



“Info Edge (India) Limited Q3FY17 Results Conference Call”

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infoedge



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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Info Edge Limited Q3 FY17 Results Conference Call. Joining us on the call today are Mr. Hitesh Oberoi – Managing Director and CEO; Mr. Chintan Thakkar – CFO and Mr. Sanjeev Bikhchandani – Vice Chairman. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Hitesh Oberoi. Thank you and over to you, sir.

Hitesh Oberoi: Thank you. Good Evening, everyone and Welcome to our Third Quarter Results Conference Call. 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. We would like to mention that similar to Q1 and Q2 the Q3 numbers reported to stock exchanges are based on IndAS, the new accounting standard. For the purpose of this call, we will discuss numbers based on previous Indian GAAP. The unaudited financial statements while uploaded on our website for Q3 contains the reconciliation between IndAS versus previous year Indian GAAP for Q3 this year and for Q3 of last year.

Moving on to the Financial Highlights of the Quarter: For the standalone company, net sales in Q3 were Rs.196 crores Vs Rs.173 crores in the same quarter of last year, an increase of 13%. For Q3, operating EBITDA was at Rs.61 crores Vs Rs.38 crores in Q3 of last year, an increase of 58% YoY, mainly on account of reduction in advertising and marketing expenses and of course higher revenue growth. Operating EBITDA margin was at 32% Vs 22% in Q3 of last year. Other income is at about Rs.23 crores Vs Rs.22 crores of last year. This is on account of an increase in corpus even though interest rates have declined. PAT was at Rs.54 crores, up 149% YoY. Operating PAT was at Rs.39 crores, up 67% YoY and operating PAT margin was at 20% Vs 13% in Q3 of last year. Deferred sales revenue was at Rs.200 crores as of 31st of December 2016 Vs Rs.173 crores as of December 31st 2015.

Moving on to the numbers on the Recruitment Business: Please note that all business wise numbers that have been given out are management estimates and are not audited. In Q3 Recruitment top line grew 14% to Rs.147 crores. EBITDA margins in Recruitment were flat at 55%.

In Naukri, which includes Naukri Gulf and First Naukri EBITDA margin YoY was at 56% in Q3 this year Vs 52% in Q3 of last year. In Naukri, in Q3, we added an average of Rs.12,900 fresh CVs everyday and the Naukri database grew to about 49.8 million CVs. Average CV modifications were at 11,000 per day in Q3 versus 163,000 per day in Q3 of last year. In Q3, some of these numbers typically declined as you know due to the festival season. In Q3, we serviced 38,800 unique customers with 33,900 unique customers in Q3 of last financial year. In the first nine months of this year we have serviced 56,900 unique customers versus 52,400 customers in the first nine months of last year.

In Q3, our business was impacted to some extent because of demonetization, the small and medium enterprise were hit more than large enterprises. We also witnessed a slight slowdown in IT. It remains to be seen whether this was a one-off because of event in the US or whether this will continue into next quarter as well. However, we service over 10,000 IT Services and BPO companies and that sort of mitigates the impact. Many of these are back offices, captives and development centers and they are likely to be less impacted versus companies which depend mainly on outsourcing work. BPO, Insurance and Banking along with a few other services sectors were better in Q3 and compensated for some of the slowdown in IT.

Like sort of discussed in the last call, the transition to the new sales and incentive policies in Naukri announced in the middle of Q1 mainly to help us reduce discounting and bill more from some of our larger customers who tend to renew quarter end continues and is getting absorbed satisfactorily. This deferment of sales is going to impact our revenue for one more quarter which is Q4 and we should see a revival in our growth rate in Naukri starting with Q1 of next year. We continue to focus and work aggressively on improving our platform and our product capabilities. CSM Pro Version which was launched a few months ago, continues to do well in the marketplace and we are planning to launch the CSM Enterprise Version next month as well.

Moving to the 99acres Business: Top line in 99acres grew 9% YoY to Rs.28 crores in Q3. In 99acres in Q3 we made an EBITDA loss of about Rs.12 crores Vs Rs.20 crores in Q3 of last year. In the nine months of the financial year, the EBITDA level loss in 99acres has declined to Rs.39 crores from Rs.80 crores in the first nine months of last year mainly due to decrease in ad spend and increase in revenues. This business, as you know, as we have been saying in media, was impacted significantly by demonetization in this quarter, we saw an overnight drop of about 40-45% in our traffic in Q3 post demonetization, we have seen handsome recovery in terms of enquiries and traffic on our website in the last two or three weeks and we are hoping that sales will also follow with a lag. But overall the Real Estate market continues to be sluggish having been impacted by multiple things. With demand for new homes generally weak and unfinished projects and inventory overhang continuing in the market the sector will take some time to rebound. Further, as provisions of the Real Estate (Regulation and Development) Act (RERA), come into effect in various states are to notify rules under the act, we believe cleanup in the real estate industry will occur over the next few years which in the short-term may hurt us but in the long-term will benefit 99acres and make the market a safer place for all buyers. With Proptiger, which had bought Makaan about two years ago, announcing to acquire Housing.com, there is a consolidation taking place in the space and we continue to keep an eye on competition.

In Jeevansathi net sales grew 19% YoY in Q3 and reached Rs.14 crores Vs Rs.11 crores in Q3 of last year. At the EBITDA level, we made an EBITDA loss of about Rs.2 crores in Jeevansathi. In Jeevansathi also, our sales were impacted for about a month due to demonetization though not to the extent they were impacted in some of the other businesses and even in JeevanSathi we have recovered in terms of traffic and in terms of sales growth since then.

Moving to the Shiksha business, in Q3, sales of the Shiksha grew 6% to Rs.7 crores and we lost Rs.3 crores at the EBITDA level Vs Rs.2 crores in Q3 of last year.

Moving on to the Strategic Investments: In Q3 we invested an additional amount of Rs.1 crore in Diro. Over the last 11 months we have advanced a total of Rs.23 crores to Applect by way of a loan and the total gross amount now invested in external ventures including the loan to Applect is Rs.845 crores. Some of the companies we have invested in will require more funding and we will evaluate these on a case-to-case basis going forward.

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

Moderator: Thank you. We will now begin with the Question-and-Answer Session. The first question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: Firstly, if you could elaborate a little more on the impact of demonetization, I notice that your collection growth has slowed quite a bit. So, will that continue to have an impact on the reported revenues for the next one or two quarters?

Hitesh Oberoi: On the whole, our estimates are that demonetization impacted our top line by about Rs.20-25 crores in Q3 compared to a target we had set for ourselves internally, in terms of collection growth we came in about Rs.10 or Rs.11 crores short in 99acres, we think we lost about Rs.8 to 10 crores of business in Naukri and maybe we lost about a crore maybe in Jeevansathi and Shiksha. So on the whole, these are our internal estimates. For example, in 99acres we were growing at 23% till Q2 and suddenly our collections growth was actually negative in Q3. So these are based on sort of some of the targets that we had set for ourselves. But whether demonetization will continue to impact in Q4? It is hard to say. Certainly, what I can tell you is that in terms of traffic, almost all our sites have recovered, so we are back to pre-demonetization levels in traffic and therefore I expect that even revenue growth will follow, there could be a lag of a couple of months between traffic recovery and revenue recovery but ultimately that should happen as well.

Arya Sen: Specifically on Naukri you talked about the new incentive structures and how that has had an impact on revenue growth and you are saying that after fourth quarter it should normalize and you should sort of reap the benefits of it. So what sort of delta are we talking about here -- is it like growth going up from 14-15% to 17-18%?

Hitesh Oberoi: Actually the quarter which is going to be the most impacted by the change in policy is going to be Q4. So we expect growth to slow down in Q4 actually in Naukri collection growth because of the change in incentive policy and hopefully if we call it right and if we think we have done our math right, we are likely to see growth picking up substantially over what it would have been otherwise in Q1 and Q2 of next year. That is our estimate right now. So it is very possible that in Q4 this change in policy would impact our collection growth by maybe Rs.15-20 crores in Naukri but we could get that revenue back in terms of additional growth in Q1 and Q2 of next financial year.

- Arya Sen:** You mentioned the numbers for Shiksha. If you could repeat those sales growth, absolute sales number?
- Hitesh Oberoi:** Sales for the Shiksha was 6%, around Rs.7 crores in Q3.
- Arya Sen:** You talked about EBITDA nos. also I think?
- Hitesh Oberoi:** Yes, loss of about Rs.3 crores at the EBITDA level.
- Chintan A Thakkar:** These are all iGAAP numbers.
- Moderator:** Thank you. The next question is from the line of Bibha Kashyap from Narnolia Securities. Please go ahead.
- Bibha Kashyap:** My question is related to Recruitment business. Recruitment business is at 9% is on the lower side as compared to last few quarters. So just wanted to understand why the slow down for this quarter and will it be continued?
- Hitesh Oberoi:** Recruitment sort of business grew by about 13% this quarter. We saw a slight slowdown one, because of demonetization, this impacted mostly the small and medium enterprises we do business with and two on account of a slowdown in IT hiring where even our larger customers were impacted to some extent. We are not sure whether this will continue? It has just been one quarter. We will have to wait and watch and see what happens in Q4.
- Bibha Kashyap:** We can see in the balance sheet there is huge amount of cash balance. So, is there any expansion plan?
- Chintan A Thakkar:** On the cash balance, we have been kind of continuously monitoring and tracking what the amounts are. So far as the amount that we thought we would require as what just for 99acres Real Estate business, we are still in wait-and-watch mode and we would want to see that how the entire competitive landscape is emerging. We know that this quarter there was a merger announcement, we saw some news report on Housing and PropTiger and more investment of about USD 50 million in that company. So we still would want to continue with for at least next few more months and then we would want to kind of review what the cash positions are. If you take other than for 99acres, if you look at what is our overall advance, because it is a subscription revenue, it is a negative working capital. So it is kind of an advance that we receive and that is the kind of safety level that we would want to maintain going forward as well.
- Moderator:** Thank you. The next question is from the line of Alekh Dalal from One thirty Capital. Please go ahead.
- Alekh Dalal:** Just again on this cash balance. Basically, it looks like this real estate trough is there to stay for another couple of quarters. The question is what are we defending at least for the next couple of quarters and is not the cash flow more than sufficient to defend whatever market share you

need to in the business and given this war chest has been couple of years now what are you thinking on it?

Sanjeev Bikhchandani: Look, we have been little cautious simply because the external environment is little volatile. You have got a situation where you are still recovering on demonetization and for the last quarter the first 40-days were pre-demonetization, this is the first full quarter with demonetization, and we would like to wait to see what is actually happening with our client companies and with the economy in general. Second, you have got a situation where IT has been facing headwind and push backs in the Recruitment business and now with potentially H1B environment getting tougher in the US, another new administration, we would like to wait and watch and see what happens there as well. On 99acres, you got a situation where competitive activity has declined; however, some consolidation has taken place and we do not know the intention of those who consolidated, we do know they have hefty pockets. With demonetization, the real estate environment has suffered severe setback in terms of demand. We are hoping it comes back but we do not know by when. In this environment, we rather conserve cash and be cautious. Some of our investee companies, strategic investments investing also face some pushback on demonetization and they may need some other support for the next three-four months or so to come out of it. So in such a situation, we would rather conserve cash and let us see what happens.

Alekh Dalal: In terms of the acquisitions and new investment pipeline, how are you seeing that in terms of the startup landscape and are there interesting assets you can pick up that can really push the business forward?

Sanjeev Bikhchandani: Unfortunately, there are not so many great assets out there which are mature which you can buy immediately, add value to your business. Because if somebody raises lot of money from venture capitalists and is now facing headwinds because the funding environment has changed, the chances are that they have built a high cost structure, they were planning for three-four years out for breakeven and now do not think that would happen, but it will take three-four years and therefore there will be some chopping and changing and some sort of pivoting required there. So it is not as if the assets they hold on to are available cheap, second investors which are already invested there, their valuation expectations are not necessarily where you would like to buy them at today. So, once again we would sort of be a little careful there. We are of course seeing opportunities and we are waiting for the things to settle down, but things are currently in a flux. So waiting and watching, but we keep doing small early stage investments once again, we keep also supporting our existing portfolio wherever they deserve it and they need it and that is where we are right now. So it is right now more managing the issue and navigating around some icebergs and then see what happens.

Alekh Dalal: There is a great company called Info Edge you can buy back?

Sanjeev Bikhchandani: Our understanding of the law let me correct since you are wrong is that if you do a buyback you cannot then raise further capital for a specific period of time and that will limit our strategic option should option to acquire something come around or should there be some sort

of catastrophic events which requires us to deploy our funding for rainy day and therefore we would hesitate to a buyback at this stage until we are clear that, look, there are no opportunities out there which is to use the money and the environment is stable. One of the factors we must look at is as it is we get feedback from investors that our stock is not liquid enough and we have to see what the buyback will do further to the liquidity if there are even fewer shares housed there in the market. That is another factor that we look at while evaluating buyback.

Alekh Dalal: I think obviously to a limited extent buyback would make sense, but of course I hear your points...?

Sanjeev Bikhchandani: For the next six months or 12 months, you cannot then raise money because you cannot do a two-way transaction but I forget what the law is. Our strategic options for raising money get closed for that time period and that is what we are need to be clear that are we going to raise money in that time period before we do a buyback.

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

Ankur Rudra: Can you give me an update on your market shares across Naukri and 99acres?

Hitesh Oberoi: This is now as per SimilarWeb because we switched to SimilarWeb sometime back because we see that sort of track traffic shares closer to sort of our estimates and they relate to sort of our numbers. So in Naukri, I think our shares have been in the same ballpark, in December we sort of close to 80% but basically we have been hovering in the 75-80% ballpark as far as Naukri is concerned. In 99acres, we are on desktop we are about 45-46%, that is what we average for the quarter and these shares which I am giving you around Time Spent and on Page Views our shares are high.

Ankur Rudra: Could you also share the Mobile Traffic shares either in terms of web or the app itself both for Naukri and 99acres?

Hitesh Oberoi: App share we do not have because there is no sort of services that give us app market shares, but Mobile Traffic share for 99acres is 46-47% as per SimilarWeb and for Naukri about 72%.

Ankur Rudra: Have you seen any impact of CommonFloor not really being a competitor anymore as part of Quikr, their focus appears to be a bit lesser there in terms of your business or no impact at all?

Hitesh Oberoi: Hard to say because CommonFloor was a strong player only in Bangalore, they did not really have a large presence all over the country and Q3 was hit by demonetization, so it is very hard sort to figure out what really happened, but we have not seen from CommonFloor any significant expansion in their operations outside Bangalore.

Ankur Rudra: Any updates on the current business trend and burn rates at Zomato, a) and b) part of the same question, do you expect burn rates to maybe rebound when UberEATS enters the market?

- Sanjeev Bikhchandani:** UberEATS, it is too early to say yet what the impact will be. Having said that, Zomato has built a great brand franchise, great traffic, huge unique value which drives the traffic without too much advertising. So the burn rates have come down to maybe USD 1 million or a month or thereabouts. The company seems to have decided that, look, we can get to breakeven whenever you want but we should still now focus on growing the business because lot of building blocks are in place, which is why they stabilized the burn here and they have gotten enough money in the bank till last 2-2.5-years at this burn rate, maybe a little less than that, but the company seems to be in a comfortable position. Now, what we should do, we have to see when UberEATS comes in.
- Ankur Rudra:** In terms of the business momentum, do you think the expectation that was there at the beginning of the year will be met in terms of growth rates?
- Sanjeev Bikhchandani:** More or less, that is what the target is, but still three months to go and while their business has not been impacted by demonetization yet, we will have to see what happens this quarter because their clients have small businesses and let us see what happens this quarter to the advertising revenue.
- Moderator:** Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.
- Dheeresh Pathak:** Can you give me the collection growth in Naukri and 99acres for nine months?
- Hitesh Oberoi:** We do not give out collection growth separately for our various businesses. Our deferred sales revenues is up to Rs.200 crores as on 31st of December. You should be able to figure it out.
- Dheeresh Pathak:** Rs.200 crores from Rs.173 crores, right?
- Hitesh Oberoi:** Yes.
- Dheeresh Pathak:** The difference between the iGAAP numbers and the IndAS numbers for Naukri is in this quarter is coming out much more in contrast, for example, till the first half, the difference was not that much, but this quarter we are seeing on IndAS the growth is 7% and in iGAAP it is double of that. Why is it happening in this quarter that the contrast is much more severe between the two accounting standards?
- Chintan A Thakkar:** I think there could be variety of reasons and it is very hard to pin point one particular reason but this whole transition from the earlier accounting standard to new accounting standard has been little bit distorting the numbers particularly because we have subscription revenue. If it was more like purchase and sales transaction only, maybe it would not have been so severe. But because it is over a period of time and there are number of products which as per the earlier accounting method, some part of that was upfront recognition and some part was over a period of time. Again depending upon which date you book the sales, so let us say if you have done a sale in October versus what you have done in December, the impact would be very different in both these methods of accounting. I think where we are resolving your query would be that if

you look at deferred sales and if you look at segment accounts and if you look at other liabilities which kind of by and large represent the deferred sales, you will see that difference would kind of offset each other. So if you see it in earlier quarters versus this quarter, probably you will see that difference which will explain that why these numbers are in a particular way.

Dheeresh Pathak: No, but the same thing would have applied in the first two quarters as well. So, is there anything specific that happened this quarter in the way either the incentive structure was changed or accounting or anything in collections that we are seeing this contrast?

Chintan A Thakkar: It could be very different in earlier quarters. As I said that look, if the sales was done in the first month or a third month, would make a difference. In the earlier accounting method, it may not make a difference. So what the facts there for the last year versus what the facts are in this year would be very different and it can have an impact on what the revenue recognition would be. But if you look at revenue plus if you add deferred revenue, you will see what the real growth rates are and that probably would match whether you take it in iGAAP or if you take as IndAS.

Dheeresh Pathak: In your earlier comment, you were saying that the impact of the incentive structure is going to be more pronounced than what you have seen in the nine months in Q4, why is that?

Hitesh Oberoi: Because Q4 has traditionally been our largest quarter. So therefore there is a lot of renewals coming up in Q4 which sort of like I said earlier the objective of the change is to give the sales team more time to work on these accounts so that we can upgrade them to higher end products. So Q4 will be impacted the most. But we should see the benefit in Q1 and Q2 if all goes well.

Dheeresh Pathak: Yes, but in revenues it is Q4 on an average is only 15% higher than the first three quarters. So to that extent you are saying or you are saying on deferred revenues, Q4 is much higher than the other quarters?

Chintan A Thakkar: On the overall collection, the impact would be much bigger. In terms of revenue this impact would be little less than that.

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

Miten Lathia: So Magicbricks claims to have clocked Rs.37 crores of revenue in Q3 which is 43% YOY increase for them and this sort of completely breaches the whole demonetization argument on a slowdown. I was wondering if you had anything prior to that.

Hitesh Oberoi: Two-three points; one if you sort of go by that release in their newspaper, what they have said is that they have collected about Rs.97 crores in the first nine months of this year. So if you look at our numbers and our collections, we were sort of almost equal to them or maybe slightly higher till the first six months of the year, it is only in Q3 that they are claiming that they have grown at 43% and there are maybe two or three reasons for it and our view; one, of course, we could have grown little faster or little higher than what we have grown at if we had agreed to collect payments in old currency which we refused. Secondly, part of the growth for

Magicbricks, they have strived to sort of had the shopping festival or the Google shopping festival they ran. So far we have stayed away from running such events on our site because when we run such events and when we run such festival, we often end up committing to your customers on what we can deliver and we have tried to stay away, we do not think such revenue is very high quality revenue. Thirdly, we will have to see whether the revenue of Magicbricks includes revenues of combo deals which they do with the newspaper, revenue from treaties where they sort of pick up flats or equity in return for advertising on their platforms. I do not know, so I do not have the breakup for that. But yes, we can increase our revenue growth in 99acres if we for example agree to do partner deals where we sort of take property in lieu of advertising the platform and we could have increased our revenue growth if we had agreed to take old currency notes which we sort said no to.

Miten Lathia: One more on Naukri. So this new sales incentive policy that you have put in place, the argument is that it reduces the sort of incentive for our sales team to make sales aggressively by discounting and hold onto a price point and hence we are taking upfront hit on our revenues in fiscal '17, which should be a good for our revenues in fiscal '18. Is there a way we can track it in the sense that how well it is progressing... is it delivering as one would have thought it is promised to deliver?

Hitesh Oberoi: If this was the only factor at work, one could have done so. But unfortunately or possibly there are many other factors at work as well like the IT slowdown, like demonetization. It is very hard to pin point, for example, if there is a downgrade, whether it is happening because of our policy or whether it is happening because of an upgrade, whether there are customers hiring more or whether there was a slowdown in IT which impacted the revenue from the customers or whether it was because of demonetization. But on the whole, what we are sure of is that it is likely to impact collection growth, three quarters are already over, and Q4 is the last quarter which will be impacted negatively because of this policy decision and Q1 and Q2 should benefit handsomely. While Q1 and Q2 may benefit because of this policy, there could be other factors at work which sort of derail growth in Q1 and Q2, we will know only in Q1 and Q2. But it is very hard to sort of say on a customer level whether the impact we saw in our billing was because of reason a) or reason b) or reason c).

Moderator: Thank you. The next question is from the line of Ravi Menon from Elara Capital. Please go ahead.

Ravi Menon: There is a good increase in customers in Naukri; it was up 14.5% YoY, but there was a slight decline in the revenue per customer the first time since FY14 if I recall correctly. Is this because of a mathematical way that we calculated it was the customer addition back ended the quarter?

Hitesh Oberoi: This could also be because like I said because the accounts were impacted by our change in policy are mostly the large customers and these are the guys who would be having a lot of money or the average billing part was much higher than the average for the business as a whole. So if we are able to upgrade these customers substantially in Q1 and Q2, then hopefully

ARPU in Q1 and Q2 for Naukri as a whole will be a lot better. Having said so, it is also true that when we have a lot of customers, the newer customers tend to sort of come in at lower price points, they tend to sort of buy products for a shorter duration, they do not buy the full bouquet to start with. So they track down overall sort of ARPU for a while, but over time it is great for us because if we had more customers because we have more opportunities to upgrade, we have more jobs on our platform, we have more hiring happening through us. So that is sort of healthy ecosystem.

Ravi Menon: Advertising and promotional costs that I think now at multi quarter low at least, just 9.9% of sales, so from 14 we were at like (+12%). So can we say that there is very little room for any further margin improvement from curtailing these expenses?

Hitesh Oberoi: Yes, so we do not expect advertising and marketing cost to go down, this quarter was very low because when we saw 99acres business getting impacted by demonetization and we saw that people were in no mood to buy property, we sort of cut advertising. But our traffic has recovered since then and as our traffic get back to normal and as sales get back to normal, we will also sort of increase the advertising spend in 99acres over time. Even in Jeevansathi, where we are seeing reasonably good growth, we could get aggressive on advertising going forward to gain market share.

Ravi Menon: Would it be possible to share any uptick in Jeevansathi app downloads or something post 4G adoption is starting to pick up in India, so have you seen any improvement?

Hitesh Oberoi: Our app sort of usage grows every month but we have not done this analysis, it will be hard for me to comment whether Jio has made a difference.

Sudhir Bhargava: Sudhir here. ARPU is best reckoned at the end of the year versus every quarter for Naukri at least.

Moderator: Thank you. The next question is from the line of Ashish Chopra from Motilal Oswal Securities. Please go ahead.

Ashish Chopra: I just had a couple of questions; firstly on the couple of investee companies apart from the major one Zomato, which are Meritnation and Canvera, so just wanted to get a sense on the health of the businesses over there with Meritnation having slowed down in growth in FY'15, then picked up in FY'16 but with much bigger investments, just how would be tracking over there and also any similar bit on Canvera?

Sanjeev Bikhchandani: In both these companies, we are still sort of figuring it out; in Meritnation I think the company did invest substantially in sales and marketing and therefore that means headcount and ad expense and that drove burn up while it drove growth up, we have now asked them to pivot to let us get a profitable growth kind of model, so the company is doing that. The good news about Meritnation is that it continues to get 6000-8000 free registrations in a day, it has tremendous engagement. Obviously the asset is valued, the issue is how do we monetize it and

how best to monetize it and that is what is being figured out. Demonetization has not helped because at least for the home sales team which was the field sales team, some of that collection used to be in cash and that has been impacted but hopefully it should recover next month or two. As far as Canvera is concerned, I think the company has curtailed expenses very well in the last few months and therefore the burn has moved down a bit. Lot of sales process improvements taken place, lot of automation has been put into the sales effort. Demonetization did have an impact out here because lot of wedding expenses would be impacted and it has not fully recovered yet and we are hoping that by next month or a month after it should recover and then it will be on track to pursue breakeven. But both these we are still figuring it out.

Ashish Chopra: Just a clarification from Chintan; on the difference in the standalone revenues between iGAAP and IndAS, if the understanding right that the differences magnified in this quarter because of the fact that the collections revenue were lesser?

Chintan A Thakkar: I think that would get compensated by the same amount if you look at deferral revenue. So if you add deferral plus this, probably it should come out to be a similar growth rate.

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

Dheeresh Pathak: The new incentive structure, this was put in place in Q1 of this year or it was put in place in Q2?

Hitesh Oberoi: Middle of Q1.

Dheeresh Pathak: So then if I understand the structure correctly, you were saying that instead of closing deals towards the end of the quarter and discounting, you are asking them to roll it over. So for the full year then the collection growth should not get impacted right because the client would have to renew at least towards the end of the year if he is not renewing any of the quarters?

Chintan A Thakkar: What we are really asking him is that it is okay if they hold on the negotiation piece and continuing with the negotiation but we are not really doing that at the cost of the existing relationship that we have. As Hitesh just mentioned that mostly it is happening in key accounts and large accounts that we have. So it depends how the negotiation will end at the end of the quarter. Why we are saying that Q4 will have a bigger impact is that there are maximum number of large customers who come for renewal in Q4. So what the total impact would be, is hard to really kind of forecast but it is quite likely that it could be much larger than what we would have seen in Q1, Q2 and Q3.

Sanjeev Bikhchandani: I think it will take 5 quarters for the whole cycle to play out, not four maybe even 6, because if they have stuff, that you would have collected end of Q1, which would be accounted in Q2, their stuff that you would have collected end of Q2 which would be accounted in Q3 and so on. So therefore it will take more than one full year to play out.

- Hitesh Oberoi:** Sometimes these things take time and we are happy to give the sales team a little more time to negotiate, sometimes negotiations go on for a month or two as well, there are cases where sometimes negotiations go on for three months because with many of these customers we have very old relationships. So we let them use the site, but we keep negotiating.
- Dheeresh Pathak:** These are one year deals mainly, right?
- Hitesh Oberoi:** Mostly one year deals.
- Dheeresh Pathak:** Earlier you used to give out paid transactions for 99acres, now stopped giving that. Can you give us a sense for nine months if that metric how did that trend?
- Hitesh Oberoi:** In 99acres we have been focusing more on the larger sort of customers and the smaller customers actually are the ones who have been impacted a lot more by the changes we are seeing in the Real Estate market. So as a strategy, we are not focusing on adding too many new customers in 99acres but trying to figure out how to upgrade the customers especially the large ones.
- Sudhir Bhargava:** On nine months it is around 42,000 but if you recollect these are invoices issue, these are not anything to do with actual transaction on the site.
- Dheeresh Pathak:** That is up or down versus last year. The growth number is more important to us versus the absolute.
- Sudhir Bhargava:** So Q3 is down versus last year at almost half, down 50%.
- Hitesh Oberoi:** Like I said, our focus as a business is also to sort of focus more on the larger sort of accounts going forward. There is always a lot of churn at the bottom. In our sort of view, some of the guys at the bottom are not very profitable customers for us to have. So increasing the focus of our sales system is more on working with the top-10,000 15,000 customers and sort of figuring out how we can upgrade them, how we can help the platform better, how we can generate more response for them, because these are the guys who have the big budgets, these are the guys who pay us much more in the longer.
- Dheeresh Pathak:** For nine months, what is the growth or degrowth?
- Hitesh Oberoi:** We do not have the numbers right now, but we can get back to you.
- Moderator:** Thank you. That was the last question. I now hand the conference over to Mr. Hitesh Oberoi for his closing comments.
- Hitesh Oberoi:** Thank you everyone for being on the call and have a great evening.
- Moderator:** Thank you. Ladies and gentlemen, that concludes this conference. Thank you for joining us. You may now disconnect your lines.