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

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Info Edge Limited Q1 Results Conference Call. Joining us on the call today are Mr. Hitesh Oberoi – Managing Director and CEO; Mr. Chintan Thakkar – CFO and Mr. Sanjeev Bikhchandani – Vice Chairman. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' followed by '0' on your touchtone phone. I now hand the conference over to Mr. Hitesh Oberoi. Thank you and over to you, sir.

Hitesh Oberoi: Thank you. Good Evening, Everyone and Welcome to our First Quarter Results Conference Call.

As always, we will first take you through the quarterly financial performance of the company, then we will cover each business in more detail, in the end we will be happy to take questions.

I just want to mention that the Q1 numbers reported to stock exchanges are based on the new Indian Accounting Standards. In this call, we will discuss numbers based on the previous Indian GAAP. The unaudited financial statements uploaded on our site for Q1 contain a reconciliation between Indian accounting standards versus previous Indian GAAP, the earlier accounting standards for Q1 this year and Q1 of last year. There is a slight change in the 'Data Sheet' which we uploaded on our site as well. You may please take the latest from the website.

Moving on to the Financial Highlights of the Quarter, for the standalone company, net sales in Q1 were Rs.201 crores Vs Rs.172 crores in the same quarter last year, an increase of 17%. For Q1 operating EBITDA was at Rs.56 crores Vs Rs.24 crores in Q1 of last year, an increase of 136% year-on-year, mainly on account of reduction in marketing expenses; marketing cost dropped 44% from Rs.46 crores in Q1 of last year to Rs.26 crores in Q1 of this year. Operating EBITDA margin was at 28% Vs 14% in Q1 of last year. Other income is at Rs.22 crores Vs Rs.21 crores last year. This is on account of an increase in corpus, even though interest rates have declined. PAT was at Rs.47 crores, up 65% and operating PAT was at Rs.32 crores, up 185% year-on-year. Operating PAT margin was 16% Vs 7% in Q1 of last year. Deferred sales revenue for the company has increased to Rs.220 crores as of June 30, 2016 Vs Rs.206 crores as of March 31, 2016. The business sentiment continues to be stable.

Moving on to the results for the Recruitment vertical: Again, please note that all business wise numbers that have been given out are management estimates and not audited. In Q1, Recruitment top line grew 17% to Rs.146 crores. EBITDA margins in Recruitment were flat at 53%. In Naukri, EBITDA margin was at 56% Vs 55% in Q1 of last year. In Naukri in Q1 we added an average of 14,600 fresh CVs every day and the Naukri database grew to about 47 million CVs, the number of CV Modifications in Naukri averaged at 238,000 per day. Naukri Jobspeak Index was at 2,129 in June Vs 1,749 in June of 2015 and in Q1 we serviced 37,000 unique customers Vs 33,700 unique customers in Q1 of last year. Our new products like Referral Hiring Manager and the Career Site Manager continue to make good progress and we have good feedback from our customers on these products. Our traffic share in Naukri has been hovering around 74-75% market for the last few months.

Moving on to the 99acres Business: Top line in 99acres is up 16% year-on-year to Rs.29 crores in Q1. In Q1, 99acres made an EBITDA loss of about Rs.16 crores vis-à-vis Rs.35 crores in Q1 of last year and Rs.11 crores Vs Q4 of last year.

We continue to invest aggressively in products and user experience. Even though competitive activity has declined we continue to spend a little bit on mass media to build our brand.

Our traffic share in the Real Estate vertical continues to be in the 40s and this has been the case now for the last few months. We are hoping that our continued investments in user experience, marketing and product would help us gain market traffic share over a period of time. The Real Estate market on the other hand continues to be very-very sluggish. Demand for New Homes especially in markets like Noida, Gurgaon, Mumbai and Hyderabad continues to be weak.

Moving on to the Matrimony vertical – Jeevansathi: Jeevansathi had a good quarter; net sales grew 34% year-on-year in Q1 and reached Rs.15 crores Vs Rs.11 crores in Q1 of last year. At the EBITDA level we made a small profit of Rs.65 lakhs versus a loss of Rs.3.5 crores in Q1 of last year.

In Shiksha, Q1 sales grew by 4% and were at Rs.11 crores. We made a slight loss of Rs.70 lakhs at the EBITDA level.

Moving on the Strategic Investments piece: In Q1, we invested in two new ventures; Rs.3 crores in Vcare and Rs.4 crores in Unnati Helpers. The gross amount investment in external ventures now stands at Rs.809 crores as of 30th June 2016. Some of the companies we have invested in may require more funding going forward and we will continue to evaluate each on a case-to-case basis.

I will spend a little time now on the impact of Indian Accounting Standards on our Financials. As mentioned, the unaudited financial statements filed for Q1 captures the reconciliation between Indian Accounting Standards versus previous Indian GAAP and the details are provided in the financial statements of Q1 that are uploaded on our website, www.infoedge.in At a very high level, there are two material changes in P&L from the Indian Accounting Standards perspective – One, certain products across different business lines were hitherto recognize after revenue under the previous iGAAP. These are now being recognized over the term of the contract as per the new Indian Accounting Standards; and two, the fair market value of ESOP are being charged as on cash charge to P&L. You may also refer to the revenue recognition rules which have been altered w.e.f. April 1, 2016 under the Indian Accounting Standards. Those prior to this date and in line with previous iGAAP are also on our site.

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

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Gaurav Malhotra from Citigroup. Please go ahead.

Gaurav Malhotra: I had a couple of questions: One is that the Recruitment top line at 17% is on the lower side versus the last few quarters trends and generally the commentary has been positive over the last few months. So, just wanted to get a sense of why the slow down and whether it is more of like for this quarter or something more to be looked into it? The second bit is on the impact of the new accounting standards. Hitesh, you mentioned too the accounting changes for the top line as well as on the mutual fund. But, I believe that the biggest impact would have been the employee cost, so any sense on that? Lastly, the impact of the Ind standard seems to be a lot more on property business where if you see the reported top line growth on like-to-like basis on the new standard would just be like 3% Vs 16%. So just wanted to get a sense of how should we look at it?

Hitesh Oberoi: To answer your first question on growth in Naukri or in the Recruitment vertical, on the ground there is no change in sentiment, the market seems to be stable, we saw slightly lower growth this quarter because the Naukri Gulf business has been impacted by slowdown in the Gulf, that is about 7-8% of our sales in total and that business had been under stress for a couple of quarters now. In India, the market continues to be stable; however there are early signs of the IT market slowing down, but it has not impacted our revenue as yet. So hopefully, revenues will continue to trend in line with what they have been like over the last few quarters going forward, but it is hard to say right now. What I said was that there is an impact on one top line because of the new accounting standard and also on ESOP, not mutual funds. So ESOP is I think what you are referring to when you mean by employee cost. So, yes, employee cost will be impacted because ESOPs are being charged as a non-cash charge which was not the case earlier.

Chintan Thakkar: So just to add, Gaurav, what Hitesh said is that, you are right, ESOP charges and revenue these are the two major significant impacts that we have from the perspective of new Ind AS and that is what he refers to and there is a detailed note that we have uploaded which explain even the smaller items where we have the impact and that also includes the mutual fund that you refer to. So, I think there is a detail reconciliation and detail impact on accounting treatment that we have given including the impact that would happen on the retail earnings. So, it is too much of detail, I think it will be better if you just refer to that, you will get a much better perspective of that. Coming back to your question about 99acres, essentially what has happened is that certain products which were earlier recognized as an upfront revenue are now getting recognized under the new revenue recognition norm over the period of the contract. Now, different-different business have different-different products and there is a different product mix that we have. So 99acres had more products which were taken upfront revenue as compared to let us say Naukri or any other business. So that is why there is a larger impact that you seeing 99acres. Again, if you really get granular, you will realize that for this upfront revenue whether our product was booked in April or whether it was a product booked in June, now when it comes to deferral revenue it has an impact. When it was an upfront revenue probably did not matter for the quarterly numbers, but as a deferral revenue it makes an impact. So product mix, the monthly pattern of how the product is being sold, everything has an impact and that is why you see a larger impact in 99acres.

Gaurav Malhotra: One follow-up on Naukri, on the IT segment while the companies generally focuses on the lateral hiring, so are you starting to see slowdown even in the lateral hiring?

Hitesh Oberoi: No-no, what I have mentioned to you is that anecdotally what we are beginning to add is that markets like Bengaluru which actually grew at a much higher rate than our sales growth of last year, so if the business grows at 18, 19%, markets like Bengaluru grew at 25, 26% last year, there could be some slowdowns I think in there and partly because of IT and partly because the start-up market is also seeing a slowdown. But this is anecdotal stuff, this is what we are hearing on the ground, this is yet to sort of make an impact on our revenue.

Moderator: Thank you. The next question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: Firstly, what could you share on Zomato's performance in the quarter, you were trying to break even in Zomato, so what is happening on that front, and any other developments in that business in this quarter?

Sanjeev Bikhchandani: Zomato, we do not disclose quarterly performance for competitive reasons. But having said that, what we had said at the beginning of the year is that the company is targeting higher revenue growth again this financial year and breaking even on a month-on-month basis, it will be cash positive at some time in this financial year. The company thus far is on target on track to achieve both those. That is high revenue growth, they had targeting doubling, we do not know exactly where that will end up, but it will be very high revenue growth and also breaking even, being cash positive at some other time in this financial year.

Arya Sen: If you could share something on the new investments, Unnati and the other one and what is the strategic rationale there?

Sanjeev Bikhchandani: Unnati is a small company, start-up, very early stage which is doing a pilot project in Gurgaon and is basically using the mobile platform for hiring of urban blue collar workers, whether it is business establishments or security guards or retail sales people or even domestic help or drivers, they are trying to get the model right and the milestones they have to achieve with this round of funding is get the model right and make it work in Gurgaon. That is what Unnati is. Diro is an app which is kind of a phonebook plus with many features and it is yet to launch, I think it should be launched in next few weeks both on Android and iOS platforms.

Arya Sen: Sir, could you repeat the investments in each?

Hitesh Oberoi: Rs.3 crores in Vcare and Rs.4 crores in Unnati.

Moderator: Thank you. The next question is from the line of Sandeep Muthangi from IIFL Capital. Please go ahead.

Sandeep Muthangi: Chintan, I have two questions for you: The first question is, this time around you gave us the walk through from the iGAAP to Ind AS. Is this something that you plan to give for the quarters going forward till FY'17 end, because you said that the entire impact would only be visible of the growth when FY'18 starts? So my question is do you plan to give this walk through for the next three quarters also?

Chintan A. Thakkar: Yes, we would certainly like to give that, because we understand that comparison under new Ind AS in some way is kind of distorted because of transition and probably that will continue for four quarters. So we would prefer to give both so that there is full transparency, full clarity of how the numbers are moving under both accounting patterns is.

Sandeep Muthangi: The second question is about the revenue impact of the transition to Ind AS. Now, I am finding it a little difficult to reconcile though I went through the entire disclosures that last year same quarter which is 1Q FY'16 because of the reclassification you had Rs.(+3) crores and this time you have Rs.(-4) crores. How does the dynamics work that you had booked less upfront revenue than the trailing upfront revenue last year and things changed this year, but how do I just look at this and get some insight into this?

Chintan A. Thakkar: It is little harder because there would be impact coming from the earlier quarter which is Q4 of the year before that and there would be a brought forward balances that would be there and so many newer contracts that is hard enough to really tell you that what exactly and how exactly will get worked out. But what essentially we have done is that with effect from 1st April 2015 all the outstanding contracts we recalculated all the effects that it would have on all the outstanding contracts and there is an impact on the opening balance and retained earnings and that has been given in the detailed statements that we have uploaded and then we have an effect for the year between '15 to '16 and then now we have '16-17 for Q1. So that is how it has been calculated. So there is a brought forward effect that come from what the retained earning that we have reduced. So there is almost like a charge of close to Rs.68 crores in the retained earning as on 1st April 2015 and that income which we have kind of deferred by taking a charge on retained earning keeps flowing through trickling through over the quarters based on the tenure of the contract. Now, there could be contracts for three months, six months, twelve months. So it would again depend on which month the contracts were booked and accordingly the revenue would flow in. What we have given is the comparison and a reconciliation but it is more of factual thing that why some thing was positive and something was negative depend upon how many contracts were getting where.

Sandeep Muthangi: About the newer products in the Naukri portfolio, it will be great if you can give us some insight into the traction or the numbers or any qualitative insight into what is happening with the Career Site Manager, the referral products, you enhanced those products?

Hitesh Oberoi: The idea right now as far as these products go is to penetrate the market and to launch versions for different segments. So on the Career Site Manager product, we got a basic version and we also now have a Pro version and when I last checked we had over 1700-1800 customers for this product. So the idea here is to penetrate the market and to get as many customers on the board if possible and to launch variance for different sort of segments. On the Referral Hiring Manager portal also, the idea is again to get more and more customers on board and to continuously keep improving the product.

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

Dheeresh Pathak: On the 99acres again now on the iGAAP basis you are saying you grew mid-teens, Ind AS you are saying you grew low single-digit. Now, what we are interested more is the actual underlying on the ground economic growth that you are seeing rather than using one accounting versus the other. So, what exactly is the underlying economic growth in your business for that vertical?

Hitesh Oberoi: The market continues to be very-very sluggish; home buying is not picking up anywhere, yes, competition has gone down. So the market scenario is very different from what it was like one year ago, competition is not spending as much as they were earlier. So we are also not as aggressive as we were at that point in time. But, it is not as if New Homes are picking up. Yes, there will be some turn around in markets like Delhi, NCR which actually degrew for us last year, they have recovered in Q1, after about four quarters we are seeing positive growth in that market. But on the whole, the environment is still very bad, lot of builders are going out of business, collections are an issue. So New Homes are in bad shape. The resale and rental part of the business is still okay and growing. So what we have been seeing for the last two, three quarters, forget the accounting standards is growth in the area of about 10, 12% and we are working on how to sort of improve this, but our share is improving, but revenue is not growing as expected.

Dheeresh Pathak: Sequentially, the burn seems to have increased. So was there more competitive activity or you are just more proactive without higher competitive activity in this quarter versus the last year?

Hitesh Oberoi: So one is of course in Q1 we have our increment cycle, so we give people salary increases, so that impact, so the cost go up little in Q1. Two, seasonally also Q1 is sort of smaller quarter than Q4. So hopefully things will get better going forward from a revenues standpoint.

Moderator: Thank you. The next question is from the line of Rohit Garg from Infina Finance. Please go ahead.

Rohit Garg: Sir, I want to check the impact on Naukri from say startups like Hiree, for example, which are like trying to disrupt the Naukri model, what they claim to do. If you can throw some light, eventually are you seeing any difference in a market like Bengaluru, where they claim they have say 4 lakh, 5 lakh resumes and doing some traction or is it like not a notable piece?

Hitesh Oberoi: There was some competitive activity last year from a lot of start-ups, some companies got funded and for a while they spent money and they got some revenue. But frankly it has not really impacted our revenue and actually we have seen many of these wither away over time. So to answer your question, really no impact as far as our business is concerned.

Moderator: Thank you. The next question is from the line of Shaleen Kumar from UBS. Please go ahead.

Shaleen Kumar: My question is related to some of the start-ups in the Real Estate Tech sectors. These start-ups like NoBroker, Grabhouse.com, which are smaller definitely and have a much lower funding compared to 99acres. But do you see any merit in their business model where they are trying to do NoBroker and given the potential of the market?

Hitesh Oberoi: 99acres operates in different segments, so we have a lot of our business coming from New Home sales, then we operate in the Resale segment, we also have a Rental segment. So our view is that it is very hard to sell a home in India without having a broker and fee. So as far as the sale part of the business goes, Resale and New Homes sale, we think either a builder needs to have his own sales team to sell or we need a channel partner or a broker in between to make a transaction happen. There is so much people work involved, so much negotiation which goes into closing the deal. It is very hard to do a sale transaction without a broker. As far as Rentals go, yes, there is an optionality to sort of eliminate brokers, many rental transaction happen on without brokers being involved. But on our platform also, owner can list a property for free, they do not really have to pay to list on our platform. So these models to my mind are subsets of what we do and it is going to be difficult for them to survive and sustain in the long run.

Shaleen Kumar: Scalability can be a challenge for them as well?

Hitesh Oberoi: Absolutely, they will need to find other revenue stream. If you are going to be a NoBroker platform, and you are going to be free, then you have to figure out a way to monetize.

Shaleen Kumar: Hitesh, also can you give a little sense on the potential size of the market of a New Home classified advertisement, any just rough idea how much is it available with right now online real estate players and how much is it print or other media?

Hitesh Oberoi: There were report sometime back that the New Home advertising market in India is a few thousand crores, some people put it as Rs.4,000 crores, some people put it as Rs.5,000 crores, but the spend in this segment has declined substantially over time and a lot of the ads you see in newspapers are actually ads which are placed, so either they are either partner transactions, people get paid for advertising through either equity or houses and so on. Despite all this, this market is at least maybe Rs.2,000-3,000 crores, today, there are at least a few thousand builders out there who need to sell projects. Yes, many of them are not selling and new launch activity has gone down but still we believe that a couple of thousand crores are being spent in this market. Substantial chunk of that is now spent online but maybe about 23-25% is being spent online, but a large part of what is being spent online is also spent on sites like Google and Facebook, so not all of it comes to portals. The portal between them maybe make about Rs.150-200 crores from the segment today. So there is substantial opportunity to sort of increase our share. But the market as a whole will take some time to come back.

Shaleen Kumar: Any particular reason why it is taking so much time for shift… again, I have no idea if you have some idea about it like how the global market has worked in this space?

Hitesh Oberoi: So the New Home market is actually unique to emerging countries, because in developed countries, most people already own a home and most houses are salready built. So the Resale market is the one which is really-really big. While in markets like India and China and a few other emerging countries, New Home market is fairly substantial. New Homes tend to be cheaper and more affordable than old homes. However, what has happened in India is that because of the poor track record of developers, the market has taken a big beating, right, the confidence levels of people in this market have gone down and because Real Estate is a slump, investors have fled the scene. So, this market is a little sort of unique to emerging markets like India, China and Pakistan and so on. Therefore, the product required, the platform required is a little different from what you have for Resale and Rental. So we have been working very hard on this platform and our product offering is getting better, we are seeing more traction, we have more and more consumers, researching new homes on our site but because the builders are in very bad shape and because builders have not really got their act together in terms of marketing, they are still figuring out how to sort of tap this medium, it is taking time for them to move their spends online.

Shaleen Kumar: If you can give just a rough estimate at what portion of our 99acres revenue is contributed by New Home market and how is it growing?

Hitesh Oberoi: I suspect that about 60% to 65% of our revenue would be from New Homes either directly from builders or from channel partners who work with builders. This part of the business has been under pressure. So it has been sort of flattish.

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

Ankit Kedia: Now for a couple of quarters, we have seen very strong growth in Jeevansathi. Do you think we have figured the business model now and we can invest more money in this vertical?

Hitesh Oberoi: We are getting more confident with time but it has only been a couple of quarters; Jeevansathi I think made a small profit at EBITDA level after many years. We are very happy with the growth in numbers; our revenue is up 35%, all the metrics are also looking very healthy. So let us execute for a couple of quarters before we sort of start getting very bullish or aggressive on this business.

Ankit Kedia: In our 'Data Sheet' from last quarter, you have stopped sharing some data points on Jeevansathi. So, can we continue that or it is competitive?

Hitesh Oberoi: Yes, we sort of stopped sharing because for competitive reasons because like we have been saying we are tinkering around a few things and we are experimenting a lot and that could mean something changing on our platform. So for a competitive reason, we do not want to reveal what we are doing and therefore we have withdrawn whatever we were sharing earlier.

Ankit Kedia: Regarding our A&P spends, do you think this A&P spends are sustainable for next three quarters given that we have also launched a new ad campaign for Naukri during the quarter?

Hitesh Oberoi: Naukri does not really depend on advertising for sales growth and we do not expect Naukri ad spends to go up too much this year; there may be an increase of 10%, 15% but that is about it. As far as 99acres goes, lot will depend on competitive intensity. Yes, we got ad spend and it is unlikely that our ad spend will go up too much from here on unless of course competition starts spending lot more on advertising. In Jeevansathi also, our ad spend continues to be reasonable; Q1 was actually lower than last year, but we do not expect it to grow at a rapid rate going forward.

Moderator: Thank you. The next question is from the line of Gaurav Malhotra from Citigroup. Please go ahead.

Gaurav Malhotra: Sanjeev, I just wanted to check on Zomato. Now, you have seen that with the tougher operating environment for companies, some of the investors have started to take markdowns in the perceived value of the investee companies. So I just wanted to understand how does it work and does it happen on a quarterly basis, yearly basis from an Info Edge's perspective?

Sanjeev Bikhchandani: Any mark-down or mark-up or whatever would happen in the next time the company little money or it is before that, otherwise, there is no need to mark-up or mark-down. We always value our investment to cost. Since the time last round happened, the company has more than doubled its monthly revenue. Its trajectory is not at a very rapid pace, it cut down the burn by 70% from its peak. To my mind, the company is in far-far better shape than it was during last round. So, as far as we are concerned, we have always valued all our investments in our books at the cost.

Moderator: Thank you. The next question is from the line of Ashwin Mehta from Nomura. Please go ahead.

Ashwin Mehta: Hitesh, I had a question on what are you seeing from LinkedIn on the ground. It seems they grew advertising at almost 18% in March, they seem to have launched LinkedIn placements in November last year, so they seem to be indicating traction there. Any moves that you have seen on the Talent Solutions business which has had some impact on us?

Hitesh Oberoi: Not really, actually as we all know LinkedIn sort of was in the news recently for having sold their business to Microsoft. So we are waiting and watching and to see what their new strategy is going to be. We do not know how sort of Microsoft is planning to integrate LinkedIn with their other offerings. Hopefully, India is just 1% or 2% of LinkedIn revenue globally, it is not going to be a focus market for them. As far as their new launches and new products go, I am sure they have been rolled out in India also as we speak, but they have not really impacted our business as yet.

Ashwin Mehta: Hitesh, but LinkedIn seem to have indicated that India is their second largest market after U.S. with almost 35 million users and in terms of the current biggest focus area seems to be on advertising, do we compete with them on advertising or that is a business that is not a big focus for us?

Hitesh Oberoi: In the internet space, India is always a top three market for every country from a consumer standpoint and from a user standpoint, but maybe in the bottom-three for every company from a revenue standpoint because the ARPUs of Indian users are very-very low. So, yes, from a user standpoint, India maybe very big for LinkedIn but not from a revenue standpoint.

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

Ankur Rudra: Just wanted to clarify on Naukri the overall business, the deferred sales, is there a significant difference on YoY basis on the growth rate on that adjusted for the Ind AS related changes that we have for this quarter versus the year ago period?

Chintan A. Thakkar: While we try to get the actual number for you, but theoretically speaking, yes, because ultimately deferral revenue plus revenue mix is the total booking for us. If revenues have not grown so much but booking was still there, the deferral revenue would have gone up.

Ankur Rudra: The sense I wanted to get is the trend growth, is it similar to what we can see on a reported basis, which is around 17%, is that what we can assume is what you have adjusted for the changes also? That is one question. While you maybe look for that, the other question I had was if Hitesh Could share what the growth rates across major cities were for the Recruitment business?

Hitesh Oberoi: Just to answer your question, deferred sales were Rs.187.6 crores last year as on June 30, 2015 and are now at Rs.220.2 crores.

Ankur Rudra: These are both on the same accounting standard, either Ind AS…?

Hitesh Oberoi: Yes, this is as per Indian GAAP, as per what we were following till now, not as per the new accounting standard.

Ankur Rudra: The other question was the growth rates you are seeing across the major cities or geographies in Naukri?

Hitesh Oberoi: Naukri what we have seen for the last four or five quarters is that the southern markets did better than the north and west, southern markets are primarily IT markets, markets like Bengaluru and Hyderabad saw around 25%-26% growth while Naukri nationally we do about 17-18%m, non-IT markets actually grew at 15-16-17%. Let us see how this pans out going forward.

Ankur Rudra: For this quarter, do you perceive significant difference in the growth rates?

Hitesh Oberoi: I do not have the numbers with me right now, but I do not think this quarter would be very different from the last three or four quarters, but yes, what I can tell you is that on the ground where there is a slight slowdown in Bengaluru... and people are saying this is because of start-up activity slowing down to some extent.

Ankur Rudra: But just on that point, I know you mentioned this earlier also, does start-up activity have a significant impact on your business, just looking at sheer numbers, is it Bangalore or is it overall market?

Hitesh Oberoi: We do not take a lot of revenue from start-up. But what happens, when there is a lot of start-up activity the attrition rates go up across companies. So, if attrition rates go up, we make more company from every company.

Ankur Rudra: You perceive that the attrition rates are falling, that is what might be slowing the…?

Hitesh Oberoi: Could be, but it is very slowly, it has just been one quarter and what I am telling you is anecdotal stuff, it has not impacted our numbers as of yet.

Ankur Rudra: So your subscriptions have not been impacted by this as yet?

Hitesh Oberoi: Not enough for us to say that Bengaluru is slowing down or Hyderabad is slowing down.

Moderator: Thank you. The next question is from the line of Shaleen Kumar from- UBS Securities. Please go ahead.

Shaleen Kumar: Just a question on Jeevansathi from Hitesh. I understand that you are seeing increasing traction in Jeevansathi and we are growing also. So let us assume two years, three years down the line, even if we let us say maybe double or more than our revenue, but still it is a distant third player in internet market, where we believe winner takes it all. So what would be the strategy going forward -- will it be your core business? What we will be looking for an exit and will an exit be possible given even the leader is struggling with an exit kind of thing or raising fund kind of thing?

Hitesh Oberoi: You are right that internet market will not take all markets, but you see the marriage market in India it is not one market, most arrange marriages often within the same religion, mostly they happen within the same community and often they happen within the same caste. So Jeevansathi has always been a strong player in the north. We would actually do almost 0% in the south. So most of our revenue come from north and west. While we are #3 player nationally, we believe that we maybe actually #2 player in the north and west and definitely in the north. That is one reason why even on revenue of Rs.15 crores a quarter we are actually breaking even and making a small profit. Going forward, lot will depend on how we run our business and how our competitors run their business, for example, in Jeevansathi we have less than 400 people and therefore if we are able to grow our business without growing our headcount too much going forward if we are able to become a dominant player in the north you may see very healthy EBITDA, on the other hand, if we are not able to dominate the north, our revenue is disbursed and scattered and comes from different communities, and if our headcount also goes through the roof and try to sort of achieve these goals, then margins will not be healthy. So you are right, it is about dominance and our strategy has been for a while to try and dominate in the north. While nationally we are #3 we believe that we are #2 in the north.

Moderator: Thank you. The next question is from the line of Garima Mishra from Kotak Securities. Please go ahead.

Garima Mishra: I had a question on the 99acres business. Now, the number of paid transactions which you disclosed actually reduced from run rate of 20,000 to 23,000 in the past two quarters to about 15,000 this quarter although the revenue growth at least as far as the older accounting standards are concerned was still pretty decent. So, could you just explain why this was the case?

Hitesh Oberoi: In general, from our strategy perspective, 99acres we are now focusing more on the larger customers, it is also a market where several brokers are going out of business, small customers are finding very hard to make revenue. So as a strategy we have also decided to focus on our bigger customers and not go after every small broker in town. So in June '15 we had 17,618 transactions and this year we had 15,000. That is what we are referring to. One, these are paid transactions, it does not necessarily mean that we are dealing with pure customers. This is at a transaction level, but in general what I can tell you is that we are focusing on the head, we are not focusing on the long tail any more in the Real Estate business. So our focus on increasing billing per customer and not increasing the number of customers necessarily.

Moderator: Thank you. The next question is from the line of Rohit Garg from Infina Finance. Please go ahead.

Rohit Garg: Just want to note that reduction in marketing costs which you mentioned, can you just elaborate that, segment wise, what has been the reduction or increase essentially in Naukri, 99acres and others?

Hitesh Oberoi: Most of the reduction has been in 99acres. We saw a lot of competitive activity last year – thanks to companies like Housing and Commonfloor. This year we are seeing a lot less competitive activity. So we have also cut down our marketing spend. So just to give you a sense I think our marketing spend on 99acres is down from Rs.30 crores in Q1 of last year to maybe Rs.10-11 crores this year. So it is down substantially compared to last year. In Jeevansathi also it has gone down slightly. I do not think there has been any sort of reduction in the marketing spend in Naukri.

Chintan A. Thakkar: These marketing numbers could be little bit here and there….

Moderator: Thank you. The next question is from the line of Sanjay Bembalkar from LIC Mutual Fund. Please go ahead.

Sanjay Bembalkar: Sir, I just wanted to get some color on this 99acres business. So just wanted to understand, is there any change in the terms of our business or kind of duration of the contract which we are seeing or any working capital intensity which has changed in the last 3-6--months?

Hitesh Oberoi: Not really, but what we are seeing now is a slight shift in the product mix, so for example, we were selling a lot of e-mailing Solutions earlier, we have launched a couple of new products which were not there earlier. So the mix may have changed a little bit, but nothing major has changed otherwise. They are depending on what we sell, in some cases we recognize more revenue upfront, in some cases we defer more revenue. So that mix may have changed a little bit given some new products and given our focus. But otherwise the terms of trade have not really changed.

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

Hitesh Oberoi: Thank you all for being on the call and Have a Great Evening.

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