"Info Edge Limited Q1 FY2014-2015 Results Conference Call"

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Moderator: Ladies and Gentlemen, Good Day, and Welcome to the Info Edge Limited Q1 FY2014-2015 Results Conference Call. Joining 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 participants' line 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 an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. 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, and in the end we will be happy to take questions.

For the company as a whole, net sales in Q1 were Rs.145 crores Vs Rs.121 crores in the same quarter last year, an increase of 20%. For Q1 operating EBITDA was at Rs.49 crores, an increase of 34% year-on-year. Operating EBITDA margin was at 34% Vs 30% last year. PAT was at Rs.40 crores, up 35% year-on-year and operating PAT was at Rs.29 crores, up 38% year-on-year. The operating PAT margin was at 20% Vs 17% in the same quarter last year. Our deferred sales revenue has also increased to Rs.155 crores as of 30th June 2014 Vs Rs. 139 crores as of 31st March 2014. The hiring sentiment seems to be improving with every passing month. As the market recovers, we expect to reap rewards on the investments we have been making in sales, servicing, products, and technology.

A word of caution here, all the business wise numbers we give out are management estimates and not audited. Moving on to the "Recruitment Business", Recruitment top line grew by 15.5% in Q1 to Rs.104 crores. EBITDA margins in recruitment were at 51.6% Vs 50.3% in Q1 of last year.

In Naukri, the EBITDA margin was at 54.9%, down slightly from 55.3% in Q1 of last year. In Naukri, we added an average of 11,500 fresh CVs everyday and the Naukri database grew to over 38 million CVs; the number was slightly lower than last year as the 'Resume Registration' feature is still not available on our mobile site, we expect this number to pick up once this feature goes live this month. The average number of CV modifications were at 116,000 per day in Q1. These numbers were impacted negatively as we tightened security measures on the site, protect the site from denial of service and data theft attempts. We expect this number to bounce back to normal levels by October end.

The Naukri Job Speak Index was at 1570 in June 2014 Vs 1475 in March 2014. In Q1, Naukri had 30,800 unique customers who paid us Vs 27,000 in Q1 of last year.

Traffic from mobile is now more than 30% of total traffic in Naukri, we expect this continue to grow month-on-month, both our Android and iPhone apps are doing well, the user engagement in mobiles is healthy, we have a healthy pipeline to add new features to our mobile properties going forward.

The Career Site Manager product we launched in Naukri a few months back also continues to do well in the marketplace.

Moving on to 99Acres, top line grew by 45% year-on-year in Q1 to Rs.23 crores, 99Acres in Q1 made an EBITDA loss of around Rs.4.7 crores; this loss is a result of continued investments in sales teams, service, product and technology, and advertising, the cost which is expensed out as we incur them. The loss may increase going forward if competition intensifies in the space, and as we invest more and more and the market takes time to recover.

Paid listing in Q1 were at 6 lakhs Vs 4.3 lakhs in Q1 last year. Traffic from Mobile for 99Acres in July 2014 is around 30% total traffic and growing month-on-month, both our Android and iOS continue to do well in the marketplace. We have also decided to expand the verification service we offer in the market to more cities.

In Jeevansathi, net sales grew 8.6% in Q1 and reached Rs.9.5 crores in revenue. There is a marginal EBITDA profit in Q1 in Jeevansathi due to lower ad spend. However, we expect to spend more on advertising in JS in subsequent quarters.

In Shiksha, net sales grew by 37% in this quarter over last year.

Moving on to our "Strategic Investments", during Q1 PolicyBazaar raised money plus diluted for ESOP whereby our shareholding reduced to 23% from 32% earlier. Additional funding by existing investing companies would be required from time-to-time and we will evaluate each on its own merits. MyDala is currently negotiating to raise funds. We continue to evaluate other investment opportunities mainly in the Indian internet market.

As you are aware, the board has today recommended to the shareholders a fund raise through the QIP route for an amount of up to Rs.750 crores; this is primarily to build a war chest for our internal businesses, mainly 99Acres and for our existing external investments, plus of course we will tap into other growth opportunities from time-to-time. We believe that this will further strengthen our defenses against competition and will help maintain Info Edge as a key player in the Indian internet space.

To summarize, as the economy improves with every passing month, the job market is likely to improve as well. Investments we have made in the last few years in our platform and products will hopefully start yielding results as this happens. Traffic on our mobile platform now exceeds 30% of total traffic in both Naukri and 99Acres. We continue to invest aggressively in this area. 99Acres continues to grow in an uncertain but highly competitive market and we will continue to invest aggressively in this business. This may mean yielding margins and making losses in the near future. We continue to invest heavily both in Jeevansathi and Shiksha as well.

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

Moderator: Thank you very much, sir. Participants, we will now begin the question-and-answer session. The first question is from the line of Gaurav Malhotra from Citi Group, please go ahead.

Gaurav Malhotra: Just had three quick questions; firstly on 99Acres we have seen a sharp pick up in EBITDA losses. How should we see this trend going forward and where this loss has primarily come from? That is the first question. The second is, I did not get the Jeevansathi year-on-year growth rate. That is the second. And the third one is, your other expenses have seen a sharp dip this quarter. Any particular reason for that, please?

Hitesh Oberoi: So to answer the question on Jeevansathi first, net sales grew by 8.6% in Q1 to reach Rs.9.5 crores and there was a marginal EBITDA profit in Q1 in Jeevansathi. To answer your question on 99Acres, yes, like we have been saying 99Acres is a huge opportunity, the market for real estate advertising is much-much larger than jobs. There is of course a lot of competition in this space as well. We are leaders in this category but not dominant. We would like to continue to invest in this space and do whatever it takes to consolidate and maintain our leadership position. So the losses you see in Q1 are mostly on account of additional manpower, which was added to 99Acres, as we roll out the verification service, as we continue to expand heavily in sales expansion, and in product development.

Gaurav Malhotra: What about the other expenses going down during the quarter?

Management: So if you recall last quarter we had taken an equalization charge, which was a one-time charge and which included the earlier period as well, which was about Rs.4.5 crores, which was part of the other expenses. This year we do not have that, because we already took that charge last quarter. So because last quarter was high, otherwise, the cost is actually you can say it is flat.

Gaurav Malhotra: Just one question on this whole QIP; the company has around Rs.560 crores of cash balances. So is there a need to raise Rs.750 crores further over and above the cash which is there on the books?

Sanjeev Bikhchandani: Sanjeev here. It is true that we have 560 crores, the fact of the matter is close to Rs.150 crores is advances from clients and we really will not touch that. If you say another Rs.200 crores is for a rainy day, okay then you are talking about Rs.360 crores is committed. So say talking about Rs.200 crores available. In that you may want to invest further in your current external investments, you may want to invest in a couple of new companies, certainly, there will be more cash coming in this year from our businesses, but having said that as the competitive environment in the real estate portal space heats up, and our market intelligence says that there is a lot of VC money going to come into portals that are competing with 99Acres, we therefore need this money over the next couple of years to three years to sort of, should it come to a very high investment in real estate portal, we may need some of this money.

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

Arya Sen: Firstly, if you could just discuss a bit on your plans for Shiksha going forward and what sort of growth you expect there? Secondly, the ad expense seems to have been particularly low in this quarter. Any particular reason and how would you see it for the full year? And thirdly, Zomato seems to be focusing a lot on international markets. What is the strategy there -- is the opportunity in India not big enough?

Hitesh Oberoi: So Shiksha is a small business right now, but growing at about 35% to 40% per annum. We are revamping the product, we are sort of relooking at the design of the site, and we are adding a lot more features to the site. Let us see how the market reacts to some of the changes we are making. We will be happy to grow this business this year at 25% to 30% per annum. It is not as if the business is consuming a lot of capital or using a lot of cash, but we want to sort of get the product right. As far as advertising expenditure is concerned, advertising expenses were low this quarter because of lower investment in ad expenditure in Jeevansathi. Of course like I mentioned on the call, we will continue to invest more in Jeevansathi in advertising going forward.

Sanjeev Bikhchandani: On Zomato, yes, it is true, they are expanding internationally at a rapid pace, but it is equally true that India continues to grow. Last year, 70% of the top line came from India, and it is expected that this year it will be 50% with India growing, because international markets grew faster particularly, UAE.

Arya Sen: Just to sort of a follow-up question on that, do you think that there is enough management bandwidth to both focus on growth in India as well as a number of different international markets, how would the management…?

Sanjeev Bikhchandani: So this is an ongoing discussion we keep having, and certainly the team in Zomato is continuously hiring talent. Yes, they get it right often, but they also get it wrong sometimes, and that is part of the learning process in the learning curve and they pick themselves up and move on, I think they recognize the fact that they need management bandwidth, and they are moving towards hiring of people.

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

Sandeep Muthangi: I have a couple of questions on the QIP; the first question would be you highlighted that 99Acres, you want to build a war chest for that, and as you have rightly said, the other portals have seen a lot of easy funding lately. What are the kind of areas where you think the proceeds could be utilized -- is it primarily in filling up some of the gaps in the technology, or is it primarily consolidation by acquiring similar portals, can you give us some clarity on that please?

Hitesh Oberoi: Yes, we are looking to invest on seven to eight areas on a continuous basis going forward. One, of course, is sales expansion, we want to expand our operations to more cities, two of course, our platform, so we need to continuously invest in product development to keep our platform best-in-class. Thirdly, we are looking to invest more and more in data quality, so improving the quality of data, we have on our site like as I mentioned there is a verification service, we have a few people working verification, we want to expand this service and roll it out in more cities. We are also looking to invest more and more in analytics; I think it is an important part of the real estate business, we need to sort of help people decide which property, which location and so on, so we are looking to invest significantly in that area as well. Mobile, of course, continues to be a big area for investment for us. Like I mentioned over 30% of our traffic in 99 Acres is already in the mobile phone. So we want to continue to invest aggressively in developing mobile apps and our mobile properties. Of course, acquisition is also an important area for us, because there are interesting teams out there doing interesting stuff. If we feel these teams can add value to the 99 Acres business, we will sort of not hesitate in acquiring some of these companies as well. So these are some of the areas that we are looking to invest in 99 Acres going forward.

Sanjeev Bikhchandani: Just a couple of additions… Sanjeev here. So, when Hitesh mentioned 'Data Quality', it means quality of listings, and second acquisitions could be small, they could be big, they could be large, they could be of cash, some stock, and they are opportunistic and lumpy sometimes, and having said that some of the spend will be driven by what competition also does, especially when it comes to investment in brand building, we sort of play it as it comes along.

Sandeep Muthangi: On the non-99Acres part of the proceeds, can you give us a sense of whether it will be primarily for the rounds of your existing investments or any exciting areas that you might want to invest in?

Sanjeev Bikhchandani: So the current plan on external investments is to operate within the current treasury… of course the money is fungible, it is not that it is not fungible. It is all treasury, But the anticipated size of external sort of investment that we see right now is not so large as to absorb the Rs.750 crores. But having said that, 99 Acres will get priority over anything else in our plans going forward on investments, that much is pretty clear to us, that is really an important strategic part of our business and we will do what it takes to ensure that it is predominant. And yes, if after two or three years we feel that, we have achieved our goals and our targets and the money is not required in 99Acres or any more is not required then we will look at it.

Sandeep Muthangi: I also heard that you decided or you want to invest in Jeevansathi and the other portals also. I am particularly interested in Jeevansathi where it is has been the case for some time that the market share has not improved and stuff like that. So is there any change in the market where you are seeing that investments in Jeevansathi will give you a better market share now or the attractiveness of the proposition has increased?

Hitesh Oberoi: We have not been investing a lot of money in Jeevansathi, and it is not as if our plan has drastically changed. But, what I said was is that we will continue to invest in Jeevansathi and it is a business which has, like you said we are #3 and we have been struggling for a while, but we are doing a few interesting things, we are trying to disrupt the market in some ways. Our mobile app has been for example received very well in the market. So we are hopeful that with a little bit of investment maybe we can turn the business around, but it is not as if we are looking to invest significant sums of money in the business before we hit upon disruptive model.

Moderator: Thank you. The next question is from the line of Srinivas Seshadri from CIMB. Please go ahead

Srinivas Seshadri: Again, a follow-up question on the QIP. Just wanted to understand a couple of things; one is, how was the Rs.750 crores kind of amount fixed, if you can provide some basis for that, that will be helpful? Secondly, you did mention that there are five or six areas to possibly invest. I was just kind of trying to correlate it with the kind of strong hiring which had happened close to 600 people you hired in the last couple of quarters, if you were to kind of just give some sense on where a bulk of the hiring has happened and maybe some outlook on that for the rest of the year that will be helpful?

Hitesh Oberoi: To answer your question on the hiring piece first, about 80% of the hiring in the company right now is in 99Acres, so that has been the case for the last two quarters, and I think that will be the case for the next few quarters as well.

Sanjeev Bikhchandani: As far as why Rs.750 crores and not Rs.800 crores, that is really a limit, the board has said up to Rs.750 crores, yes. So depending on market conditions, depending on appetite, as we refine our plans, it could be a little lower, but let us assume Rs.750 crores. Now the way we look at it was, first of all we said, look, what is the kind of intelligence we are getting on which real estate portal will raise what kind of money over the next two or three years. And the numbers we sort of got back was seeming to be fairly large, right. So just to put it in perspective, I think the maximum amount of money we have lost on a cumulative basis at any point in time in 99Acres at the EBITDA level is Rs.50 crores, that is about $8 million at today's exchange rate and this is over 8 years, right. And you look at the kind of money that competition has raised, and 99Acres is still a market leader, I think we have done a very good job in being capital efficient and achieving our goals, but the scale of expansion, the scale of investments we need to change if the competition does raise this kind of money. So one input was the intelligence we are getting on the plans for competition, The other input was that look, we under invested in 99Acres in the past, we call it decapital, but underinvestment, we are not dominant maybe in Naukri, if you want to up traffic to 45%, and then 50% and so on for the next two to three years, what will it take, so some of that went into it, then we model some scenarios saying that okay, as competitive intensity sort of increases, competitors innovate more, we know that some competitors have upped their sales organization a lot over the last 6 months or so, and therefore what is revenue likely to be, traffic is likely to be as we spend more on advertising, and therefore if we do this kind of revenue but we have to up the efforts on the ground to this level, what kind of deficit will there be, and so on and so forth, and based on those models, we came to the conclusion that around USD 100 million, 125 million should be the number.

Hitesh Oberoi: Lastly, just to add to that some of the things that we are doing in 99Acres are beginning to make a difference, which is giving us a lot of confidence that this is the right way forward. So we want to invest in these areas to improve the user experience, to improve the product quality. We think this will make a huge difference to our traffic and to our market share in the long run.

Sanjeev Bikhchandani: So yes, on this Rs.750 crores number after all this, there is some judgment.

Srinivas Seshadri: Just a follow-up on that, typically what we have seen in the past is that you prefer to kind of weight out aggression in terms of A&P, etc., to flow through on the competition and typically they kind of burn themselves out over a one to two year period. So this time around, is the assessment of the environment different from what we had earlier say in the job?

Sanjeev Bikhchandani: I think what is different is that the Naukri brand recognition that was there in recruitments in Naukri sort of market leadership and dominance other than recruitment, the gap that existed, the fact that there were a fewer number of players, the fact that they were not heavily VC funded, all of that was what it was earlier recruitment, whereas the competitive situation is very different in real estate. Real estate also seems to be from a market potential standpoint seems to be a far bigger price than jobs, and when we compare internationally to the market cap of job listing companies versus real estate listing companies, we feel it is a bigger price, we believe that is why all this VC money is coming in, and what we do not want is a situation, "Hey, we failed to raise $100 million, when we should have" and therefore we sort of lost out on real estate, which is not a very good thing 3 years from now or 4 years from now.

Srinivas Seshadri: Just one more follow-up on these startup investments, you seem to indicate that right now you are not too keen to look at kind of new propositions. Is it more driven again by the kind of VC money which is floating around or what is exactly the situation?

Sanjeev Bikhchandani: Indirectly yes, but I will tell you what has happened… when we started doing VC investments, we said we are strategic, we do not have exit intent, we have patient capital, we take it to the end, we will allow the company to grow and we will take it to the logical destiny, and we would like to be the only investor. Now as more and more VCP money came in to the country, what began to happen was that any good company, a) valuation had bid up to the size of raises increased dramatically, for example, let us say Zomato has raised Rs.280 crores or Rs.290 crores, or let us say a PolicyBazaar has raised Rs.200 crores, now clearly these sums of money cannot come from us alone given the size of the balance sheet. Secondly, the truth is, all these companies still carry some restage risk, and therefore technically each one of the companies of portfolios could fail, and technically also each one could succeed, they are all progressing well. But if you put in Rs.200 crores and the company is still carrying a restage risk and blow out is Rs.200 crores, and we are not comfortable with that kind of risk as of now on our balance sheet. And therefore we are being cautious, we are sort of saying okay, let us a) support our current companies are doing well, and b) having said that, if one or two compelling companies come along really compelling and the bar has risen, we will do it. So we have six companies live right now, they would not become 15 in a hurry, they could become 7 to 8, 9 may be next couple of years, but they will not become 15 in a hurry.

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

Ankur Rudra: Could you help me understand the sharp pick up in deferred revenues, what contributed to that and if you could break out the string between Naukri and the rest?

1**Hitesh Oberoi**: Deferred revenue increased actually, the underlying reason is the strong collection that we have and as we follow subscription model, not the entire collection turns out to be revenue for us immediately and it is kind of a …

Ankur Rudra: I appreciate that, just wanted to know the stress versus strength in subscriptions.

1**Hitesh Oberoi**: It is a good collection in terms of the break up between Naukri and ….

Hitesh Oberoi: So we do not disclose the breakup by business but naturally Naukri being the major contributor to our revenue, Naukri has got lion share of deferred revenue.

Ankur Rudra: What I was trying to get at is, is this strength you see this time Naukri led or is it some of the other businesses?

Hitesh Oberoi: It is still mostly Naukri-led.

Ankur Rudra: Okay is it somewhat unseasonal, the strong Q1, typically your Q1 tends to be a bit lighter sequentially?

Hitesh Oberoi: What we have been seeing in Naukri is a steady improvement in growth rates every quarter for the last few quarters, so the same time last year maybe we were growing 7,8, 10%, now we are growing in sort of high teens. So that is really what is contributing to this growth in deferred revenue.

Sanjeev Bikhchandani: You have got to understand the Naukri revenue base or collection base is four times that of let us say 99Acres, and therefore high teens growth on that base results in a lot of collections.

Ankur Rudra: I was just trying to appreciate that this is a reflection of the continued momentum in your business, right, that is the right way to …

Sanjeev Bikhchandani: As the economy improves I guess Naukri collections are improving and there is some of that, as IT improves Naukri collections are improving,

Sudhir: Also Ankur, Sudhir here, some of these numbers spill over from the previous year when it is closing into Q1, so typically you will find the collection growth in Q1 is slightly higher.

Srivatsan: Hi, Srivatsan here, just wanted to get your comments on the Naukri piece. Post you say the quarter-on-quarter, the demand is improving, just want to know by a vertical, is it possible to give color especially in June, how do you see or is it still most of the growth is IT-led, or do you see growth suddenly picking in non-IT also?

Hitesh Oberoi: Certainly for the last two or three quarters the growth has been led by IT companies, and some our markets like Bangalore and Chennai and Hyderabad have been doing fairly well. Of late, of course we have been seeing a slight improvement in our collection growth in services. We are not seeing too much improvement on the manufacturing and infra side of things as yet, but we are hopeful and anecdotally what I can tell you is that our sales guys are being told by HR managers that, "Listen, we are going back to the drawing board to rework our plans." So we are hopeful that as the economy improves the other sectors will improve as well, and this will mean even higher growth for Naukri going forward.

Srivatsan: Also just wanted to get your thoughts…,you used to say that about 25% revenue growth margins should not yield margins but given the substantial increase in investments in 99Acres is there anything you could give us broadly on the margins front on forward …?

Hitesh Oberoi: Very difficult to say, I think we should look at it business-by-business. Certainly, in Naukri if we are able to grow our business at more than 15% to 17% per annum our margins in Naukri should start improving, but in 99Acres like we could have just said a lot is going to be determined by competitive activity and by how much we are willing to invest in the business to grow at a faster rate, and what impact this will have on company margins is hard to say at this point in time. For example, if we decide to up our investments in brand and advertising significantly, that would impact margins very negatively for 99Acres and also for the company. On the other hand, if there is not much competitive activity and our top line growth remains strong and we do not have to spend too much in branding and marketing, then of course this could have a positive impact on the business as well, but right now what it looks like is that we will continue to invest aggressively in 99Acres, so losses in 99Acres will go up a little bit, and we will take it quarter-on-quarter.

Srivatsan: Third, it will be helpful, you have been saying that the 99Acres market is a large market than the jobs market. Any quantification that you have internally broad brush estimates as to how large this market can be and what kind of penetration, or the online firms put together, a broad directional call?

Hitesh Oberoi: Total market for offline advertising and real estate is close to maybe Rs.3500 to Rs.4000 crores, of course a lot of this is spent on print, and on hoarding, the online portals all put together if I even include Google in that would not be more than maybe Rs.300 odd crores today, and we expect the offline market to grow as well for the next few years, so it is not as if the offline market is going to start shrinking, and we do expect significant migration of revenue from offline to online over the next few years. So anybody's call, we do not know how ultimately online will be, there will be some shrinkage in market size as revenue moves from offline to online because online is just more efficient, but chances are that five or seven to eight years from now, the online market in real estate could be a few thousand crores.

Srivatsan: When you say broader real estate market, does this include the classifieds real estate sites related I presume?

Hitesh Oberoi: Yeah, the online market for real estate would include the real estate classified sites, and the offline market would include classified and the advertising in real estate.

Sanjeev Bikhchandani: But the bulk of the money in offline is in display in classified.

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

Dhiresh Pathak: On QIP again, just thinking that instead of diluting at the Info Edge level, would it have been better if we diluted at the 99Acres level and that would have set a benchmark valuation on 99Acres and then if the need be for more money then dilute at the Info Edge level?

Sanjeev Bikhchandani: We did discuss that internally several times over the last few months and we have been receiving lots and lots of special interest from investors… we see the piece to do that, that has been off 99Acres subsidiary and they put money there, but the truth is our belief is that even if we talk to people in numbers look at the map, that public markets will give a good company and a good business far better value than would private markets. Second, 99Acres for us is the second engine of growth after Naukri and the second engine for profit after Naukri and we see no reason why our shareholders should not hold 100% of it.

Dhiresh Pathak: No, but on that, public markets also tend to take benchmark valuations from private equity deals, especially the internet space, so right now 99Acres being loss making for us, people might just look at cash flows and see when it does not show up in the value in that …

Sanjeev Bikhchandani: Public market investors do not just take benchmark value from PE and VC's, also take benchmark valuations from other players around the world that are listed, many of whom could be loss making at the time they are listed. So, we do not view that as a constraint.

Dhiresh Pathak: But did we have discussions in terms of trying to get some valuations at 99Acres level?

Sanjeev Bikhchandani: We had got some indicative numbers from a couple of VC players and they were generous for a private company but we felt they were not good enough. And also you see if you let in a private investor into a subsidiary of yours, then the shareholder remain, there are all sorts of rights, board seats, you are not fully in control, and that is fine when we were a small company, needing money and venture capitalist came in, we see no reason to do that right now.

Dhiresh Pathak: We have done that for other businesses that we own for example, Zomato?

Sanjeev Bikhchandani: Essentially, fund raise got too large for us to fund entirely on our own, otherwise we would done it ourselves.

Dhiresh Pathak: In terms of competition that we are talking about, is it more from newer and smaller players that has recently started, or you are seeing it from the second player?

Hitesh Oberoi: Even today our largest competitor is MagicBricks which has been in the space for a very long time, of course we expect competitive space to hot up, as the company starts spending more on advertising and brand building and so on going forward but right now of course our main competitor continues to be MagicBricks in most of the markets we operate.

Dhiresh Pathak: We talked about some market intelligence in terms of funding for your competition, so I would assume that could be more about apart from MagicBricks the others who launched a different platform?

Sanjeev Bikhchandani: Yes, some of the market intelligence that we have got is that there could be upwards of $300 million or $400 million flowing into the online real estate portal space over the next three years from private equity players unless we do something about it and clearly establish leadership and dominance.

Sandeep: Sandeep here from Edelweiss, Sanjeev, any view if you can show on the way competition particularly like housing.com are spending, and how do you see that trend going forward and what is your view and sense on that because the way they have put money in small, small things, right from the domain to other things, if you can comment something where you see this segment?

Hitesh Oberoi: There has been a lot of investments in this space and companies continue to invest, like I said, if the price is large and the way VCs look at it, it does not matter, if you have to invest $100 million to build a billion dollar company it is okay, and therefore these companies will continue to invest, but I think on revenue we are streets ahead, these companies are still very, very small in terms of revenue. So let us see what happens going forward.

Sanjeev Bikhchandani: Having said that, I think it is a very good thing that competition comes in and innovates, because that helps us improve. We saw that in jobs, when JobsAhead came, and truthfully speaking, for a couple of years it was a better product than Naukri was, Naukri was doing better in the market in terms of traffic and revenue, and delivery of response. We learnt from that. If we had not then invested in our own innovation and product improvement and sales and a lot of stuff, we would not be where we are today. So competition is good, it sort of teaches us things, we respect all these competitors and some of them are doing interesting stuff, but having said that we will do what it takes.

Omkar Hadkar: Sanjeev, if I can squeeze one more, my question what I want a little more clarity is that that there is a need for this mega portal business or the internet space, and I believe that this will become very hard going forward, but there are two types of expenses which are generally incurred, one is what is required, and one is which is something which crosses the limit of requirement and that is what I think is being done by some of the competition, although the product also looks good to that extent, but my question is that will it not happen that going forward competition will make it almost very difficult by investing significant amount of money?

Sanjeev Bikhchandani: Let me put it this way… our revenue last year in 99Acres was Rs.75 crores, in the same financial year there are two competitors you are talking about, one was one-fifth our size, one was one-twelfth our size in terms of revenue. So we being pretty prudent on cash consumption, and capital efficiency and we will be funding a lot of our investments through growth and revenue. We intend to continue to grow revenue fast. Having said that given the competitive intensity we may have to do some of the investments earlier than the revenue and therefore which is why losses may go up. But, we are confident that revenue will eventually catch up and exceed what we invest.

Moderator: Thank you. The next question is from the line of Vinit Bolinjkar from Tensor Capital. Please go ahead.

Vinit Bolinjkar: I wanted to understand one thing is that there is one search engine which has come into the market, that is one of the impending search engines, and I was wondering, it is a very powerful engine, so do you think it can intensify the competitive element in your business?

Hitesh Oberoi: Wonobo is a great map based sort of interface and a map based search, but I do not think they are aggressively sort of investing behind the real estate vertical as yet. So tomorrow we could partner with Wonobo, we could sort of do a deal with them, I do not know what their business plans are, what they intend to do in the long run, but we are currently working with Google Map, we could work with Wannamore tomorrow. But if they tomorrow of course decide to invest aggressively and build their real estate business, then we will see them as competition.

Sanjeev Bikhchandani: So you know the jury is out as to whether what percentage of users actually prefer a map-based interface or a photo based interface versus listing and text interface with map as an option. Our sort of feeling thus far at least on available evidence is that actually people prefer a text-based listing and then click on map if they like what they see in the text. Now of course this is not 100% guarantee, but this is what we believe, and therefore we think that it is going to be useful to offer maps and photos as an option, text as the lead interface.

Vinit Bolinjkar: But do you not think that in a SoLoMo environment as we go increasingly mobile, and when we have the mobile interface coming more prominently into play visual would be a greater asset?

Sanjeev Bikhchandani: It depends on the use case and what the consumer behavior is like. So I think very few people will walk about the street and say, "Hey, let me buy a house today in this neighborhood, and let me see what is available and let me look at mobile phone" These are high involvement, big ticket items, people do extensive research, they sit quietly… it is like jobs, people do not say let me see what jobs are available in the net, in 300 yard radius, or let me see who I can marry in the 300 yard radius, it does not work like that. On the restaurant, which is Zomato, is very different. So you can have the technology, but you have got to marry with what the customer needs, and so I think customer needs will trump technology any day.

Vinit Bolinjkar: So just taking off from where you are, on when variable text comes in, do you not think Wonobo kind of search engine would be a more user-friendly thing because …?

Sanjeev Bikhchandani: Not for real estate. I probably will not put on my glass and go, walk in the street and say, "Hey, let me just figure out, I look this side and which house and when I look that side which house I do not think so. People don't search house like that.

Moderator: Thank you. The next question is from the line of Ketan Shah from Comgest. Please go ahead.

Ketan Shah: Sir, my question is on QIP. You could have raised debt if required, is it not right?

Sanjeev Bikhchandani: We do not believe in debt, we are a zero-debt company. We think a lot of companies got into trouble in the past and have gotten trouble in the past for having overleveraged, we have seen companies getting sold and bought because of that. We have been a zero debt company since 1990.

Ketan Shah: Is it not early a bit for doing this QIP? Let us say even though your competitors have raised funds, but the market situation as of now in real estate is not so great or the growth rates are not expected to be so high that we will be requiring such high numbers.

Sanjeev Bikhchandani: It is better to be prepared than I should have realized earlier.

Hitesh Oberoi: It is not as if you are going to invest all this money tomorrow. We will invest as and when the need arises.

Ketan Shah: But overall how much CAPEX will be required as per your judgment in next say two-three years or say five years from now?

Hitesh Oberoi: It depends on what strategy you take, like for example if you look at a size like OLX and Quikr today, they are probably investing Rs.100-150 crores a year on building their brand and building their business. That is the call they have taken. I am not saying it is the right call, it maybe the right call, but all you know. So, a lot will depend on the call we take. Our personal belief is that we will ideally want to improve the products experience first, improve the users experience, invest in the platform and invest in the technology, and as we see the market recovering, then we will push on the pedal aggressively. A lot will depend on competitive activity.

Sanjeev Bikhchandani: Internet companies typically a lot of expense is not CAPEX. So if you add headcount in the listing verification team or you add headcount in the products or UI or the engineering team or you add headcount in the analytics team, it is all revenue expenditure. As you spend more on brand it is revenue expenditure. There may be some CAPEX, but we only had CAPEX actually see is if you acquire some companies and that is the only thing that will be capitalized.

Ketan Shah: Sir, unless MagicBricks is on sale, I do not see you are buying any smaller companies, make sense to us.

Sanjeev Bikhchandani: You will be surprised, I am pretty sure you could not have identified companies like too step and makes sense as acquisitions are offering. There are many-many small companies where people are working. There are people who are working in real estate agency**,** there are people who are working in all sorts of areas.

Hitesh Oberoi: There are many-many associate areas you could enter into once the core platform starts succeed for example, tools to help automate the agents office, real estate ERPs, visualization tools to sort of help projects better, analytical tools where people research in real estate. So there are many areas in which one could invest going forward once the core business starts to do well. In many of these cases we may want to acquire rather than build in-house.

Moderator: Thank you. The next question is from the line of Abhishek Shindadkar from ICICI Securities. Please go ahead.

Abhishek Shindadkar: Sir, it would be helpful if you can cite one global example where in the real estate space single company has become market leader similar to what we are in the Naukri space?

Sudhir: REA in Australia…

Sanjeev Bikhchandani: There are many-many examples of companies who have done well in real estate, for example, REA is the leader in Australia; it is a $5 billion company, there is Zillow and Trulia in the US, seloger in France, which was acquired recently, there is Rightmove in the UK, there is Soufun in China. So there are many multi-million dollar real estate companies in the US in the online space and many more which are sort of in the making.

Management: REA is dominant in Australia with close to 60-70-80% traffic share, Rightmove is dominant in the UK with 90% traffic share, I think Seloger is dominant in France with 70-80% traffic share. So, these are winner take all markets.

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

Sandeep Muthangi: I have a question on Naukri. Looking at the growth acceleration at Naukri, it is slightly different from the kind of growth that has happened in the earlier phases when the growth picks up. Usually, what my understanding is that when the demand improves then customers buy more licenses and we will see a large impact in the pricing and customers also grow. But this time around we are seeing a very-very healthy growth in the increase in customer count itself. Pricing may hopefully follow later. I am curious to know your thoughts on the sharp growth in the number of customers that you are seeing at Naukri – is it flexible plans or is there anything happening on the ground that is leading to this?

Hitesh Oberoi: The economy is improving gradually which is why you are not seeing a hockey stick in terms of price realizations and so on. As far as the growth in number of customers go, as the market improves, customers who were stop buying earlier, start buying. We have also added a few more sales people on the ground that is also helping.

Sandeep Muthangi: Is there also some sort of a reclassification based on the career sites portal, etc., that you have launched is that also included on the customers, is that yielding to some kind of growth?

Hitesh Oberoi: That is of course helping with revenue, but we are currently mostly selling to customers who are already sort of buying the other products in Naukri. So, that is not resulting in new acquisition for us, that is mostly driven by the existing products in Naukri, and that is like I said a result of the market improving and of course us putting more people on the ground.

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

Miten Lathia: Just wanted to understand this rationale for the QIP a bit better. Is it a sort of 100% war chest that one wants to build or are we now sensing that the competition which raised small tickets of 10 million and 12 million last year is now getting into a league where they could do potentially a 50 million raise this year and hence we want to sort of raise this money?

Sanjeev Bikhchandani: Intelligence we have got is the latter, which is that, look, competition could raise 25 million now, 50 million extra from now and 100 million 18 months from now, so we need to be prepared.

Miten Lathia: For the sort of QIP itself you mentioned that people who are willing to come into 99Acres if it was hived off as a separate company…

Sanjeev Bikhchandani: Subsidiary…unlisted.

Miten Lathia: Yeah, as an unlisted subsidiary. Have there been discussions on the sort of parentco level as well or that is something that we…

Sanjeev Bikhchandani: We are listed company, investors keep approaching us, "Look, we want to block the stock, how do we do it?" Is the secondary possible? Will the promoters sell? Can you do pref? Those are ongoing conversations because investors have approached us. We know anecdotally that look, there is demand for our stock, we also know that look, there is a liquidity problem in the stock, because a lot of people who buy our shares hold on to 3-4 years, because they believe it is a 3-4 year story and therefore the daily trading is not a lot. We believe QIP will also help in improving liquidity as supply of stock will increase. So, yeah, there are various reasons why we preferred QIP to kind of making it a sub and taking private money there or even doing _.

Miten Lathia: I asked it in the context of this ET article about General Atlantic wanting to buy a stake.

Sanjeev Bikhchandani: That is speculation and we cannot comment on that.

Moderator: Thank you. The next follow up question is from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri: The first question is on the Career Site Manager. Can you help with the kind of number of sign-ups you had till now, you had talked about 500 sign-ups at the end of the last quarter, how has that picked up?

Hitesh Oberoi: We signed up more than 500 customers till date and actually the last quarter was mostly spent on sort of trying to get some of these customers to go live on our platform. I think that has been largely accomplished and sales start picking up again from this quarter onwards as far as the Career Site manager goes. Also, Q1 is traditionally a lean quarter for us. Of course, our targets on the CSM are very aggressive, and we are very bullish on the product, and the initial glitches and the sort of issues we had with making some of these things lines up have been hand out. So we are hopeful that we will be able to grow these substantially going forward.

Sanjeev Bikhchandani: So basically net-net the demand in Q4 last year for the Career Site Manager has massively exceeded our capacity to service. It really don't but we are not expecting this kind of response, so therefore we have to take it easy one quarter because we have to service earlier orders and now I think we are ready to start aggressively again.

Srinivas Seshadri: What kind of model is it from your end in terms of the people investments, technology, etc., Is it very people light model or we actually get into some kind of operations for the HR organization all from this?

Hitesh Oberoi: It is a very light model on the people front. Of course, we have a small team for customer service, but that is about it, it is not a very large team. We continuously need to invest on the product development side and we have a separate team of people doing that. So it is not a very asset-heavy or a very people heavy model at our end.

Srinivas Seshadri: Finally, if I may make a suggestion, the Shiksha business has kind of scaled up a bit now and I guess from my perspective it will be helpful if you can share some kind of operating metrics as you do for the other verticals, I guess size of Shiksha currently is pretty comparable to where you were in Jeevansathi or 99Acres a few years back when you used to publish the metrics. So, any kind of thought and inputs on that from our side would be really appreciated?

Hitesh Oberoi: I think that is a good suggestion, we will sort of apply our mind to what I think makes sense for us to share and we will get back to you by next quarter.

Moderator: Thank you. As there are no further questions I would now like to hand the floor to Mr. Hitesh Oberoi for closing comments. Thank you.

Hitesh Oberoi: Thank you everyone for being on the call and have a great evening.

Moderator: Thank you sir. On behalf of Info Edge Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.