current context and if you could just help us understand how the follow on fund is doing versus or how your process is for the follow on fund versus the funds where you are investing in new companies.

Sanjeev Bikhchandani: So fund one is more or less done, okay, because first cheques have been deployed, they will be they will be known, there's unlikely to be a new company coming into fund one and the follow on fund only looks at the fund one and figures out where to go how much and prospective winners we will back them more and more now. So, it is fund two and capital 2B which are actually scouting new companies and investing in them and that is where we are saying we're finding it easier. Are we finding the valuations lower the round sizes are smaller and we are being careful. So as far as the first question is concerned, no, we do not have any change in mandate. Our strategy remains the same. Go in, for the most part, I won't say always. We will have some sort of a pocket of capital for growth in late stage when that will be a small fraction of the total fund, while most of the companies we investment behind, we will try to be early and first cheque or second check in there and then double down on and then invest further in the ones that we find good. So, the strategy has not changed. But yes, there will be a certain pocket in work funds, where we will do slightly later-stage investments. So in the first one we did you know, we did Ship Rocket, like was a late stage investment, but the bulk of the money went into the all the early stage companies, most of the companies or companies will be the first check and invest early.

Vivekananda:
Okay, this is helpful. Just one follow-up with respect to the follow on fund that you have. Are you looking to be the only check for the subsequent rounds or is it Are you open to winner getting external investors to call in to.

Sanjeev: In Fact, we like to say that we want to get external investors and we come alongside.

Vivekananda: I see. Okay, that's very clear. Thank you

Anand: Thanks. That was the last question of the day. Oh, no.

Vivek: Anand there's one question in the chat box for Hitesh, it is how should we see the trend in the recruitment business for a longer period of time, since we are the dominant player, we have a large database and we get trends of how the sector would behave in coming down.

Hitesh Oberoi: Long term growth what was said, you know, recruitment is indexed to GDP growth, if the Indian economy continues to grow at 5-6% per annum, it should be possible to grow at 15-20% per annum in the Naukri business. In the core Naukri business and around the core Naukri business, we are trying to add more bells and whistles, we will acquired IIMjobs, we got Zwayam, Doselect. So we try to create new sort of opportunities for us. Job Hai is a big opportunity in the long run, from a five to 10 year time frame, not in a one to two year timeframe. The blue-collar segment has now become significant, there are a few millions of people who work in some of these sectors like I mentioned earlier, delivery workers, tele sales. People working in salons and in restaurants and lots of other sorts of small SMEs and small businesses. So long term, this also is a big opportunity. But we'll have work on the unit economics and it will take some time to figure this out. So the core naukri platform is indexed to the economy, depending on economic growth, if it can grow at between 15 to 25%, or 10 to 25%, depending on where India ends up. Then we are adding these adjacent sort of verticals around the core Naukri business. they're small today, but hopefully, they'll grow faster than core Naukri, over time, but they're a small part of the revenue today, Coding ninja etc. are separate. We are there we are trying to monetize job seekers and not recruiters. So that's a b2c model not a b2b model. And then in the long run over a 5- 7- 10 year time frame, blue collar market could start making sense. So that's the game plan. That's the strategy for Naukri.Which sectors are likely to do well going forward? If the government continues to invest in infrastructure, if the real estate market continues to be buoyant, if it's the start of a new cycle. We did not see much action in spaces like cement, metals, heavy engineering, oil and gas construction, real estate, heavy engineering, infrastructure kind of sectors for a long time at one point in time, the sector was because IT for us over the last 10-15 years, because of the twin balance sheet problem because of whatever reason, the share of all these sectors and the overall Naukri revenue went down from maybe 30% to 15% or 14%. So, if the infra sort of investments take off, and hopefully more jobs will be created for civil engineers, engineers, mechanical engineer, electrical engineer, site engineer, site supervisors, etc.,. And this, kind of hiring may look up manufacturing very, very tiny for us today, very tiny doesn't move the needle for us, but in the manufacturing sector takes off, manufacturing, hiring perhaps is less than maybe 5% or 7% or 8% of all hiring or Naukri today. So, if this government is trying very hard with the PLI scheme and with other schemes now, if manufacturing India takes off then of course, this could become a big for us but again, it's unlikely to happen in the next 12 to 18 months. This could play out over the next five, seven years. Other services that's where the action is, BFSI insurance, healthcare, retail, travel ,tourism ,hospitality these sectors have been strong and will continue to be strong IT - captives we expect them to be okay, domestic IT hiring we expect it to be fine. Startup hiring hopefully we'll come back in a year or so. IT service, Indian IT services companies fingers crossed, we'll see how it plays out over the next few quarters. ,

Sanjeev Bikhchandani: Yeah. In addition to this question, I think both are for you Hitesh. One is from Sanjay Lara. Is ambition box profitable, and can you share its business model and the growth prospects going forward?

Hitesh Oberoi: See Ambition box, we are not monetizing. But we are using it to get more traffic. it's a content play right now, it's deeply integrated with Naukri. And it's helping us to keep Glassdoor at bay and it's not because of Glassdoor in terms of traffic, it's helping us get new users to the platform, because there are enough users who visit ambition box to get information on salaries, to prepare for interviews to, read reviews, and on companies and so on and so forth. We're not monetizing it. But the traffic we get through ambition boards, of course gets monetized through the revenue models that we have in Naukri.

Sanjeev Bikhchandani: Okay, next question from Abhishek Bhandari. Can you please talk about the competitive intensity in the core recruitment classified vertical? Has it changed or remained status quo? Thank you.

Hitesh Oberoi: Status Quo not much change there not much change, LinkedIn and us continue to be the two big players. And of course, LinkedIn is slightly different from us in terms of the segments we operate in. Not much action, otherwise, no change.

Sanjeev Bikhchandani: Okay, the third question, Chintan for you. This is from Karan Kukareja. How have the discussion with current investors been? Investors, FIS, and DRS. are you seeing more interest from new investors as of now?

Chintan: I think the better way to really kind of respond to this is that now that results are out. We need to see how the market is receiving the numbers. And is there a real movement in weather FIS and DIIs? But otherwise, you know, we have not seen any kind of a different trend in recently as compared to what it was past. I think the deeper the pattern of holding remains more or less same. But yes, every time there's a result, then we are watching how the pattern changes.

Sanjeev Bikhchandani: No more question in the chat box.

Anand: There's an online question again from Vivek from Ambit capital. Vivek go ahead and ask your question.

Vivek: Thank you so much for the multiple follow up so Hitesh, since you spoke today, extensively about Job Hai, I want you to spend some time on competition there. So who is your real competition? Is it up now? Or is it the staffing companies? And secondly, as far as the segment goes, does it have similar network effects as your core Naukri.com? Or is it very different because its part offline, I just want you to spend some time on the details. As far as JobHai is concerned, you've been running this business for a while now. So that's why.

Hitesh Oberoi: So there are a bunch of companies who try their hand at Blue Collar hiring, grey collar hiring. And it's been the case for years now. So over a period of time, we've seen at least 15-20 companies take a shot at this space. Apna, Work India and there are a bunch of others. There's quicker there's you know, there was OLX, which was very active till sometime back. So a lot of companies have been trying, but you know, the space has, like I said, it's still small. But at least we are getting more users on the platform now. So there is there is more usage. There are more SMEs also trying out jobhai, which was not the case. So these, because I think the economy has become more digital than it was a few years ago. And people have become Tech savvy about using their smartphones. And of course, we are doing a lot of product work. So the Job Hai platform is very local. It's mobile first. And it's increasingly becoming more and more vernacular. So of course, the product is also evolving to sort of meet the needs of this segment. So, all kinds of players are trying, but it's early days. In the long run, will there be network effects in this space? I'm sure there will be a network effect in this space as well. But the market is right now. Very, very early, It'll take a few years to for things to mature and stabilize in this space.

Vivek from Ambit capital: Okay. Hitesh Do you see staffing companies as competitors or collaborators

Hitesh Oberoi: collaborators.

Vivek: Okay, okay. Great. Thank you, all the best.

Anand: So that was the last question we have for the day. Vivek will conclude the call now.

Vivek: Yeah sure, Thanks, everyone. On behalf of Infoedge, we conclude this call. Thank you. You may disconnect your lines now.

Hitesh Oberoi: Thank you.

Chintan: Thank you.

Sanjeev: Thank you