



AUDIO CONFERENCING SERVICE

TRANSCRIPTION REPORT



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Operator:

Thank you for standing by and welcome to the Investor Conference Call presented by Mr. Sanjeev Bikhchandani, CEO Info Edge.

At this time all participants are in a listen only mode. There will be a presentation followed by a question and answer session, at which time, if you wish to ask a question, please press "star, one" on your telephone. Please be advised this conference is being recorded today.

I would like to hand the conference over to Mr. Sanjeev Bikhchandani. Over to you, sir.

Mr. Sanjeev Bikhchandani:

Good evening and welcome to our third quarter results conference call. It was a very volatile day for the stock markets but we were in our board meeting and we didn't see much of it. Our third quarter results which you probably would have got by now, the total income is up 59% from Rs 379 million of the same quarter last year to Rs 601.84 million quarter three this year. Our EBITDA is up 66% in the same period, PBT is up 60% and net profit is up 60%.

If you look at the operating numbers, net sales is up 51%, operating EBITDA is up 32%, operating PBT is up 33% and operating PAT is up 32%. The reason why operating PAT has grown at a slower rate than total PAT is due to increase in HR costs with about 150 associates added in quarter 3, some midterm salary revisions for some Technology and Sales associates, higher leave encasement provision being end of the year. Further, we have been investing in our new businesses and investments have gone up there too. Quarter three last year had a high base and a high profit after tax. As a one time exceptional item there has been a previous tax period charge which resulted in an adjustment of Rs 10.8 million basically one of our depreciation charges has been disallowed and we are going to file an appeal against it, but on a conservative basis we have taken the charge in this quarter and provided for it.

Recruitment sales grew by 46% over the same quarter last year from 333 million to 486 million. And others verticals, grew faster than that, from 29 million to 59 million.

In the new businesses, in this year-to-date, the investment (EBITDA) loss has been Rs 100 million.

In Naukri, as of December 31, 2007, the total number of resumes with us was approximately 12 million. And we added in Q3, 9,377 fresh resumes on a daily basis - this is slightly lower than earlier quarters largely because of the festival season in India - Diwali, Desehra, Christmas, New Year fewer people come online to look for jobs. Further, over 36,000 resumes were modified / updated daily, which is higher than earlier quarters. We serviced about 16,300 unique customers in this quarter this year versus 15,300 in this previous quarter (Q2 this year) and 14,000 in the quarter three last year. Year-to-date customers i.e. total customer serviced by Naukri is 26,000 as opposed to approximately 27,500 for the entire previous financial year.

The share of IT continues to slip, though marginally and was down to 30% in Q3 versus 31% last quarter. In IT the dollar depreciation i.e. the rupee appreciation continues to be of concern to us. We are watching that space closely, and we are facing some pushback but other sectors are growing well and therefore, you know, its not showing up the numbers just yet. There's also deferral adjustments therefore it may show a little later. We'll be watching this space and there maybe some issues which like we said in the earlier conference calls, we will keep you updated about.

In JeevanSathi, total profiles increased to 2.8 million as opposed to 1.96 million at the end of last quarter. The traffic has been slightly lower this quarter as opposed to the previous quarter because of the festival season. There were 21,000 paid transactions approximately and number in the previous quarter was similar. We have achieved EBITDA break even on JeevanSathi this quarter, but largely due to slightly lower ad spends. We have this quarter decided strategically to invest more in JeevanSathi. And we are opening some off-line centres as a pilot. At the same time we are increasing the ad spend.

We had earlier stated we would break even in Jeevansathi in March '08 that may not happen now. But what we have done this quarter, is that we've achieved break even although due to lower ad spends and proven that you can break even, but if you want growth right now you would have to spend a little bit more. And we intend to continue to chase growth.

99acres growth continues to be very encouraging. There is better acceptance of the concept of online real estate of buying and selling. In spite of the fact that market conditions are tighter, we now have 69,000 listings. We have a higher portion of paid listings now. There are now about 1,500 unique paid customers versus 1,100 in quarter

two. We continue to invest in this business and the business is absorbing cash. We were loss making at the EBITDA level.

We have recently launched a new service or a new site called www.allcheckdeals.com . Basically the real estate market the way it works in India is that there is a substantial cash component in most transactions, which is non-tax paid money unaccounted money / illegal money. In 99acres we don't see any of that and we have a completely clean operation in that sense because we just enable a handshake this is the transaction of self-service. What is also happening is that a large number of people perhaps want to do a completely white transaction or a all check deal with fully accounted for money, but they are unable to easily find a counter party with the similar need.

Allcheckdeals is trying to create a market place there and response has been very encouraging. So we are quite happy with that. The business model there is a transaction fee and we will close up the transaction and then charge the access fee. And a few transactions have already been closed in allcheckdeals.

The work on the education site that was announced in the press earlier is continuing. Sometime in the next 6 months the education site would be launched. But tentative name for it is "Shiksha" although we have got the domain name we are evaluating a couple of others. But tentative name is "Shiksha" which in Hindi means education.

And we are evaluating more raising capital, sometime in next 12 months. We have taken an enabling resolution, this we announced to the stock exchange a few weeks ago. And we'll evaluate options over the next few months and then decide when and how and where to raise capital. The purpose of raising money is to fund acquisition sometime in the future, as we believe over the next six to eight months there will be more opportunities arising and we need to be ready with the funds in case an opportunity arises.

As I said we are concerned about the IT slow down and but as Naukri gets less dependent on IT, after a couple of quarters perhaps the slow down if it does indeed happen will not have an impact and also other businesses we hope will grow well.

We have the process of concluding a land and building deal, which we have talked about in the IPO offer document. In Noida and we have paid some advances. We have applied for transfer of land that is in process. This is a 1.25 acre piece of land in Noida and we intend to the construct our own campus. Project cost is estimated to be about Rs 600 million spend over the next two years. We hope to complete about end of 2009 although we haven't got firm deadline yet.

This ends my presentation. We will be happy to take questions. Thank you.

Question-and-Answer Session:

Operator:

Certainly Sir. At this time, if you wish to ask a question, please press “star” “one” on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the “hash” or the “pound” key.

The first question comes from Mr. Ruchit Mehta from HSBC. Please go ahead sir.

Ruchit Mehta:

Good evening, gentlemen. Just on your revenue growth, this was one of the slowest quarter that we have seen in quite some time. Anything in particular or just a little bit of a slowdown / slow quarter?

Sanjeev Bikhchandani:

First of all Q3 last year was a pretty good quarter - higher than normal. So there's a little bit of impact there and we are seeing possibly some push back from IT.

Ruchit Mehta:

Okay. And in a sense because last time we had seen that there could be some delay in IT spends on online recruiting. Have you see any cancellation from customers or?

Hitesh Oberoi:

Yes. In markets like Bangalore, for example, we are seeing a lot of push back from customers who are delaying decisions on long-term basis.

Ruchit Mehta:

Okay. And would there be more of a smaller companies or would you see even the larger ones actually doing the same?

Hitesh Oberoi:

Well, right now, it seems to be all kind of companies. Okay. But it could temporary from what some people tell us but we are not sure. Because a lot of large companies, for example, want to utilize their bench better and they want to take utilization rates up from less than 74% to 82, 83, 84%.

Ruchit Mehta:

Okay.

Hitesh Oberoi:

And that will take a few months and we will know only by around March whether this is actually the case.

Sanjeev Bikhchandani:

We've spoken to a lot of IT companies about this to get a better sense of what's going to happen. The truth is that their plans are still fluid and they are waiting and watching and seeing how best to cope.

So there are five or six kinds of responses. One is of course to improve bench utilization, the other is to higher large number of fresher on a project and have a mix of headcount such that the average experience will be down by year or two and therefore you can pay them less money and make up that way.

Naturally hedging exchange rates is an option. Possibly pass on some of the pricing increases to customers wherever possible, possibly they do fix rate contracts and seek efficiencies. Possibly actually increase headcount so that your absolute profit is achieved even though on lower margins and therefore your total valuation is the same. So there are five or six or seven things people are trying. We'll have to wait and see a quarter or two to see when and what pans out where and different companies may have different responses.

Ruchit Mehta:

The point that and this is a last point you mentioned that somewhere looking actually decreasing headcounts?

Sanjeev Bikhchandani:

No increasing.

Ruchit Mehta:

Okay. Increasing.

Sanjeev Bikhchandani:

So I think that look if somebody wants to defend this total valuation or total absolute profit growth he on lower margins depends his absolute profit growth.

Ruchit Mehta:

Okay.

Sanjeev Bikhchandani:

Which means lower margins and you are hiring more people.

Ruchit Mehta:

Okay.

Sanjeev Bikhchandani:

But all these remain to be seen because it depends on business development happening and you know there is a potential US recession. Will that take a quarter or two to deliver ? You know although the belief is that look India in the event of US recession, India is part of the solution not part of the problem.

Ruchit Mehta:

Okay.

Sanjeev Bikhchandani:

And therefore while dealing quarter two of a blip eventually there will be more outsourcing. But this is right now what we are hearing, let's see what happens on the ground actually over next quarter or too.

Ruchit Mehta:

Okay. And just one thing on your cost structure also, we have see a very sharp rising in your staff cost for the quarter. So basically I am presuming this is more to do with the new initiative that we have?

Sanjeev Bikhchandani:

Yes you will see we for example, in the last time I just call we talked about how you know we were hiring a new kind of parallel sales force is equal to smaller accounts.

Now, well some of this people have been hired and they will take two to three months or four months to the active deliver revenue, so therefore you will see a higher cost today. 99acres sales team continues to expand, we are also hiring people in the call center for JeevanSathi.

Hitesh Oberoi:

We've also put together, a small team for Shiksha, which is the education body, we talked about so they are working. Right now, also there is another initiative, we've had some people there as well. Some of these initiatives are not delivering direct revenue, but we are adding headcount right now for that.

Ruchit Mehta:

Okay. And just two quick questions, can you tell us what's the burn going to be for this year in terms of the new initiatives at the EBITDA level?

Sanjeev Bikhchandani:

Year to date we have invested (EBITDA level) about 100 million. We will obviously take it quarter-on-quarter and these businesses are new and young so their revenue is sort of moving in fits and starts and pretty good sometimes. So you may end up losing more money in the quarter or less money than you thought. But you know right now year-to-date has been you know 100 million rupees.

Ruchit Mehta:

Okay. And on Naukri itself, on the recruitment side of business you looking at about 38 to 40,000 new customers for the, I mean, total number of customer service during the year. Are we broadly on track for that or you see that?

Sanjeev Bikhchandani:

You know we've done 26,000 so far. You know, so I doubt it will make 38,000 or 40,000, it doesn't look like it. But what happens is that the last 10 days of March till now, have been really big for us. Because, financial year is ending, budgets are expiring or lapsing and if somebody has a surplus budget he prefers to buy rather than let it lapse.

Our sales team pushes hard at end of March because we run make up incentive plan for any incentive missed out in the rest of the year. And so really last 10 days of March traditionally been very big for us but lets see what happens this year. With the IT's slowdown will companies have lapsing budgets, will they cut costs or will they still have it, will non-IT companies come out big, we don't know yet.

Ruchit Mehta:

Okay and so but there is a change in the ARPU that we use to have about roughly on 40,000, is there a change in that?

Sanjeev Bikhchandani:

We recognize revenue over the life of the subscription. The revenue per customer in the first nine months, perhaps, more will be recognized in the next three months, so really if you compare on a 12-month basis and not on a nine-month basis that may be better. So we look at it end of March as to where we are. And then we take it from there.

Ruchit Mehta:

Thank you so much.

Operator:

Thank you Mr. Ruchit. Next question comes from Mr. Sujit Joshi from Irevna. Please go ahead sir.

Sujit Joshi:

Hi, good evening gentlemen. Just one quick question, you talked about raising capital for acquisitions, could you give more color on that on what area we are looking at and possibly the value?

Sanjeev Bikhchandani:

Well, we are in the process of putting together a small team for strategic investments and we are currently evaluating various kind of spaces like I said earlier definitely we look at market places and we are not totally ruling out other spaces. But there are some spaces, which I'd like to do immediately such as travel, e-commerce but we are open to most of the spaces.

Sujit Joshi:

Okay. And just couple of bookkeeping numbers, could you just list how many resumes you received on Naukri.com this quarter?

Sanjeev Bikhchandani:

Slightly less than a million. Average of 9,300 a day.

Sujit Joshi:

Okay, average okay. And just another one on registrations on JeevanSathi.

Sanjeev Bikhchandani:

It will be about two and half thousand a day during Q3 since were are at, 2.18 million up from 1.96 million.

Sujit Joshi:

I mean the average the daily one will be like close to 3.

Hitesh Oberoi:

Close to about 2400 daily.

Sujit Joshi:

Yes. That's it from my side. Thank you very much.

Operator:

Thank you Mr. Sujit. Next question comes from Ms. Jasudha from Reuters. Please go ahead ma'am.

Jasudha:

Hi. It's Jasudha from Reuters. Actually I wanted to ask you about an investment in study places in USA through Mauritius unit. What exactly was that for also I think earlier on you made earn \$1 million investment into to that same Mauritius subsidiary so what is the intention into that?

Sanjeev Bikhchandani:

Okay. Now the total investment is 1 million. The 0.5 is a part of that and that is the first tranche. Study places is a marketplace for education courses.

And what we are also looking at is doing strategic investment in companies which are in spaces that we are interested in and should they sort of succeed and they need more money, maybe, we may want to up the investment and we'll see how it goes and so that is the goal. So we are open to also taking strategic stakes in early stage companies.

Jasudha:

Okay. So this investment of 500,000 another 500,000 will be invested into this same company. Is that right?

Sanjeev Bikhchandani:

That's right.

Jasudha:

Yes. Okay and when will that be made?

Sanjeev Bikhchandani:

As and when the business needs the money.

Jasudha:

Okay. All right. Thank you.

Operator:

Thank you Ms. Jasudha. Next question comes from Mr. Abneesh Roy from Religare. Please go ahead sir.

Abneesh Roy:

Hi. Good evening. I have a question on the offline model of JeevanSathi, it is similar to Shaadi Points of Shaadi.Com and what kind of investment you are planning in this.

Hitesh Oberoi:

Yes. So the model is similar except that we are likely to start with our own outlets to start first and we will do a pilot to see whether this model can be rollout successfully. But it's very early to say as to how much investment this will take, but we will do a few pilot rollouts maybe about eight, ten outlets, which will be owned by us and not franchised. And if it's working, then we will maybe have another fifty outlets rollout in the next one-year.

Sanjeev Bikhchandani:

And traditionally, when we rollout a branch at Naukri, we expected to breakeven for its own cost within six months. Since, it's a new model, we may give it nine to twelve months and then see. So we expect and if we talk about investments, whatever investments you make, we are talking about breaking even within a year of opening an outlet.

Abneesh Roy:

Will it be just profile matching or will it be the entire gamut or service like actually doing the full arrangement for the marriage or like that?

Sanjeev Bikhchandani:

We are not evaluating event management at the moment.

Abneesh Roy:

Okay. My second question is on the new competition from HT media, they also plan to launch a job total. So what kind of increase in marketing spend that we can see from there and what kind of risk we have from there?

Sanjeev Bikhchandani:

It's unlikely that we will increase our marketing expenditure in response to one more entrant.

Abneesh Roy:

Yes.

Sanjeev Bikhchandani:

So our marketing spends and our marketing plans will remain what they are. In terms of risks, until we know exactly what the model is, if it's a very similar model, we faced TimesJobs and Times of India got much more circulation than the Hindustan Times. It's a similar model. You know, we don't know what kind of impact in market share they will get.

Abneesh Roy:

And my last question is on the tax rate, for example in the first two quarter, it was close to 27% and this time it is result to around 32.6%. Any reasons for this?

Sanjeev Bikhchandani:

Yes. There was a one time tax charge provision for previous year like I said in my presentation. There was a depreciation on one expense, which is disallowed by the tax authority, which we are appealing. But to be conservative, we are took the charge as soon as we learnt that the tax authority disallowed it.

Abneesh Roy:

So the normal tax rates should be around 27% ?

Sanjeev Bikhchandani:

Yes, That is correct.

Abneesh Roy:

Okay, thanks.

Operator:

Thank you Mr. Abneesh. Next question comes from Mr. Jason from Citigroup. Please go ahead sir.

Jason Brueschke:

Thank you. Good morning, everyone. Sanjeev, if I can ask a couple of odd questions. You gave a pretty good explanation as to the various ways the IT services companies are considering dealing with what maybe a slowdown in demand in United States.

My question is what are some of the actions that you and Naukri are taking to better position yourself to maybe meet the different demands or different, I think constraints that the IT Services Industry is doing and I know you guys are into a little bit more college recruiting. But I would think that you can do, say over the next couple of months to position yourself, especially vis-à-vis the competition that will allow you to be maybe a more preferred customer to otherwise address, what maybe a near-term changed demand environment?

Hitesh Oberoi:

See we are looking at, how to segment the market better like Sanjeev said you know there is likely to be higher demand for fresher in the marketplace going forward. So you know if there is something we can do in that place, that's a face we're looking at aggressively. What we can do in the fresher space to help IT and other companies higher more from campuses and do it faster and better.

So that's one space we are looking at. Another space we are looking at, whether we can actually help them within RPO kind of set up. So that you know they can outsource some of the recruitment to us. But that you know, we have a done a few pilots for a couple of IT companies, we've been successful but frankly a lot will depend on whether they need to hire at all or not. So, if the demand is there, we can meet a lot of demand by doing various things but if they defer their recruitment plans then we'll have a problem.

Jason Brueschke:

You know on that I guess, maybe I'll add a little bit more colors, because I know that you are in discussion with a lot of your IT clients. You also mentioned that the last say ten days of March is really important. I'm wondering how much maybe confidence and kind of the logical side of this plays into whether they're actually going to spend the budget at the end of the year. And it looks like the Fed is cutting rates by 75 basis points this morning before the US opens.

If balance is helping the market, do you think that there's a greater like that given, I think the common believe that eventually there is going to be more outsourcing to India as a result of an economic slowdown. Does that end up basically helping, if the psychology improves in March that they've actually spend a budget whether then what the ups and laps in that?

Hitesh Oberoi:

See most IT companies we speak to are not really worried at this point of time about their business or their, you know, in the volume of business, what they think to be worried about is the appreciation in of the rupee.

So for example, a couple of big IT companies that we spoke to are already planning at 35 rupees to a dollar. Right, so that at this point in time seems to be the bigger concern for them, they don't seem to be too worried about getting business from the US for some reason and that they expect to flow in.

And they feel that you know, even if the US economy goes down, that will help the outsourcing business. So what they are ready when I thought that is the inflation in wages and the appreciation of the rupee.

And because that impacts to the margin one and two with the smaller IT companies don't have the kind of margins the larger IT companies have. So while the large IT companies operate with the margin of 25% or so, the smaller companies often operate on 15% to 20% margins. So they are actually even more hit, because you know if the top-line decrease by 10%, 15% because of the rupee appreciating, they have to find ways to making it up.

Jason Brueschke:

Okay. And my last question on the same line, which is you've got one domestic competitor of note and you have a basically a foreign competitor as well, in the market. Do you think that, I mean, because you comment I should say, could you comment on maybe how you see competition for what maybe smaller hiring budgets are playing out,

should we be expecting that there's greater pricing competition, do you feel you guys are maybe more flexible, do you think maybe a slow down in United States and they otherwise pull, you know, Monster and maybe Monster reacts more conservatively because it's not just in the United services, but they say it's perhaps the slowdown in United States. You may just kind a give us a view is to how not only, you know, we've talked a little bit how you are reacting, that how you thinks the competition reacts and how that ends impacting some of your decisions as well. Thanks.

Sanjeev Bikhchandani:

Okay. See our experience so far has been that, the challenge is on growth and taking price increases, nobody is asking us to you know cut the prices or very few people are migrating to smaller value solutions. It's really the growth that they are negotiating in our billing.

And we are leaving so much value on the table that we are unlikely to be cut out or are likely the last to be cut out of the recruiting budget. So first they will cut the print, then they will cut the consultant and then they will cut couple of other websites and in most clients give it will be last to be cut. So we are possibly the best place for this, so it's really the growth we are talking about not the base, number one.

Number two, what is happening is, if you look at the last time when Monster faced a challenge in the US and it was a very serious challenge was in 2000 and 2001. The response in India was to just cut down investments. Now on the other hand of late they've been talking about Monster International being the engine for growth for Monster. But I don't know if you are willing to bleed in India and China and to what extent, so we can only speculate, but we suspect, they may not be willing to bleed. You know, that would therefore put some sort of brakes in the investments and if our sense is Monster is more dependent on IT in India than we are, significantly more dependent and therefore if the IT services is hurting, it will hurt them and their ability to invest in our opinion.

As far as TimesJobs is concerned, we sense that outside of their own media, they have not invested as much as they did last year in advertising, which has put I think some sort of breaks on the growth and we know on the feedback we get from our sales team is that they go head to head against Monster with most clients and not against TimesJobs. As far as smaller budgets are concerned, you know we have got couple of new products you know out there to grab smaller budgets and so far the market response seems to be encouraging, but you know its not big volumes just yet.

Our retail team you know our smaller accounts team we just hired is getting into action and some results are coming in from that, we expect more on that in the coming few weeks. So we'll probably update you on this, you know in the next call because by then

we will have a better picture of what is going on with smaller accounts. But, we are reasonably confident that we are making progress there.

Jason Brueschke:

Great. Thanks again guys and congratulations on the quarter.

Sanjeev Bikhchandani:

Thank you.

Operator:

Thank you Mr. Jason. Next question comes from Mr. Anuj Sharma from ASK Investments. Please go ahead sir.

Anuj Sharma:

Hi, sir congratulations. Just to understand apart from IT, which are the other sectors, which we are looking at as promising going forward?

Sanjeev Bikhchandani:

Our sense is that other sectors are growing fine, okay and in fact they are growing really quite well. And therefore what we are seeing today is perhaps a period of transition where you know IT is being challenged and IT may bounce back in a quarter or two but the other sector are going to make up for it, but it may take you know there maybe couple of quarters or three quarters where we know it takes little time for it make up enough because IT is a significant part of our revenue.

Now, the sectors that are seem doing well are the financial services sector which is banking, finance, insurance, automobiles, credit card that entire sector and which is retail banking now and the other is what we call the infrastructure sectors, which is you know energy, construction, project engineering, highways, shipping, logistics, power those kind of sectors. And between these two sectors, they've seen to really moving all quite well in India.

Anuj Sharma:

Sir, if I may ask what would be the percentage financials would be contributing and a percentage infrastructure would be contributing as of today?

Hitesh Oberoi:

See no one industry at such beside that other than IT more than 4%, 5% but all the infrastructure industry put together. I don't really have the number offering, but I think they could be in the 15% to 20% range then the other service itself may again be the 15% to 20% range.

Anuj Sharma:

The other thing is on pricing, you said you're looking at pricing along with volume growth, but just to get a sense like-to-like offerings as compared to last year, what was the pricing increase you have seen this quarter?

Sanjeev Bikhchandani:

We do our price increases once a year. And you know, therefore really it's about realization because clients do negotiate on prices and it's about upgrading clients. We are facing a push back among IT clients on raising prices and on upgrading. Okay, but for the other sectors we are okay.

Anuj Sharma:

Is it fair to assume that pricing would be stable going forward for some bit of time at least?

Sanjeev Bikhchandani:

Well, if that will increase you know there could be marginal creeping increase of 5% to 10% but you know otherwise on a conservative basis, it's a good idea to assume to be stable.

Anuj Sharma:

Okay. And just a housekeeping question, what is the weight hike you gave this year till now on an average?

Sanjeev Bikhchandani:

Well, if you look at the average cost per headcount in the company. It will be you know about 20% to 25%. But you know, if you look at what the same person is earning then you're talking about a 30% plus because you know we are growing fast therefore people are doing bigger jobs this year then they did last year. And they're getting promoted faster and therefore end up with an increment plus for the composite for doing bigger job.

Anuj Sharma:

Okay. And sir lastly, I know there's know data on this but how is market share being till now, its offering?

Sanjeev Bikhchandani:

As far as traffic is concerned we know it's been steady. If you assume the market has got three sites, which are the Naukri and Monster and TimesJobs and jobsahead there are four sites. Then you know we as per Comscore Media Metrix, we fluctuate around to 47% to 51% range so it's around 50%. So there is no significant trend there either up or down. Having said that Comscore Media Metrix is got a smallish kind of sample in India and therefore a month-to-month there's fluctuation. But that's the best indicative we have available. As far as revenue share is concerned our sense is that it's also steady.

Anuj Sharma:

Okay. Sir, thank you so much.

Operator:

Thank you Mr. Anuj. There is a follow up question from Mr. Ruchit Mehta from HSBC. Please go ahead sir.

Ruchit Mehta:

Just wanted to understand on the recruitments business, what sort of EBITDA margin are we seeing for a year. Because, if you're having about blended average above 28 for the first night months and you have you know have just burn about 10 more crores in the new businesses, I am just trying to figure out what sort of margins you would have seeing in recruitment?

Sanjeev Bikhchandani:

The recruitments margins would be you know will about at a high 30% range for this quarter gone by.

Ruchit Mehta:

For this quarter gone by.

Sanjeev Bikhchandani:

Yes.

Ruchit Mehta:

Okay. And I see nine month revenues about 154 crore how much would you will say would have coming from recruitment and non-recruitment, if you can get those correctly?

Sanjeev Bikhchandani:

Those would be in the mid 80% to high 80% range.

Ruchit Mehta:

Mid to high 80% would be recruitment side.

Sanjeev Bikhchandani:

That's right.

Ruchit Mehta:

Okay. And any change in your capex price for this year or you broadly continue with the same sort of 38 crores in respect...

Sanjeev Bikhchandani:

But we have visible land in building project and other than that we will if you do, retail outlets, then you are talking about you all some capex on interiors and computers putting that depend on the risk of pilot and therefore our plan to. So you see, how many retail outlets schedule, but you know but that wont be significant so much, in the most our investments and losses in businesses, they are new business our in the revenue expenditure side. That will be people cost and marketing cost.

Ruchit Mehta:

Okay.

Sudhir Bhargava:

The recruitment revenue number is Rs 138 crores for 9 months.

Ruchit Mehta:

138 crores. Okay brilliant. Just your tax, it went up a bit in this quarter from 27% levels what do you third odd level than we saw in the first half 32, 33.

Sanjeev Bikhchandani:

Yes.

Ruchit Mehta:

Any and should you know what it this...

Sanjeev Bikhchandani:

There is a one-time tax charge; we have taken from a prior period for expense on which depreciation was disallowed. By the tax authorities, we are appealing a decision but on conservative basis, we have taken the charge this quarter. We just got notice about 15 days ago.

Ruchit Mehta:

Yes, its brilliant, and next year, so therefore your tax rate could again be in the 27 and 28% range.

Sanjeev Bikhchandani:

Looks like it.

Ruchit Mehta:

No okay. And finally, what would be the cash equivalence by the time of date?

Sanjeev Bikhchandani:

Slightly under 70 million US.

Ruchit Mehta:

Thank you so much.

Sanjeev Bikhchandani:

Yeah.

Operator:

Thank you Mr. Ruchit. Next question comes from Mr. Rishi Maheshwari from Networth Stockbroking. Please go ahead sir.

Rishi Maheshwari:

Hi, good evening, I'd just like to know on your cost side, if there any cost share that you that, any cost that you share the along with search engines that do you have to align with.

Sanjeev Bikhchandani:

No, we pay people Google and advertising fee, when we run Adverts on their site and partner sides. Similarly, we pay yahoo, we pay Rediff, so that's part of advertising budget.

Rishi Maheshwari:

And how much is that? You would bid for it right?

Sanjeev Bikhchandani:

Yes, we bid and there we run campaigns running into 10s of thousands of key words, so that changes on daily basis.

Rishi Maheshwari:

But on an average, what would be the portion of your cost that goes towards paying of to Google, Yahoo or Rediff.

Sanjeev Bikhchandani:

No see, okay now you are add cost would be here on reason 22, 23% of our revenue. This is split between online and TV much of it. Although, we have a little bit of radio, little bit of outdoor, but by and large online plus TV.

And you know the share of online and their share of TV or other media, it depends on the current deals we get with the big portals which, we don't bid, Google we bid on a daily basis but Rediff and Yahoo we do longer term deals. Similarly, the current deals that we get on TV and the offering available. So it could be half and half, it could be 60-40, 40-60 fluctuates.

Rishi Maheshwari:

All right. Thank you so much.

Sanjeev Bikhchandani:

Yes.

Operator:

Thank you Mr. Hrishi. Next question come from is Neha Idnani from Angel Broking. Please go ahead ma'am.

Neha Idnani:

Good evening sir. I wanted to know what exactly is your other income, I mean, what's your 5 crores, can you explain this to me?

Sanjeev Bikhchandani:

Yes, these are returns that we are getting on the cash and investment that we have and this is internal accruals plus the money we raised in the IPO less what we've all spent on land and building. And or any other you know purpose.

Neha Idnani:

There is not a recurring; I mean doesn't, it won't happen again in the other quarter, right.

Sanjeev Bikhchandani:

It will recur until we use up the money and there are no money left.

Neha Idnani:

Okay, the other thing I wanted to know was five years down the line, like where would you; I mean do you see your new businesses contribution in comparison to your recruiting business.

Sanjeev Bikhchandani:

Well, predictability is poor, but naturally we're very confident of 99 acres, and we believe the retail model should work, if it works for JeevanSathi, it should grow with other business. 99acres is certainly growing lot faster than Naukri, so its share should increase. Let see what the education business does and also if we do any acquisitions, let see what happens. So we can't really see that far. But we hope that while Naukri continues to go fast and other businesses grow slightly faster.

Neha Idnani:

So sir, would you see your contribution on Naukri say by 2011, 2012 like going down to like what percentage?

Sanjeev Bikhchandani:

We will be delighted if it goes down, but it continues to go fast, on an absolute scale.

Neha Idnani:

Okay. And, acquisition for which you are looking to raise money in which space would you be looking at?

Sanjeev Bikhchandani:

Well, It's largely be meet next space, and while what we're expecting is that in next six month to a year, they will be opportunities arising because there are a large number of vc funded dotcoms which may need funds or which maybe open to getting bought.

Neha:

And so any strategic plan would you have for acquisition, I mean, like why you are looking for an acquisition at this point in time?

Sanjeev Bikhchandani:

No. We are looking for growth and let say if there was a good asset and good management team and we can make a difference and priced right. It makes sense to acquire.

Neha:

Contribution on Naukri is going down, do you wanted to go down, is that why you're looking for acquisition in another space?

Sanjeev Bikhchandani:

The purpose is not to make the contribution of Naukri go down. The purpose is that if it's a good asset to buy and a good management team which in has got traction and lot of community and lot of content and we can make a difference. There we would like to get anyway. That is not linked to reducing dependence on Naukri.

Neha:

All right. Okay and sir, how much would you be willing to spend for these acquisitions like around and what size would the company be?

Sanjeev Bikhchandani:

It depends on the target but like I said we are open to cash deals, stock deal, cash plus stock deal. We have strategic investment in early stage companies, even take minority stage with right of first refusal in the next round. If the team is good and the site is good and business is good.

Neha:

Well, right now, do you have any target acquisition already focused upon?

Sanjeev Bikhchandani:

No, we have no announcements to make in this place as of now.

Neha:

Okay sir. Thank you.

Alisa:

Thank you Ms. Neha. Next question comes from Mr. Shekhar Singh from Goldman Sachs. Please go ahead sir.

Shekhar Singh:

Hello sir, just wanted to know like in case if your revenue profile changes that as like okay among the IT employers, the small size IT employers they actually reduce their hiring and where their revenue shift towards more of the larger companies. Will it have an impact on the margins?

Sanjeev Bikhchandani:

You know our sense on that one is that most IT company is run by smart people and they will figure it out and they will find ways to do business and grow their business. They just need a couple of quarters to adjust. But having said that yes it will impact because see our business depends on number of companies because it doesn't depend on per hire.

So if the same number of hires are in a smaller number of companies, we may tend to perhaps make a little less money. If the numbers of hire are mainly freshers, or there is a migration towards more freshers again, we would less money because we work mostly for mid carrier. But having said that we are looking at the freshers space and see what we can do there. We may have something in next three to six months over there. And also you know big companies tend to pay us a lot more and we have seen that in the past.

So on balance here, there will be slight impact but what we do see is that there are large number of small new start ups and product companies which are not necessarily dependant on headcount. You know where revenue is delinked from headcount who will use us.

So you know but there is a bit of a churn going on perhaps right now and a bit of wait and watch among the existing companies and churn going on and new companies coming up. It should shortage that how can we have get a terror picture in a couple of quarters.

Shekhar Singh:

Okay. And secondly can you touch upon what are your plans in the education space you mentioned about Shiksha?

Sanjeev Bikhchandani:

Well, work is going on in terms of product specifications and development and the teams are in place. We are looking and identifying target customers and see what the needs are. But fundamentally this will be a market place where seller which is the provider of education services and seekers of education can hand shake just like it is in Naukri or 99acres or JeevanSathi where we enable handshakes.

So we are unlikely to provide our own education or create our own content in Shiksha, it will be a market place. So what we are targeting is the advertising spend to get students that you know education institution and companies are currently spending in TV, print, radio, outdoors and perhaps online.

Shekhar Singh:

Okay. So lastly just wanted to know like see looking at the environment, the way it is today, do you think like matching this year's growth will be difficult next year?

Sanjeev Bikhchandani:

A lot more depends on the economic environment, as of now sectors other than IT are doing very, very well in India. So it's a little bit difficult to predict but if there is a slow down across the economy we will have a problem.

Shekhar Singh:

Okay. Thanks a lot sir.

Operator:

Thank you Mr. Shekhar. There is a follow up question from Mr. Sujit Joshi from Irevna. Please go ahead, sir.

Sujit Joshi:

Continuing with the previous question, could you actually give an idea on how much of your IT-related listings comes from the larger companies and how many of them come from the smaller ones? If you could give a ballpark percentage on your total listings?

Sanjeev Bikhchandani:

Okay. See it's not about listing, it's about revenue. Now if you look at revenue the top 10% of our customers will account for 60% of Naukri corporate revenue. Now 10% of 26,000 is not a small number. So we are well diversified there but we have sector dependence where about 40% of Naukri corporate revenue comes from IT sector.

Sujit Joshi:

Okay. You talked about JeevanSathi.com also going offline, how really would it impact your average revenue per bill going forward and...

Sanjeev Bikhchandani:

We don't know yet but typically what we've seen so far is that when customer comes face to face with our counselor or seller for all our individual product including candidate services the average revenue does go up over the next few months significantly.

Sujit Joshi:

Okay. So how much was the average revenue per day this quarter?

Sanjeev Bikhchandani:

Somewhat 1,400 rupees.

Sujit Joshi:

Okay. Thank you and yes, just one update, I mean could you give us an idea on where is your recruitment process outsourcing, you talked about the pilot thing and all going on, how is that shaping up and what's your plan for that going forward?

Hitesh Oberoi:

It is at a pilot stage right now. We are running a few seats for a couple of companies to provide them support. It's very early days as yet and but let's see if the pilot goes well we may expand to other companies. And these are all Naukri clients so they're mostly in India.

Sujit Joshi:

Okay.

Sanjeev Bikhchandani:

Its linked to Naukri we are selling to a few select customers and it is not an independent operation.

Sujit Joshi:

Okay. Well, that's it for me. Thanks for lot.

Operator:

Thank you Mr. Sujit. Next question comes from Mr. Jamil Ansari from Lehman Brothers. Please go ahead, sir.

Jamil Ansari:

Hi. Good evening everyone. Just wanted some color on the competitive intensity in each of your three verticals to this quarter and hence your advertising cost and how do you see moving in the next quarter? Any change in strategy when you feel competitor.

Hitesh Oberoi:

In the recruitment side, we have not seen a lot of advertising from our competitors this year. Like Sanjeev mentioned early TimesJobs is not advertising as much as last year and Monster also seems to have cut back on the expenses this year.

In the other spaces like matrimonial and real estate, it's a call that we are taking that we want to up the spend to build our market shares and to build our brand because we feel that's the time to do so. So that is not very linked to competitive intensity as much as we want to get share and we wanted to be in a leadership position in those spaces.

Jamil Ansari:

Okay. Secondly, you said that you will be investing more in JeevanSathi and hence it might not breakeven in March 08, so what's the new target sir?

Sanjeev Bikhchandani:

We haven't set the date yet but we know that we are expecting more advertising in this quarter. We are rolling out some pilot retail outlets and depending on the response, we'll get to know the revenue possibilities and then we will set a new target date.

But what we did do last quarter was broke even on EBITDA basis. And that gave us a confidence to say okay, we can invest now more and take a loss, so actually we did breakeven three months before the target, but have chosen to invest more.

Jamil Ansari:

Yeah I get this. And then finally sir, any color on ask Naukri and brijj and how are they progressing?

Sanjeev Bikhchandani:

Brijj has maybe slightly less than a couple of thousand registrations. We believe we get traction once the number is over a million so its not business yet its just a site. We don't – we are not even trying to earn revenue.

As far as Ask Naukri is concerned, we will be happy if it breaks-even in two years time. We don't expect to make money on that yet, we are trying to get stickiness to Naukri so that is the goal there.

Jamil Ansari:

Okay fine. Thanks a lot.

Operator:

Thank you Mr. Jamil. Next question come from Mr. Anuj Sharma from ASK Investment, please go ahead sir.

Anuj Sharma:

Yes sir. On 99 acres and JeevanSathi.com that breakeven has been postponed. I just wanted to understand is the business difficult to run in the sense that it's been difficult to monetize revenues from these or is that there has been some deferrals or the growth is not on track, why is that the breakeven is postponing?

Hitesh Oberoi:

The way to look at the Jeevansathi business is that there are three revenue streams one is the domestic online business, two is the domestic off-line business and three being international business. So far, we've focused only on domestic online business and that is where we have broken even.

We want to slowly get into the other areas as well and that you know those areas are breakeven will take about a year or two. And so if you are going into the international business and decide to enter the UK market or the US market for matrimonial or we decide to set up 50 or 100 outlets, these outlets will take sometime to breakeven.

Anuj Sharma:

For 99 acres?

Sanjeev Bikhchandani:

Targets should not change at all, in fact 99 acres is doing today a lot better than we expected six, eight months ago and we are investing because we are encouraged by the response.

Anuj Sharma:

Okay, fair. And sir, on JeevanSathi you have roughly 21,000 paid transactions am I right on that?

Sanjeev Bikhchandani:

In a quarter, yes.

Anuj Sharma:

Okay. How has that moved, sir overall

Sanjeev Bikhchandani:

That's more or less flat over the previous quarter.

Anuj Sharma:

Okay.

Sanjeev Bikhchandani:

Largely because it was festival season the November - December you don't see a lot of action on consumer internet during the festival period largely because of Dasehra, Diwali or Christmas, New Year.

Anuj Sharma:

Okay, fair.

Sanjeev Bikhchandani:

And we expect growth again this quarter.

Anuj Sharma:

Great, okay and then thanks.

Operator:

Thank you, Mr. Anuj. Next question comes from Mr. Manish Bhandari from ING Investment. Please go ahead sir.

Manish Bhandari:

Hi. Can you tell your market share for JeevanSathi in that to me in little speech?

Sanjeev Bikhchandani:

We don't know our competition's numbers, so we are unable to estimate, but we sense that it will be about 20% to 15%.

Manish Bhandari:

Okay.

Sanjeev Bikhchandani:

But we don't know for sure.

Manish Bhandari:

Second is somewhere on the conference call you have made a statement that you will try to balance between growth and profitability. How do I read out of it, because I recall our conversation maybe 6 to 8 months back where you were talking about breakeven that you

know certainly, we see that because maybe the balance growth you are postponing the breakeven, so how do we see the business?

Sanjeev Bikhchandani:

In our earlier conference calls what I had said was that, we will be in the position to breakeven on a month on month basis by March '08 should we want to breakeven.

Now we've achieved EBITDA breakeven in JeevanSathi in December, for the quarter. We have now taken a strategic call that lets invest in growth, because like Hitesh said we have broken even in domestic online which is you know one segment in the market though NRI segment is bigger, we have not really promoted the site overseas just yet.

We intend to start doing that, you know in next couple of quarters. We have not done any, we have not even entered that you know offline segment domestically. So we want now something net, there are two additional markets I would say. And the way of the new markets and that is what will perhaps result in some of the additional revenue expenditure, which we hope will be made up in a year or two.

Manish Bhandari:

Excellent. What are your top-line in JeevanSathi and how much you need to invest more in this business for next year or so?

Sanjeev Bikhchandani:

For competitive reasons we don't reveal JeevanSathi top-line separately, what we do have is our all our new businesses which is 99acres, allcheckdeals and JeevanSathi, which year-to-date has been around about 157 million rupees.

Manish Bhandari:

Right. And what is the EBITDA and loss here?

Sanjeev Bikhchandani:

Loss of the EBITDA level is about you know 102 million, thats about 10 crores.

Manish Bhandari:

Okay. And you mean to say probably if you can give some indications how much you need to invest more in next two years in this new property business?

Sanjeev Bikhchandani:

So like I have said earlier in this call to an earlier question, revenue in early stage businesses is unpredictable, growth is unpredictable and therefore the way we look at this is that we spend money to achieve milestones which is traction, traffic and our sales team goes out and picks up checks and tries to sell.

So the loss figure is really a derivative of how well we are able to sell and how much growth the market is doing is doing to give us in the revenue side. And we will do what it takes to achieve our goals. So there would some unpredictability here and we don't have a planned budget. We have planned milestones.

Manish Bhandari:

How much was this number would have been compared to 9 months in FY'07.

Sanjeev Bikhchandani:

Whole of last year we had lost about 87 million on the EBITDA level.

Manish Bhandari:

So you mean to say you don't have visibility well, you cant give a visibility in terms of when you will breakeven on this number making next one and half year, two year sanction.

Sanjeev Bikhchandani:

Yeah. We estimate that in approximately a years time, year and a half, two years time, you know some of these businesses will generate money and positive EBITDA. And some would be in a development stage because, we will and ultimately end up with the portfolio of business you know at different stages of evolution with more and more moving towards profitability.

Manish Bhandari:

Is there a possibility you are monetizing any of these assets, you sell out these assets that are looking for inorganic growth in a company, given in the portfolio or something?

Sanjeev Bikhchandani:

There are no such plans at the moment. But like I said, we will do what is best for the shareholders.

Manish Bhandari:

It is in your interest to buy another portal in the same vertical like JeevanSathi or maybe 99acre?

Sanjeev Bikhchandani:

So far at least we have shied away from looking at pure substitutes to acquire. Because ultimately what we feel is that, if the footprint overlap is high then you basically need to support only one brand. And you end up destroying value other than creating value. Whereas, if you acquire complimentary businesses where the business is making something new that you don't have it's probably a better buy.

Manish Bhandari:

The last question. Don't you think so from in respective you are in a phase where you got lots of cash guzzling properties and you said you are starting off two new portals and your main cash flow business is on a declining trend from the cash generation perspective or maybe on a steady stable stage not growing too fast but changing macro scenario is it a right way to sum up.

Sanjeev Bikhchandani:

No. We don't agree, even if you look at this quarter and you say operating PAT grew at 32% and we had invested in new businesses, if you add that back you know you'll find that operating PAT grew a lot faster. So I don't think that is really the case and we really are investing in growth in new businesses and we will continue to do so.

Manish Bhandari:

Thanks a lot.

Operator:

Thank you, Mr. Manish. Once again participants, who wish to ask a question, please press "star" "one" on your telephone and wait for your name to be announced. Next question comes from Mr. Nikhil Pahwa Pahwa from contentSutra.com. Please go ahead, sir.

Nikhil Pahwa:

Hi, Sanjeev. Just one thing, what is the contribution of mobile to your business?

Sanjeev Bikhchandani:

It's definitely less than 5%. But most mobile, most internet companies have not been able to monetize the mobile very well as part of their offerings as yet. There seems to be a big challenge on the small screen. Most sites are built for big screens; you know bigger screens and therefore there is an issue here. But it's not unique to us I think it's in entire internet industry has an issue.

Nikhil Pahwa:

That's 5% of revenues.

Sanjeev Bikhchandani:

That's right.

Nikhil Pahwa:

Okay. And what's the contribution of advertising to revenues the advertising on the sites.

Sanjeev Bikhchandani:

Again it's less than 5%. See, we actually even job ads on Naukri are ads, but we are saying that non-job ads on Naukri, non-matrimonial ads on JeevanSathi and non real estate ads on 99acres, it's less than 5%.

Nikhil Pahwa:

And in the Naukri are you looking at any other mean of monetizing for example the sites launched with the referral system, so are you looking at any other innovations on Naukri?

Sanjeev Bikhchandani:

You know, we are trying to understand that model and seeing which have worked and which not worked and so far at least we have not found anything like model that will should really make it take off and having said that you know, if it does look like it is taking off we look at it. But, as of now there are no plans.

Nikhil Pahwa:

Thanks.

Operator:

Thank you, Mr. Nikhil. There is a follow up question from Ms. Neha Idnani of Angel Broking. Please go ahead Ma'am.

Neha Idnani:

Good evening, Sanjeev. I just want to know what's your break-up between your corporate revenues and your retail revenue?

Sanjeev Bikhchandani:

We don't, for competitive reason again, we don't disclose that. And you're talking about Naukri right?

Neha Idnani:

Yes.

Sanjeev Bikhchandani:

Yes. So for competitive reasons we don't disclose that but corporate revenues will be over 90% of total revenues on Naukri.

Neha Idnani:

Okay. And going ahead, that would continue to remain the trend?

Sanjeev Bikhchandani:

That's what we expect. But we're also pushing for growth in our retail side and you know if that responds and surprises us beyond what is done so far. Then it could change, but right now we think it's unlikely to change.

Neha Idnani:

Does it change with for instance like right now or businesses are growing. So your corporate demand than greater than probably the amount of people who are registering with you. So, going ahead it could, I mean the position could reversed. And the same thing with IT slowing down, your corporate aren't on a recruiting speed. So does that sort of change?

Sanjeev Bikhchandani:

We don't think so.

Neha Idnani:

Thank you.

Operator:

Thank you Ms. Neha. Once again, participants who wish to ask a question please press “star” “one” on your telephone and wait for your name to be announced. I'll repeat, if you wish to ask a question please press “star” “one” on your telephone and wait for your name to be announced.

At this time, there are no further questions from the participants. I would like to hand the floor back to Mr. Sanjeev for the final remarks. Over to you, sir.

Sanjeev Bikhchandani:

Yes. Thank you for coming on the call. And if you have any further questions please feel free to contact us or email us. Thanks so much and good night.

Operator:

That does conclude our conference for today. Thank you for participating. You may all disconnect now.

End