

## Info Edge (India) Limited

### Chairman's Speech

Dear Shareholder,

I welcome you to the 21<sup>st</sup> ANNUAL GENERAL MEETING of the Company.

It is now well established that internet driven businesses have huge potential in India. The pace of internet penetration in the country continues to be rapid. After the first 100 million users came on stream in the first decade of this millennium, the next 100 million was added in four years –between 2010 and 2014. In 2015 alone, another 100 million has been added. The trend is expected to continue in 2016 and by the end of the calendar year one expects 500 million internet users in India - that is a large market that could be serviced through various ways to create value.

Recognising this underlying trend, from the beginning of 2014 the internet based start-up ecosystem in India witnessed frantic activity in terms of investments, primarily led by international funds. Some of it was also driven by global cues that signalled a move to investments in this space in the western world. The heightened activity continued till the middle of 2015. This was a year and a half year of massive buoyancy in terms of capital flows. As a leader in this industry, we were aware that this level of activity was not sustainable and in line with our expectations. By the middle of 2015, with the fundamentals of many of the internet based business models coming under question, a correction in the market place was firmly established with certain big brands seeing considerable value erosion in additional rounds of funding. It is important to note, this is no death bell for the industry - simply the froth in the system has been cleared and we are back to steady state growth.

At Info Edge, we have always appreciated that while valuations are a way to gauge a Company's worth, they tend to go through cycles, sometimes swayed heavily by investor sentiment. We have always tried to focus on business fundamentals and stayed away from market sentiments. However, this phase of easy access to capital created a market culture of pursuing high growth with very high levels of cash burn in the industry, and we were also pushed into making heavy investments to stay tuned in the race for market leadership. This push from external pressures subsided through the course of the year.

We continue to focus on establishing market leadership across our brands. It is clearly 'a winner take all' business - Gmail in email, Facebook in social networking, Twitter in microblogging, YouTube in video, all have a market share in excess of 80%. Also, in India it is an industry with one of the least barriers to entry. We have to prepare ourselves to compete with global measures. Hence, our products, our delivery mechanisms, our technology and our value propositions have to be tuned to be optimal at global levels. It is important to appreciate while we remain focused on optimising our return on investments, we have to keep investing in our brands to remain globally competitive even if our market is primarily in India. This is the primary guiding force for our businesses today.

Our standalone portfolio, comprising naukri, 99acres, jeevansathi and shiksha registered revenue growth of a little over 18% in FY2016. EBIDTA margins did reduce primarily by reason of additional investment in manpower resources and more focus on advertising and promotion to build brands mainly 99acres., which we account for in operating expenses. As a result, profit after tax (PAT) is reported to be Rs. 1416 million.

The flagship brand - naukri.com - which is the backbone of the Company registered strong growth numbers with revenue from recruitment solutions growing by a little over 19%. Naukri.com has emerged as a clear leader in its market space with over 70% traffic share by the end of FY2016. The Company continues to leverage the cycle of profitable growth that such leadership brings with itself.

Having said so, it is important to note that we continue to deploy resources and exert considerable effort to maintain and further establish our leadership position. Constant efforts are on in product development, sales, marketing and generation of customer insights. Naukri's business is being pursued on a four-pronged strategic thrust - First, is the focus on introduction of new products for recruiters, second is to develop mobile based applications to support and supplement the existing Naukri offerings, third is to improve utility for customers by significantly enhancing the search engine within the model and fourth is that its offerings are supplemented by a responsive customer service.

For 99acres, we had to increase investments in the beginning of the year since the market saw large investments and high cash burn by competitors to establish market dominance, although the Company always maintained better capital efficiency in their investments when compared to many new entrants. Fortunately, the investment euphoria died down in the second half of the year, and competitive activity has become more reasonable. As a result, while our investments in improving customer experience and meeting customer needs continue, spends on sales and marketing has reduced. By the end of FY2016, a smaller number of players has clearly emerged as competitors vying for leadership. Importantly, amongst them, 99acres has garnered the largest pie of 40% plus steady traffic share over the last quarter of FY2016.

Shiksha and jeevansathi have also gained some traction as our investment have led to higher growth. The losses in these brands have started reducing. Shiksha is going through its normal course of evolution in a steady manner and establishing several touchpoints that can be effectively monetised and scaled up in the future. Net sales from Shiksha increased by 29% to Rs.348 million in FY2016. At jeevansathi, too, this year we made some marketing spends and revitalised the brand. We continue to emphasize on building this as a product that addresses niche needs of specific regional communities in India. Net sales from matrimonial business increased by 19.6% to Rs.469 million in FY2016. On both these businesses, we are focusing on improving customer experience and better targeting through the use of analytics.

The investee companies, too, witnessed heightened activity in FY2016, especially Zomato - the online restaurant discovery and ordering business. Zomato recorded a 91% increase in revenues to Rs.1,850 million in FY2016. After a phase of frantic cash raising and investments, the Company has revised its business plans with a focus on reducing cash burn. This includes rationalising manpower and marketing spends. Also, given its global push, the Company has now decided to focus on only 14 countries, while managing operations on the others efficiently from India. Both, the trend in increased revenue growth and reduced cash burn is in the right direction.

During FY2016, we invested about Rs.2,302million in our portfolio of investee companies including Rs.1,554 million in Zomato and Rs.250 million in Applet. We also added three new companies to our portfolio -- Mint Bird, Rare Media and BigStylist for an investment of Rs.198 million in total.

It is important to realize that though many of the said investee companies may be generating losses today, the investor fraternity acknowledges the intrinsic potential of these businesses and hence, our share of the total valuation of some of these businesses, as derived by third party investors, is much higher than our total investments, signifying substantial return on investments from an asset valuation perspective for the Company.

Moving onto the results on a consolidated basis, revenue growth was over 28% to Rs.9,382 million in FY2016. The aggregate top-line of the investee companies grew by 47% from Rs.330 crore in FY2015 to Rs.484 crore in FY2016. These companies are pursuing high growth and their losses are likely to be high even in the next few years. Almost all of them continue to look for funds for investments to compete and reach self-sustaining scale of operations.

We are well positioned with brands that are market leaders. The macro-economic conditions in India are improving with better GDP growth and lower inflation. We are aware that in terms of hiring, IT

companies have announced a slowdown but we believe that this is more of an opportunity for us to provide greater value in lowering the costs of hiring for them and further gaining markets from offline recruiters.

Your company believes that CSR is a means to achieve a balance of economic, environment and social imperatives, while addressing the expectations of shareholders and all stakeholders. Accordingly, CSR policy of your company is aimed at demonstrating care for the community through its focus on education, sports and support to the disadvantaged and marginalized cross section of the society. With this idea of shared growth, your company as focused the CSR initiatives in the field of education in this reporting year.

I would like to take this opportunity to thank you for your continued support. In the fast evolving internet based start-up eco-system in India, we are in essence an established veteran who knows what it takes to build brands which go on to become market leaders, however, we are cautious of never letting down our guard and we will continue to strive to be a step ahead of competition. It is the dedication of our employees and your encouragement that provides Info Edge this confidence of striving for market leadership year on year.

Regards  
Kapil Kapoor