"Info Edge (India) Limited's Q1-FY10 Earnings Conference Call"

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MODERATORS: MR. SANJEEV BIKHCHANDANI – MD & CEO, INFO EDGE
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Moderator

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

Hitesh Oberoi

Good evening. This is Hitesh Oberoi this side and I have Mr. Sanjeev Bikhchandani and Mr. Ambarish Raghuvanshi with me. Welcome to our Third Quarter Conference Call. Q3 performance was in line with expectations with business stabilizing in terms of Year-on-Year performance. We hope to start witnessing some growth going forward. Sequentially, sales were up in Q3 by 6.7% over Q2. The decline has been contained partly helped by the base effect and also because hiring is picking up. Most companies have started replacement hiring. Campus hiring is also picking up for sure.

Competition in all our segments, like jobs, real estate and matrimonial continues to be impacted. We have gained market share in virtually all categories of operation and we continue to invest and build for the future.

The data sheet has been uploaded on our Corporate Website www.infoedge.in. Net sales in Q3 were flat at Rs. 58.9 Crores same as Q3 last year. Sequentially, we are up 7% on top line and 6% on bottom line which is encouraging. We hope going forward to witness more growth as the economy stabilizes and starts growing faster. Other income comprising mostly interest income on banks fixed deposits was lower this quarter. Interest income would depend going forward on interest rates which have headed down compared to last year and hence the decline in other income in Q3. In Q3 last year, we had prematurely redeemed investments in Mutual Funds which resulted in a one time higher income.

For Q3 this year, operating EBITDA is up 20% year-on-year at 17.9 Crores and 18.3% Q-on-Q. Operating EBITDA margin is up by 5.11% year-on-year at 30.47% and up 3% QoQ. Operating PAT is up 25% year-on-year at Rs. 10.75 Crores and 17% QoQ. Operating PAT margin is up 3.7% year-on-year at 18.26% and 1.6% QoQ. Operating margins have improved in spite of continued investments in all verticals including newer ones like Shiksha.

We have contained the cash burn substantially year-on-year. In the newer verticals we lost Rs. 3.8 Crores in Q3 versus Rs. 4.9 Crores in the same quarter last year. On a 9 months basis we lost Rs. 11.5 Crores at the EBITDA level in the newer businesses versus Rs. 21.2 Crores in the 9 months last year.

Moving to performance by businesses, the recruitment business which accounted for about 86% of our top-line in Q3 last year was this year at about 84%. Other businesses moved to about 16%. The job market is showing signs of improvement. Naukri JobSpeak index, an index based on Jobs on Naukri.com continues to climb up although slowly and was at 760 November 2009 versus 664 for May 2009 but declined to 713 in December because of the holiday season. *This is a tool to measure hiring intent and should not be used to predict our revenues.* We believe that this index will continue to grow and improve as the economy improves.

Recruitment top-line was flat at about Rs. 50 Crores, EBITDA margin recruitments were up at 43.5% from 38.05% in Q2 versus 39.93% in Q3 last year. In Naukri, the EBITDA margin was at 44.05% versus 36.86% in Q2 but down from 45.78% a year ago. *These division-wise numbers are not audited and are management estimates.*

The number of resumes in Naukri moved to 19.7 million as on 31st December, 2009, versus 18.7 million as on 30th September, 2009. During Q3 we added about 10,500 resumes daily. The number of modifications in Q3 increased to 59,000 a day. These are again signs of the market improving and people coming back in to the recruitment market. In Q3, 18,400 recruiters paid us versus 18,600 in Q2 and 17,200 in Q3 last year. So the number of customers using the site increased this year compared to last year.

The share of IT, declined marginally from 25.9% in Q3 last year to 24.9% in Q3 this year. The share of recruitment consultants also declined marginally from 25% in Q3 last year to 23.7% in Q3 this year. Share of infrastructure including engineering/cement and metal kind of companies went up from 22.5% to 22.9% this year.

Our traffic share based on ComScore, which is an independent traffic monitoring agency, moved up to 61% in December 2009 which is encouraging. Our traffic share has been now hovering around the 60% mark for the last 8 consecutive months. This will hopefully get us better pricing and better numbers as the markets recover.

Moving to the non-recruitment businesses, net sales were down 2.7% at Rs. 8.9 Crores year-on-year. This is because Allcheckdeals (ACD) was hived off into a subsidiary last year. If the Allcheckdeals deals numbers are added, it would be up 14% year-on-year. The 99Acres decline seems to be getting contained and it was down only 4% year-on-year. Hopefully it should witness growth from next quarter onwards. Sales in Siksha also improved substantially.

The EBITDA loss in the other verticals reduced by 20% year-on-year to about Rs. 3.9 Crores. If ACD is included it is down by about 16% compared to last year.

In the 99Acres business top-line declined only 4% year-on-year partly helped by the base effects and partly by the improvement in the market place. EBITDA losses reduced by 36%. Environment is slightly better and there is sustained traction in some markets like the North and West. Southern market is taking long to recover.

Many new projects were launched in the North and West at lower prices. The site has also been revamped and product improvements continued. We expect a gradual recovery in the Real Estate market going forward. Our traffic share has now stabilized at around 40% mark while Magicbricks which is our nearest competitors is in the mid 30's. We have established leadership but we need to sort of improve on working our market share here.

In the Jeevansathi business net sales grew by 14% year-on-year, EBITDA declined marginally to Rs -1.6 million (loss) this quarter. Profiles increased to 3.5 million versus 3.1 million in September and 2.68 million in December last year. The number of offline center is about 14. We may add a few centers in the next 3 to 6 months. We remain hopeful at the end of this year we would be breaking even at least in a month-to- month basis in Jeevansathi. Competition continues to be challenged for cash and capital. The work on the site in terms of revamp, improvement on the product side, UI and analytics continues. Brijj is now at 2.7 million profiles growing at about 3,400 a day. The task ahead is to continue to get people to engage on the site and to network more. No revenues should be expected from this vertical for the next few months.

On the Siksha side of the business we saw some traction in terms of listings and in terms of paid customers. We now have a good product and the sales team is in place. We are getting renewals. Revenue is also moving up and we are hopeful that this product will do well going forward.

Allcheckdeals had been spun off into a separate subsidiary. We closed about 440 deals in Q3 in Allcheckdeals. Business has picked up with sentiments improving in real estate especially with new projects being launched in Delhi and Mumbai in the affordable housing segment. Consolidation will happen with InfoEdge accounts at the end of every year. Brijj, Siksha and Allcheckdeals earned the top-line of Rs. 6.6 million and lost Rs. 25 million at the EBITDA level in Q3.

For Firstnaukri the site has been launched. Products for both recruiters and campuses are now available on the site. We are reaching out to the recruiters through the Naukri sales forces and also a small separate sales force for campuses. This product will take some time to get traction but it is an interesting market as a lot of recruitment at the entry level now takes place through campuses and as the market recovers, this number would only increase.

Moving on to our investee companies, Applect and eTechAces have both regarded as associate companies in the FY 08-09 accounts. In the FY 09-10 accounts Applect will be treated as a subsidiary and possibly in 2010-11 eTechAces will be treated as subsidiary as well. Applect had launched meritnation.com, the paid product was launched in April 2009. It has had a few lakh registrations and a few thousand paid members. We are considering a second round of funding in meritnation. eTechAces the site is policybazaar.com. The site has got good traction. Revenues here is primarily from lead generation for the insurance space and with some fulfillment on insurance side. We continue to evaluate other investment opportunities on an ongoing basis but there are no announcements to make in this regard.

To summarize, margins in Naukri are back at about 45%, Jeevansathi is looking at break even. The economic environment is improving steadily. We have contained cost wherever possible. Our traffic share in Naukri is moving up, we are at about 60% now for the last 8 months and our position is getting stronger as the market improves. Our product and innovation continues in all our businesses and investment in businesses both internal and external continue to enable us to chase growth. Q4 will hopefully see some positive growth year-on-year helped by the base effect and improvement in the market. Beyond that visibility is poor. I think that is what I have to say and we can now open the field for questions.

Moderator Thank you, sir. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Kunal Sangoi from Edelweiss. Please go ahead.

Kunal Sangoi Thanks for taking my question. Congrats to the management for a good set of numbers. My question is with regards to the realization in the recruitment business. I believe that with the improving environment and hiring trends picking up across sectors, the realization as you see in the current quarter should continue to improve. I just wanted the Management comment on the same?

Sanjeev Bikhchandani Yes there has already been improvement. We expect that improvement to continue as the business recovers. Having said in the last melt down Naukri was probably a leading indicator because we were underpenetrated but this time around it looks like we might be a lagging indicator and therefore we are seeing recovery but it is not a dramatic recovery, it is a steady recovery.

Kunal Sangoi The other trend also that I look from the data sheet is that even the average resume registration has not picked up if you look at as such from 12,000 per day to, it is just 11,000. How do you see overall candidate activity going forward?

Hitesh Oberoi The candidate activity in the site has improved dramatically because you are looking at the new registration numbers but what you should also look at is at the modifications. Modifications this year are up substantially. A lot of people are already registered on the site and they started coming back to the site to modify their resumes and start looking for the job once again. So that activity has picked up substantially compared to last year. I think last year we have had about 40,000 modifications in December per day and now we are averaging at about 60,000 per day.

Kunal Sangoi The other question is basically with regards to margin expansion. Just correct me if I am wrong. Most of the margin expansion that we have seen in the recruitment business is largely pertaining to the ad campaign which was over in Q2 and was not there in Q3. Is that correct?

Hitesh Oberoi Q3 is normally a lean quarter for us in advertising because of the festival season so we do not normally spend on television in Q3. So actually in Q3 we spent less on advertising in Naukri compared to Q2 but the same would have happened in Q3 last year as well.

Kunal Sangoi Right, Okay. So I was comparing on quarter-on-quarter, so that is the reason.

Ambarish Raghuvanshi There is certain amount of lumpiness which happens in a quarter when we are on TV. You may have noticed that in Q4 we have broken a new campaign on television around the Hari Sadoo concept. I do not know if you have seen it but it is also available on You Tube by the way you can have a look.

Kunal Sangoi No I must compliment the management. That was quite a good ad campaign.

Ambarish Raghuvanshi So, there is a certain amount of lumpiness that does occur in a quarter when we are active on television. But as soon as growth comes back and it looks like that growth is coming back you will see margin expansion with its sheer operating leverage even if you discount the certain amount of distortion which happens through lumpiness in TV advertising.

Kunal Sangoi But would it be fair to assume that whenever you would have margin expansion because the operating leverage you would continue to reinvest in the business and you would basically there would be some level at which you want recruitment margins to be beyond which you will reinvest into some other businesses?

Ambarish Raghuvanshi No. The way it happens is that yes some amount will get reinvested back into business. But what we have seen in the past also is that there is a very strong correlation between the traffic share, market share and the margins. So if traffic share is sustainable, and if it is, then we should continue to see pricing games and margin expansion through that and sheer growth there. So some you are right will get reinvested back in the business because we are still in a growth market.

Kunal Sangoi And lastly Ambarish if you can help with the cash position as of December end?

Ambarish Raghuvanshi About Rs. 355 Crores which includes both fixed deposits, debt mutual fund and cash in current accounts.

Kunal Sangoi Sure, Okay, thanks a lot, all the best.

Moderator Thank you Mr. Sangoi. The next question is from the line of Tejas Sarvaiya from Trust Capital. Please go ahead.

Tejas Sarvaiya Hi, Good evening. I could not get the market share of Jeevansathi, if you can repeat that please?

Hitesh Oberoi We do not have the market share numbers because do not know revenue of our competitors. The traffic share as per ComScore it is at around the 20% mark of the domestic India traffic. Comscore measures only domestic India traffic.

Tejas Sarvaiya Okay. I would like to ask one structural question in the sense that when can we have Jeevansathi as big as Naukri ? What is the inflexion point of where you know our revenues is quite balanced ?

Sanjeev Bikhchandani So fundamentally, the online matrimonial market is growing a lot slower than at what the online recruitment market was growing when Naukri scaled up. Of course right now it is growing faster, but structurally I do not think that matrimonial market right now at least it looks like it is going to mimic the when the growth were good when the market for Naukri scaled up. Naukri was able to get couple of year 100% plus and in the year before matrimonial grew 60%. The matrimonial market to our estimation must have grown last year about 20% may be 25% we do not know for sure because we do not know our competition's revenues. But those are the kind of growth rates like regular growth rates in the online matrimonial market and on the flip side, it is not a cyclical business. It does not vary with the economic growth. So you will see steady growth here at may be 20–25% or 30% if you invest a little bit more but I do not think it will grow at 60-70-80-100% unless there is some radical new innovation which causes the market to explode. But we do not have visibility of anything that sort yet.

Tejas Sarvaiya On the other verticals side it is surprising that not only our revenue has gone down sequentially, the losses have increased, if I am not wrong.

Hitesh Oberoi I think the revenue is down sequentially because of the Allcheckdeals as we said because Allcheckdeals has been made a subsidiary. So I think if you take Allcheckdeals revenues, then the revenues are up 14% compared to last year.

Tejas Sarvaiya Total revenues of…

Hitesh Oberoi Revenue from Q3, revenue from new businesses.

Tejas Sarvaiya For other verticals.

Hitesh Oberoi For other verticals. But we moved Allcheckdeals into a subsidiary which is why the revenue declined by 2.7% compared to last year.

Tejas Sarvaiya In terms of EBITDA losses?

Hitesh Oberoi EBITDA losses from compared to last year are down from about Rs. 4.4 Crores to Rs. 4.2 this quarter**.**

Tejas Sarvaiya That is okay.

Hitesh Oberoi Compared to Q2 earnings?

Tejas Sarvaiya Yeah, Q2 it shows Rs. 3.3

Hitesh Oberoi Yeah, Rs. 3.3 last quarter (Q2), correct. So, this quarter, the losses have gone up slightly.

Sanjeev Bikhchandani See, you do not look at profits on sequential quarter because they are influenced a lot by advertising. I think it is more important to look at YTD and it is more important to look at what the full year is going to be and even year-on-year could be influenced by differences in advertising expenses over last year because our advertising is lumpy.

Tejas Sarvaiya I agree, because I am asking this question as I want to know this is a shift whether this is a one-off sort of thing because last four quarters we are going down and this is the first quarter we are marginally up on the losses.

Hitesh Oberoi It is also because we gave some salary increase in Q3. Okay, so it is one-off effect to that as well.

Tejas Sarvaiya No. One more thing I wanted to ask you is on the margin expansion what period ? Are they sustainable? The causes of this margin expansion comes mainly from two things, if I am not wrong the advertisement cost and employees cost which somewhere down the line has to get increased.

Hitesh Oberoi Margin expansion will depend on whether the top-line can increase faster than that. So we are hopeful that the top line will start increasing at the faster rate going forward given the low based and therefore, in Naukri it should be possible to expand margins if the market recovers.

Tejas Sarvaiya So what sort of growth are we looking at? Not on year-on-year basis but may be on sequential on absolute terms?

Hitesh Oberoi In Q3 we grew about 6.7% over Q2 sequentially.

Sanjeev Bikhchandani But we do not really look at growth sequential quarter because we look at year-on-year.

Tejas Sarvaiya I agree sir, but my only question was when can we go back ? Because, before one year we are hoping the last quarter of this calendar year to be a good year. Although it was a good year sequentially but we were expecting much higher growth and we were expecting to come back on the track what we were in the old days.

Sanjeev Bikhchandani You have to take in to account the fact that in the first two quarters of this financial year were (-18%) and (-16%) growth and now you are back to flat. So we are quite actually happy with the performance. Okay and we expect to be in positive territory in Q4. So, to our mind, this quarter which is just gone by marks the clear turnaround from (-18%) to (-16%) growth to flat.

Tejas Sarvaiya And Jeevansathi will still maintain say that this year will be breakeven on a yearly basis?

Sanjeev Bikhchandani Or thereabouts. So we have lost little bit of money in the last quarter, but at the end of it we might take a call to invest more that is something we will decide in the next 2-3 months.

Tejas Sarvaiya Because the previous quarter I think we were on the positive side.

Hitesh Oberoi That is right. We may down plus-minus 10 lakhs compared to some breakeven that I do not think it is very much…..

Tejas Sarvaiya Yeah, that's fine, but I just wanted to know the shift whether it is there. And lastly, I think the debtors have gone up, if I am not wrong?

Ambarish Raghuvanshi Debtors?

Tejas Sarvaiya Yes.

Ambarish Raghuvanshi Debtors actually represents our business mostly from Quadrangle and a little bit from what was conducted at Allcheckdeals when it was a subsidiary and basically the growth in Quadrangle which on an average we give about 90 to 100 days credit there. So, because of the growth in the Quadrangle business it represents the growth in corresponding debtors because Naukri does not have debtors, all our other businesses do not have debtors. Basically the growth in Quadrangle business has led to …

Sanjeev Bikhchandani As of now this is a good thing because it has been that Quadrangle's has grown….

Tejas Sarvaiya Okay. Thanks, sir. I will get back to you if I have any.

Moderator Thank you Mr. Sarvaiya. The next question is from the line of Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah Hi. I wanted to know. You have an investment in this online portal called studyplaces.com which has been now acquired by Educomp. So your investment still stays ?

Sanjeev Bikhchandani That matter is under discussion. There are many sort of conditions to be fulfilled before the transaction is finally closed**.**

Grishma Shah Okay.

Sanjeev Bikhchandani But, yes. The intention is that studyplace is acquired, the assets and the URL at which point of time, the company that owns the assets will get compensated. But we will still own the shares in that company.

Grishma Shah Okay, and secondly if you could also tell us over the next 12 to 18 months which businesses would stop losing cash or breakeven as I understand Jeevansathi so…?

Sanjeev Bikhchandani As far as Jeevansathi is concerned, we are pretty hopeful that this full year will be in breakeven or thereabouts but at which point of time, we could reevaluate our strategy and figure out do we want to invest even more committed to make it grow faster and move out of this 15%-20% growth trajectory, but that is a strategic thing that we will decide later/by the end of the year.

Grishma Shah Okay.

Sanjeev Bikhchandani As far as Shiksha is concerned, it will take at least a couple of years. 99Acres, let us see how the next 2-3 quarters go and we will have to figure out because the property market has been coming back in North and West pretty well. So we are fairly hopeful that 99Acres next year we are lot better than the first 6 months this and the last 6 months of last year.

Grishma Shah Okay. You did not think of buying Studyplaces 100% rather than buying ….?

Sanjeev Bikhchandani So, there were two things that happened. I think one is we had invested in Studyplaces basically as hedge against Shiksha that in case we do not execute Shiksha well and Studyplaces out executes Shiksha, we would have the right of first refusal because this is the large space and we wanted to be present there. What actually happened was that Shiksha did fairly well so we did not really need that hedge any more that is one part of it. The second part of it is that the management team of Studyplaces preferred to go to Educomp because there was a better strategic fit because Educomp did not have a play in this area and for that reason we said okay we will let that go there rather than here.

Grishma Shah Okay, and lastly you see a lot of competition in the recruitment space, specifically in lot of print and newspaper companies are also launching there own websites…?

Hitesh Oberoi Are you specifically….

Grishma Shah Yeah, this is specifically with respect to Shine.

Ambarish Raghuvanshi HT Media right?

Grishma Shah How do we see the competition panning out and again yes, growth rate might be there, but you would see pressure on margins going forward?

Sanjeev Bikhchandani If you look at our traffic shares in the last 15-18 months on ComScore and it is there on our investor presentation that is on our site www.infoedge.in . We have gone up from 47% to 60% plus in last six months we have been consistently at 60% plus and that gives us a lot of belief and confidence that look, we are getting a lot of things right.

Hitesh Oberoi The media companies the Timesjobs are at 10.5% of traffic share on ComScore and Shine is about 3% as opposed to our 60%.

Grishma Shah Thanks, good luck. Thanks.

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

Ankit Kedia Hi, congratulations on excellent set of numbers. My first question is with jobs being back, are we seeing some competitive activity in this quarter and going forward any signs we have seen in that last month? Not only on the products front but also on the recruiter's perspective also.

Hitesh Oberoi I think if you look at competitive activity, we are the only one who is advertising on TV both in this quarter and in the previous quarter i.e. Q2. So far competition has been not been very active on television or in advertising in general. As far as recruitment side is concerned, we are seeing improvements in realization with recruiters as well. So discounting has gone down, although marginally. So we see a steady improvement in our share on the recruiter's side as well.

Ankit Kedia On this quarter, we have seen the share from IT going down. However, with most of the big IT companies actually starting to recruit again, do we feel that our share from the IT could increase going forward and that could bring us the growth back?

Hitesh Oberoi Well, certainly more IT companies are hiring than three months ago, but as far as we are concerned, IT actually continues to lag some of other verticals in terms growth and in terms of hiring. In fact some of the non-IT verticals this time around are doing much better in terms of hiring. IT has been slow. Surely as things have improved in the last 3-4 months in the IT space, but it is still not back to the old level of IT as yet.

Ankit Kedia One question on Quadrangle, could we get the revenues and losses on Quadrangle?

Hitesh Oberoi We do not give them out separately.

Ambarish Raghuvanshi We give the recruitment verticals separately, but the fact is that Quadrangle is definitely growing after 3 or 4 difficult quarters and it is positive at the EBITDA level.

Ankit Kedia Hitesh, could we get the ad budgets for next year? How it is going to shape up?

Hitesh Oberoi We haven't finalized the plans for next year as yet.

Ankit Kedia Right. And one last question on the Allcheckdeals. I think couple of quarters back we are actually giving ESOPS and moved it to our subsidiary. So what has happened in this quarter?

Ambarish Raghuvanshi What? What is your question?

Ankit Kedia Couple of quarters back we are actually giving ESOPs and moved it to a subsidiary right? So this quarter as we moved it out a couple of quarters back when we actually gave ESOPs in Allcheckdeals that time we moved out the business.

Ambarish Raghuvanshi See we floated this company from 1st April. And having business was transferred from 1st April, 2009, into Allcheckdeals and a certain amount of incentivization is through ESOP to the founding team and to the key managers in that business. What is exact? I mean I could not ….

Ankit Kedia So the revenue is only from….

Ambarish Raghuvanshi The business because it is focused on new developments and selling new developed is doing well and we will be consolidating at year-end and disclosing the balance sheet and profit and loss of Allcheckdeals at the end of the year, but since it is not being audited on a quarterly basis we do not really have precise and firm numbers there. But basically the direction is positive.

Abhir Pandit No, I agree on that. My question was that since the subsidiary was found from 1st April so the revenues which we are saying that 14% growth with Allcheckdeals in the business. I think the Allcheckdeals would have moved to a subsidiary from 1st of April, 2009 or has it moved just stopped showing revenues of Allcheckdeals only from this quarter in a standalone business?

Ambarish Raghuvanshi See, what has happened is that there was certain business which was conducted when it was a division of Info Edge. And whatever business was conducted there continues to be billed from Info Edge and there are some business which still is residual business which is there which has to be billed and collected. But from 1st April, 2009, any new business conducted was conducted in the subsidiary.

Sanjeev Bikhchandani So you see the way it works is in Allcheckdeals is that first you close the deal with a buyer. Right? So that we define that as a business closed. Then after the buyer pays a certain amount of installments the developer says, "Okay, now you can raise the bill." Okay? Then you raise the bill and then after certain credit period the builder pays us. So if there was a deal that was closed prior to April 2009 out of Info Edge because the contract is with Info Edge the bill will be raised by Info Edge whenever the milestone of a certain number of installments by the buyer is met. So some billing still happens through Info Edge but a lot more billing now happens through the subsidiary. So that is why there is a transition period which is creating these issues.

Abhir Pandit Okay. And just one more thing, since you said with Allcheckdeals the revenue would have been up 14% year-on-year. How much would have been the losses up as well with Allcheckdeals?

Ambarish Raghuvanshi 4% difference, the losses are down by 20%.

Abhir Pandit Okay.

Ambarish Raghuvanshi They will be down by 16%.

Hitesh Oberoi So in this quarter the losses would have been about 30, 35 Lakhs.

Ankit Kedia Okay, so, Allcheckdeals is EBITDA positive actually?

Sanjeev Bikhchandani No, no, 35 Lakhs loss on Allcheckdeals.

Ankit Kedia Oh, on Allcheckdeals? Okay. 3 million mark.

Sanjeev Bikhchandani You are still at an investment stage.

Ankit Kedia 3 million mark.

Hitesh Oberoi Okay?

Ankit Kedia Okay. That is all from my side. Thank you.

Moderator Thank you Mr. Kedia. The next question is from the line of Rohit Dokania from B&K Securities. Please go ahead.

Rohit Dokania Good evening to everyone present out there. Thank you for taking my question. Just two questions. One is that if I am remembering in the last con call you had said that probably 4Q will see the revival in the IT sector hiring. Is that happening? Do you see that happening?

Hitesh Oberoi IT hiring will improve for sure. I mean companies have started hiring again. But the numbers are nowhere as close to what they were two years ago. So IT hiring has picked up certainly compared to Q2 and Q1. And the larger companies in fact have started hiring. And our belief is some of them have also improved. But our revenue in IT is still down compared to last year. I think that will take some more time for IT companies to start hiring in a very big way once again.

Rohit Dokania Sure. Another question I really do not know how relevant it is. But the whole fact that the whole hue and cry Obama is creating regarding this outsourcing thing. Do you think it will have a rip of effect on IT and rather the ITES kind of hiring activity that gets done through our website?

Sanjeev Bikhchandani Here our sense is that look, right now it is terribly politically incorrect. For some companies it will be expanding in India while at the same time downsizing in the U.S. So, the kind of companies where it is not a matter of survival increasing headcount in India, those companies will probably delay increasing headcount in India and downsizing in the U.S. at the same time. And these will be the India back ends of software product companies.

Rohit Dokania Like the IBMs or Accentures.

Sanjeev Bikhchandani No, no, software product companies.

Rohit Dokania Okay, product companies you are talking about.

Sanjeev Bikhchandani Okay? Now then there are companies which already have most of their headcount in India. Right? This will be the large Indian IT Services company. Because they have already deputed in India, they cannot reduce the overall costs by reducing headcount in U. S. and execute in India. Right? So they will increase headcount when they get business. So that is indexed to getting business. Then there are companies which have some headcount in India but also a significant headcount overseas, and they are in the IT Services space and for them it is a matter of survival to cut costs, that we can get business and then bit lower prices. Okay? So these are the U.S. IT Services companies who have got back-end here and have got people in the U.S. And they will continue to increase headcounts in India, no matter what the political pressure in the U.S. for because of them it is a matter of survival. So it is going to be patchy, some companies will hire, some will not. This secular large scale hiring that used to happen in 2007 that will take a while to come back.

Rohit Dokania Okay, I get it. And just one final question. From longer-term perspective you are at about 250 Crores kind of top-line. What would really take us to a 500 to 600 Crores kind of top-line? And how long will that take?

Hitesh Oberoi I think if the Indian economy starts growing at 8% once again, hiring will come back because a lot of job will get created. If hiring comes back and the economy is so 8-9%, inflation is at 6-7% and you keep gaining market share and then I think it will be possible for Naukri to grow at 25, 30% on a sustainable basis. The other businesses we are in like Jeevansathi and 99Acres could grow much faster, again, depends on how we execute. So again a lot will depend on how the economy moves going forward and how we execute. But if both work out then I think we could easily double revenues whatever I mean you can make a guess two years, three years, four years.

Rohit Dokania Certainly. I get the point, sir. Thanks a lot. That is all from my side.

Moderator Thank you Mr. Dokania. The next question is from the line of Abhir Pandit from Parag Parikh Financial Services. Please go ahead.

Abhir Pandit Hi, could you please explain the business model for how Allcheckdeals is developing? In a sense, sir, do you believe that there is a similar model that one could compare with so that one could see the visibility of the site?

Sanjeev Bikhchandani So Allcheckdeals is a brokerage and it is not really a web-based business. It has a web site from which he gets customer leads and enquiries from buyers. That is about it. But essentially it is a broking business. Real estate broking business and the business model is the same as other real estate brokers where there is a success-fee for closing on a transaction.

Hitesh Oberoi This is a more institutionalized slightly more professional than…

Sanjeev Bikhchandani And we also give basically largely operates in the primary market and it only facilitates transaction on all check. That is why its name is Allcheckdeals.

Abhir Pandit Okay. My second question is how do you see the competition evolving from sites such as Linkedin or Facebook? Since I read some articles on recruiters using such sites for hiring so how do you see the competition for Naukri from these sites?

Sanjeev Bikhchandani So Facebook is not really a significant use for hiring. Yes, yes, certainly we can hire on Linkedin. Linkedin has entered India. Linkedin does have a good user base in India. But there are two or three things which sort of, and so, Naukri is somewhat different and fulfill the different need from Linkedin. So one is the kind of UI, the kind of privacy option, the kind of ability to contact candidates in Linkedin is such that it is primarily a solution where you will identify one person and contact him whereas Naukri is very, very useful for hiring larger numbers of people. And then therefore it is going to fulfill different needs. Second challenge is that anybody whose resume is on Naukri, you can be very sure he is looking for a job. Right? But that is not the case on Linkedin. The intent of the person, is not known on Linkedin and someone will be looking for jobs, someone will not be looking for jobs, so the product, and it impacts recruiter productivity. And therefore we believe that, yes, while Linkedin maybe used for hiring, it will not make a significant dent in our revenue and even in the U.S. while Linkedin is used to hiring, it does not seem to be making a significant dent to the revenues of job sites.

Abhir Pandit Okay, that is it.

Sanjeev Bikhchandani But it is getting a share of the recruitment wallet.

Abhir Pandit Okay, thank you, sir.

Moderator Thank you, Mr. Pandit. The next question is a follow-up from the line of Grishma Shah of Envision Capital. Please go ahead.

Grishma Shah Sir, you mentioned that you might be looking at the second round of funding for Meritnation. At what stage would you need the site as a paid site or is it a paid site currently?

Hitesh Oberoi The model of Meritnation is a model where some of the offerings are free, because one gets rights for registration so there are free registration are coming and then a certain percentage of them upgrade and go for the paid product.

Grishma Shah Okay. So do you have some amount of revenues at least flowing in currency?

Hitesh Oberoi There is revenue but the company is not announcing at the moment for competitive reasons but there is some revenue, but yes, it is still in investment mode and it needs further capital.

Grishma Shah Okay, so that would take around two years for you to…?

Hitesh Oberoi It is hard to say; because this is a very early stage business, very early stage market visibility is poor, yes, at least two years I would imagine.

Grishma Shah Okay, thanks.

Moderator Thank you, Ms. Shah. The next question is from the line of Vishal Shah from Allard Partners. Please go ahead

Vishal Shah Good evening. My question was that how do you see Monster's new products with Trovix not taken as a threat or risk going forward for the core business? They also launched that in India.

Hitesh Oberoi Monster has not launched Trovix in India as yet. But they have been talking about it, they have launched in the U.S. I think they are launching in the Europe and they may launch in India in a few months from now. We are definitely concerned about Trovix, but we are working hard on our product as well. Our product today is far superior to what competition has to offer today at least in the marketplace. And we are working on our own semantics sort of search with our own features which will make the product even better going forward. So we are hopeful that our product will be vastly superior to what it is today in another three to six months. And therefore we should be able to counter any challenge from Trovix or anybody else going forward.

Vishal Shah And this product is priced at a premium to the normal product?

Hitesh Oberoi No. The U.S. maybe yes. Not for us. But we are not charging anything else for our features at this point in time.

Vishal Shah Okay. And second question was that, last year we saw pricing cuts and plans downgrading in terms of the product and of course there was no growth in plans. What is the current scenario on this exercise and how do you see this in the near-term?

Hitesh Oberoi So certainly the job scene has improved, companies and consultants who had stopped using our product in between are coming back, we are renewing many lapsed accounts, certain accounts have started upgrading as well. There is less pressure on pricing. Discounts are going down. So the overall hiring environment is improving. And therefore our realizations, the number of accounts we are billing from is also improving. In fact, the number of customers we billed from in Q3 this year is 1400 more than the number of customers we billed from in Q3 last year. So you can see the difference already. So overall the environment is positive. But you have to wait and see whether it is going to keep improving from hereon or not.

Vishal Shah Okay and no action on the pricing in terms of taking a hike?

Hitesh Oberoi Not at this point in time because while there is a rate card we were obviously selling below the rate card rate and you were getting discounts on our products last year. The first step is to reduce the discounting and once the environment stabilizes, once companies and sectors start hiring in an aggressive manner then we could look at a price increase. But that will be maybe two or three quarters down the line, not at this point in time.

Vishal Shah Okay, thanks a lot.

Moderator Thank you Mr. Shah. The next question is a follow-up from the line of Tejas Sarvaiya from Trust Capital. Please go ahead.

Tejas Sarvaiya Sir, can you give me our strategy for Jeevansathi, because if we can grow the market share and along with the market growing there a combination cost them can bring us a lot of growth which can make us big?

Hitesh Oberoi So in the matrimony space we are the No. 3 player right now. There is Shaadi, there is Bharatmatrimony. The task for us is very clear. We have to gain market share. We are not really looking it to grow the market. I think that job is to be done by both Shaadi and Bharatmatrimony, because they are the market leaders. Our job is to grab market share. We are mostly focused on the north and western parts of the country that is where we are doing well. We are not looking at the south. We are going to breakeven this year, but we may up our investment in Jeevansathi substantially next year if we feel that there is an opportunity to gain market share and establish dominance in the communities we are strong in.

Tejas Sarvaiya Do you not see that opportunity as of now?

Hitesh Oberoi No, we see an opportunity there. But this year we wanted to sort of conserve our capital, get our act together on the product side and basically we manage to do and next year if all goes well we will invest more of that in Jeevansathi business.

Tejas Sarvaiya Okay, thanks.

Moderator Thank you, Mr. Sarvaiya. The next question is from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

Miten Lathia Would you believe that the trajectory that the real estate business is following is faster or better than what recruitments had followed it at a similar stage in its life cycle or worse?

Hitesh Oberoi So the real estate advertising market in the offline space is much bigger than jobs advertising. However, it is more cyclical clearly and the cycles are more deep. Unlike the Naukri business where we grew certainly for many years before we hit a downturn, here we seemed to have hit a very severe recession at a time we were growing. So our revenues have been impacted and there is a slowdown in the growth in the real estate business. Market is coming back in pockets in Bombay and Delhi especially. And this quarter was better than last quarter. And we expect the performance improves going forward. Whether the online market in real estate will grow as aggressively the jobs market it is difficult to say. Right now does not look like that, but then a lot would depend on how the real estate market in the offline world moves. Once the advertising comes back in real estate then we can expect the online market also to grow substantially.

Miten Lathia And on your recruitments business at what scale do you think it would become sort of a mature business or you are not seeing any signs of maturity in the recruitments anytime soon?

Hitesh Oberoi So there are two or three levers which drive our business on the recruitment side. The first lever is economic growth. So if India continues to grow at 8%, 9% year for many years then I do not see recruitments going down at all, because that will mean the companies will continue to hire and there will be a lot of attrition and salaries will keep going up and people will move a lot of jobs. That is lever No. 1. Lever No. 2 is internet penetration. Internet penetration has been growing steadily for the last few years at maybe 10, 15, and 20% a year. But going forward hopefully internet penetration will start also increasing at a faster rate. So that will also impact our business and that will also help us positively. The third thing which will help us is broadband penetration, which is also improving. Because as consumers get access to faster internet, as consumers get access to internet which is always on, again, this will help the online recruitment space. The fourth thing which could sort of working in our favor is increasing our market share which is increasing. If we continue to gain market share then this will give us pricing power in the market going forward and help our realizations.

Miten Lathia No, what I was hinting at was vis-à-vis what print manages to gather from the recruitment advertising space per se and comparing it with what the online recruitments industry as a whole is today getting. Is that some sort of penetration gain still left or penetration is done and you are pretty much banking on economic growth to kick in ?

Hitesh Oberoi No, like I said, the internet penetration will help. So even today newspapers get a lot of recruitment advertising for two reasons. One, there are certain categories for which print works better than online. You see a newspaper you see a lot of ad from educational institutions, from call centers and BPOs and so on. This is primarily because many of the people do not have access to the internet and therefore companies are forced to advertise in print to reach out to them. So as internet penetration increases some of this advertising will also move online. Secondly, for a certain kinds of activities like walk-ins, again, print works better because the reach of print on a single day is much higher than that of a portal on a single day, which is what is required for walk-in ads. So as internet penetration increases and as people spend more and more time with the internet this will also change. Certainly there are still gains to be derived from increasing internet penetration and faster internet access over and above economic growth going forward.

Ambarish Raghuvanshi In developed markets like the U.S. there has been a lot of cannibalization from print to online and so on. That game has not really played out too much in India is just that we have grown the online recruitment space has grown faster than print. So that game will play itself out over a period of time as internet grows faster than print. But I think there is still room for improvement in the internet.

Hitesh Oberoi Even today the print revenue from recruitment ads is probably higher than online recruitment ads. So that revenue will have to move online over the next few years. In addition, that will be the economic growth and more job creation.

Miten Lathia Sure, sure. Thanks a lot, gentlemen. Wish you all the best.

Moderator Thank you Mr. Lathia. The next question is a follow-up from the line of Ankit Kedia from Centrum. Please go ahead.

Ankit Kedia Just one question, couple of years back, during the economic boom we started our retail strategy. We started recruiting and going for companies which were recruiting lesser amount of people than the big enterprises and then the downhill started. Now with economic recovery on track back will the strategy still, will you start focusing to recruiting them again?

Hitesh Oberoi Sorry, will you start focusing on what again?

Ankit Kedia Will you start recruiting again and focusing on the retail strategy which we had started it couple of years back?

Hitesh Oberoi So, there are few smart things here. We set up a retail team some months ago and through that we are reaching out to a low-end customers. That is we feel a lot more productive and adding a lot of retail people, because the telesales person is able to make 40, 50 calls in a day while a field sales person if he had to call on all customers he is not able to make more than three or four calls and the yield per call is not that high. So we will continue to invest in telesales to reach out to more and more customers. On the field sales side what is happening is that as our penetration increases, as customers buy and then renew is easier to service them. So we do not need to spend the same kind of effort servicing the customer once he is already a customer and we spend in developing new customers. So as a strategy what we do is we move a lot of accounts from our new accounts team to our existing business team every year and free the new account team to develop new accounts. So I think we may not need to add too many people on the field sales side, maybe 5, 7%, that is about it going forward as long as the market is going at 25, 30%, but if market would picks up beyond that then we may need to add people in the field sales side.

Ankit Kedia Right. My second is a bit bookkeeping question. Could you give me the exact revenue and EBITDA numbers in 99Acres and Jeevansathi?

Hitesh Oberoi We do not actually give out these numbers separately.

Ankit Kedia I think every quarter we get those numbers actually so.

Ambarish Raghuvanshi That there is in the data if you look at Jeevansathi number of paid customers and ….

Ankit Kedia No, I am looking for the actual revenue and EBITDA. I think every quarter on the con call we get those numbers.

Ambarish Raghuvanshi Jeevansathi we did about 4.8 Crores and lost about 16-odd Lakhs. 99Acres we did about 3.4 Crores and lost about 1 Crores.

Ankit Kedia And the rest will be….

Ambarish Raghuvanshi The rest is for other business is which we had given in any case.

Ankit Kedia Not a issue. Thank you.

Moderator Thank you Mr. Kedia. The next question is a follow-up from the line of Abhir Pandit from Parag Parikh Financial Services. Please go ahead.

Abhir Pandit Sir, I believe that you have decided to focus on the classifieds area. So sir, could you just give me an idea of how you decide to bet on a new model or could you just give me any new areas you are looking at currently? Since I believe that you have a large amount of cash on your balance sheet.

Sanjeev Bikhchandani So as of now internally we are not sort of thinking of entering of this vertical. So we are in recruitment, in matrimony, in real estate, and education. We want to consolidate some of these before we look at for the expansion internally into a fifth vertical. However, we continue to look at external investments and we evaluate on a case to case basis, but we have no announcements to make here right now, but some of the things we look at would be potential market size, number of customers, IP creation, competition, barriers to entry, management and so on.

Abhir Pandit That is it, sir.

Moderator Thank you Mr. Pandit. As there are no further questions I would like to hand the floor back to Mr. Hitesh Oberoi for closing comments. Please go ahead, sir.

Hitesh Oberoi Thank you very much for being on this conference call. If there are any more questions you can contact us offline and we will be happy to get back to you. Thank you very much.

Sanjeev Bikhchandani Thank you and good night.

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

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