

Company: Info Edge (India) Limited (Naukri.com)

Date: May 03, 2007

Operator:

Thank you for standing by. And welcome to the Info Edge (India) Limited's, Investor and Analyst Conference Call, presented by Mr. Sanjeev Bikhchandani, CEO, Info Edge (India) Limited.

At this time, all participants are in a listen-only mode. There will be a presentation followed by 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 your speaker now. Over to you, sir.

Sanjeev Bikhchandani:

Thank you. Good evening everybody and welcome to our conference call. With me are Hitesh Oberoi, our COO; Ambarish Raghuvanshi, CFO; Mr. Sudhir Bhargava and Mr. Rajesh Khetarpal, of our Finance team.

I will run through the highlights of our results and then we can move to the question and answer (Q&A) session. Our total income for the financial year 2006-2007 stood at 1,471.63 million rupees, which is a growth of 75% over the previous year. As far as net sale is concerned, which is income from operations, it stood at 1395.69 million rupees, which is a growth of 69% over the previous year. If you look at our profit after-tax, it stood at 270.67 million rupees, which is a growth of 104% over the previous year, and if you look at EBITDA, it's 441.27 million rupees, which is at 30% EBITDA level, which is slightly higher than as a percentage than we had for the previous year.

If you look at operational numbers, profit after-tax, stood at 211 million rupees, which is a growth of 70% over the previous year vis-à-vis operational income growth of 69%. So, there has been slight improvement in profit after-tax margins. Those are the highlights of the financial results. Operationally, if you look at it, our main business remained -- recruitment solutions with the bulk of the revenue coming from recruitment solutions, and in that the hero was Naukri once again as expected and as has been the case for a while. In Naukri, we had over 27,500 clients in the financial year 06-07, which is an increase from 20,000 clients in the previous year. The number of resumes registered grew to 9 million plus as opposed to 5.5 million a year ago. The highest billing from a customer in financial year 06-07 was around 10 million rupees in Naukri.

The dependency on the IT services sector continued in the 30 percent range, it was 32%, but this is down from 34% in the previous year. Here what we believe is that potential in key account to increase wallet share. Recruitment solutions accounted for almost 87% of our topline this financial year as opposed to around 89% for first 9 months and 92% in the previous year.

Other verticals, which is Jeevansathi and 99acres, accounted for 8% of total income, which is up from 5.3% in the previous financial year. The new businesses grew faster than recruitment on a smaller base, recruitment too continues to grow fast, hence, the decline in the share of recruitment revenue is not that dramatic.

Coming to Jeevansathi, the total profiles registered, in Jeevansathi stood at 1.48 million as of 31 March 2007 which in the first 9 months were 1.3 million and in the previous year they were 0.6 million on 31 March, 2006.

In 99acres on 31 March, 2007, the total number of listings stood at 65,000 as opposed to 40,000 in the previous year. Our strategy this year continues to be an emphasis on recruiting and retaining good talent, ensuring that the brands are strong and we accordingly invested in brand building, ensuring that, the sale and service support remains strong and the strong product and technology innovation agenda continues, which is what kept us ahead and kept us growing.

As far as competitive activity is concerned, Naukri retained its leadership position although competitive activity was strong. We retained our market share. However, there are no industrywide accepted audited numbers, but in our estimate, our market share is intact.

In Jeevansathi, we believe we are still the number three site, but we believe in new resumes acquired, we are getting close to number two site. Although, there is a larger gap in revenue, but competition does not reveal its number, so we do not know for sure.

As far as 99acres is concerned, we know, we got good traction, in terms of traffic, in terms of clients, in terms of clients who are paying clients, renewing clients, so we believe we have the foundation of a good business, the team is in place, the product and technologies in place. The real estate market continues to do well, although there had been some softening, but what this softening means essentially is that people will have to stretch harder to sell the properties they are developing, which works for our business. So we are hopeful and confident that 99acres will do well this year. Our thrust areas continue to be for this coming year, 99acres, Jeevansathi, and Naukri Gulf. In Naukri Gulf, again, we had good traction, not a lot of revenue, but good traction and we intend to invest in that business again this year. And in Naukri, we continue sort of invest in product and technology to ensure we stay ahead of competition, while at the same time investing in brand and sales.

We will end here and we will happy to take any questions and answers.

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.

First in line we have Mr. Jason from Citigroup. Please go ahead sir.

Jason:

Thank you. Good afternoon, everyone there in India. I want to give my congratulations on really a fantastic year and a fantastic quarter. Let me -- I'll probably ask, I think similar questions that I asked last quarter. I think those are the ones that most of the clients I talk to are interested in. Could you may be give us, I know you touched on all the stuff briefly but could you give us an overview of how the overall recruiting market is fairing in India, and what I am most interested in is not only kind of like the online portion versus the traditional like offline businesses, how that changes are happening? But also like, for example, with your main IT services industry, how some of the dynamics in that industry are affecting your business, such as the wage pressure and all that just really tremendous growth that's going on there, how that ends up flowing through to affect your business? Thanks.

Sanjeev Bikhchandani:

Okay, as far as the recruitment market place is concerned, it's not a very well documented market, in the sense that there is no one industry standard, industry number, which we can talk about. As far as online recruitment is concerned, competition does not reveal its numbers. IMAI has estimated 67% growth for FY07. They gave it out a year ago, but we really don't know what the others have done. But, our estimates and this is what we piece

together from our sales people, what clients are saying and this is really a guess estimate, our estimate is that we sort of retained our market share, retained our No. 1 position. We do know that hiring continues to be buoyant in the IT services sector. So as far as we are concerned, we are not seeing any evidence of the slow down. In fact, order bookings are robust with us. Our single biggest client, has improved from a 40 lakh rupee billing that is 4 million rupees billing in '05/'06 to 10 million this year. And also we have seen a lot of clients become big clients, and even bigger clients, so as far as we see it, we don't see any sign of let up right now in hiring and order bookings are robust.

Jason:

All right, great. Let me ask one or two more other questions. You know over the last 6 months or so, there has been at least in the Indian press, there has been a lot of -- it seems like kind of going back and forth between you and a couple of your competitors, namely Monster and I believe TimesJobs, about who is bigger, who is adding more resumes, who is adding them faster, who is ahead. I think it would be helpful for everyone if we could, may be get your view on some of those issues in kind of where you think you are on the key metrics. I know you just talk about in general, you think you kept your market share. But as people look at these metrics to think about how the future is going to be, you could tell how you think that whole competition ?

Sanjeev Bikhchandani:

Okay. We are not absolutely sure exactly how many resumes the competition is getting everyday on a daily basis new. Definitely there are claims and counterclaims. Our numbers are public. We make them public. We got around 10,000 resumes a day over Q4 and, in fact, for the whole of the financial year around 10,000 resumes a day. We believe that makes us

the largest. You know, however, competition is claiming they're getting more. The latest TimesJobs campaign says that we've got more active resumes in the last six months than Naukri. But when you go deeper and you start looking at things, you realize that the way they define active is different from us. So really, we have got seven independent sources, which are publicly available, which clearly say that Naukri is number one. And these are scores from ComScore, Alexa. There are other sites like topjobsites, ranking, quantcast, trafficestimate, and there is an Indian research company called Juxt Consult, which does once a year survey. And those things, clearly, show that Naukri, all seven are thinking Naukri is number one and TimesJobs is number three or number four depending on whom we're listening to. So we don't sort of fancy competition there, although there are claims and counterclaims. But the good news as far as we are concerned is that we are in a market where results are measurable and clients can evaluate because recruiters know whom -- how many to hire from which site at what cost. And therefore, nobody, whether it's us or anybody else or any of our competitors, nobody can sustain an untrue perception using false claims, just because they claim so. So aggregation is just one part of the game, and that's job site 1.0 according to us. And there we are convinced that we are miles ahead and we have won that war. And we really believe that the ground is shifting and has been shifting for a while to what is job site 2.0, which is -- you create massive aggregation, you solve one problem. You're given lots of choice, but you create another problem as to for example how do I find that one guy I am looking for, because you've got too many CVs. And how do you rank the search results, how do you match, how do you show us what exactly is the guy I am looking for, how do you deal with applicant's spam, how do deal with a recruiter's spam, how do you show similar jobs, similar resumes? Those are the more intelligent sort of solutions that

we've been working on for over a year and we made some headway. And really, the ground is now about more intelligent solutions and it's not just about aggregation. Because if I'm looking for 100 people, whether you've got 5 million CVs or 10 million CVs, I still have to find the 100 I want. Question is who -- which CV do you show me plus are they relevant for me or not, and are you showing the relevant CVs? That's the question. So we're not really flushed about these claims and counterclaims for two reasons. One is because customers can evaluate very easily and you can't fool them for a long time. Second is because the truth is that we are number one, and seven independent sources say so. And the third is no longer what aggregation alone, it's beyond aggregation and that's where we believe we are forging ahead of competition who we believe may not even realize that the game has changed.

Question:

Great. Let me ask you -- and thank you very much, that's very helpful. One final question. Could you maybe comment on the pricing environment and how that has fared in the fourth quarter in light of the competition that's going on? Are you being able to maintain or increase your pricing, and do you think that customers are still getting good value for the prices you guys have been able to charge?

Sanjeev Bikhchandani:

Okay. The pricing environment remains more or less the same from the last call that there is competition. Competition does undercut. However, there are two, three things here. One is that it's is not a game among the big clients, it's not a game of either this job site or that job site. The client will take more than one job site. It's a question of what share of wallet you can negotiate. And if you look at out corporate customer, they've gone from 20,000 to 27,500. So obviously, we have traction with clients. But really if you see the pricing

environment what it does is like I said last time, it prevents our ability, it limits our ability to take price increases and large price increases for the same product are unlikely to be more than 15 to 20% over the last year. But because you got a low share of wallet, e-recruitment as a whole and client budgets are large, the opportunity really lies in selling more products to them, upgrading them, create new products and create value. So you may not see the client paying very much higher for the same product this year, but you'll see most clients billing more than they did last year.

Question:

Great. Thank you very much. I will get back at the end of queue, and again congratulations guys on a great year.

Sanjeev Bikhchandani:

Thank you.

Operator:

Thank you, sir. Next in line we have Mr. Nitin Saigal from Bridger Please go ahead, sir.

Nitin Saigal:

Hi guys. Great set of results. Few questions. First, did the 87% revenue that you said recruiting solutions, is that on Naukri or does that includes Quadrangle also.

Sanjeev Bikhchandani:

It includes Quadrangle. For competitive reasons, we're not disclosing Naukri separately. But the bulk of it is Naukri. We are predominantly an Internet company.

Nitin Saigal:

Okay. And then in the clients you said you have 27,500 clients and you mentioned IT services are still 30% of revenue, but it's a little bit of defocus, they are expanding at some

other verticals. Can you give us a sense of new client ads, what are the primary industries they're coming, are they outside of IT and ITES?

Sanjeev Bikhchandani:

Well. The services sector is the single biggest after recruitment solutions; that is after IT services, other service industries. And manufacturing is in, but I would say, banking and financial services is the single largest sector after IT services. And of course, there is this chunk of recruitment consultants that are also significant.

Nitin Saigal:

Okay. Any idea of BFSI, is that 10%, 5%, 20% ballpark?

Ambarish Raghuvanshi:

No. BFSI is about, Nitin, is between 8 to 10%.

Nitin Saigal:

Okay.

Sanjeev Bikhchandani:

But the others are about 2 to 3% apart from recruitment consultants.

Nitin Saigal:

Okay. And then moving onto Jeevansathi and 99acres, could tell us in terms of losses how much they made for each of the quarter, the whole year together, sort of the loss-making businesses.

Sanjeev Bikhchandani:

These numbers have not been audited. We reckon it is to be around 2 million USD Jeevansathi and 99acres put together.

Nitin Saigal:

2 million US, okay. Because I think last year you said pre-tax losses were about 66 million rupees?

Sanjeev Bikhchandani:

These are not audited numbers. These are our internal estimates.

Nitin Saigal:

Okay.

Sanjeev Bikhchandani:

And therefore, there will be some imperfection/ estimation here.

Ambarish Raghuvanshi:

So in this are the direct expenses and then there's some allocated expenses.

Sanjeev Bikhchandani:

\$2 million.

Ambarish Raghuvanshi:

1.5 million USD last year and about 2 million USD this year.

Nitin Saigal:

Okay. Any sort of ideas on non-profitability of these websites.

Sanjeev Bikhchandani:

On Jeevansathi, what we believe is that we should be on a month-on-month breakeven if we want to by March of 08. And on 99acres, we believe, we are hoping it should be month-on-month breakeven by March of '09, but it's month-on-month, not for the full year. However, our strategic choices may change and we may decide go for growth and take a little bit of loss anyway. That's an option that remains open.

Nitin Saigal:

Okay. Any big charges in the year on esop any other major charge ?

Sanjeev Bikhchandani:

No, no big charges. I think esop is about Rupees 5 million.

Ambarish Raghuvanshi:

That was the last year in 06-07. What we have done is in an EGM in March, 07 we have taken an enabling resolution of shareholders to issue up to 3% over the next two to three years for further esop. Our strategy on esop pricing has largely been that we price it close to current market price and we don't therefore take a hit. As on fbt, the impact we've not really evaluated. There may be an embedded option related hit on P&L, which we may have to take.

Nitin Saigal:

Okay.

Ambarish Raghuvanshi:

But that's something which we will evaluate over the course of the year. But by and large as per Indian Accounting Standard, we are going to be pricing it close to current market prices and the impact of any esop expense is expected to be low to negligible.

Nitin Saigal:

Okay.

Ambarish Raghuvanshi:

However, those of you who have been following the Indian Finance Bill, which is in the draft phase at this moment and likely to be adopted soon, there is a tax, a fringe benefit tax on esop. And we'll have to see on how that is announced. So depending on how it's

announced we'll evaluate on how we're going to tackle this issue for existing esop which has been issued.

Nitin Saigal:

Okay. Fair enough. Thank you. Couple of quick more things. If I just look at -- I'm trying to to pass out your profitability in the quarter, and if I just take your full numbers and back out the nine month numbers, it looks like actually your revenues were up 73% just in the fourth quarter year-over-year, but net income -- net profit was up, you know, almost four times? And that's probably largely because you have this other income interest income line. But am I doing that math right, you know, sort of the 20 million Indian rupees net income last year in the fourth quarter? And this year, you've done about 100 million or 2 crores, 10 crores? Am I doing that math right? We can talk about this offline if you haven't got the analysis in front of you.

Ambarish Raghuvanshi:

I did not get the question exactly.

Nitin Saigal:

I am sure I understand your fourth quarter profitability received at a significant acceleration and just the profitability in the fourth quarter. And sort of if I just look at your EBITDA for the fourth quarter, it looks like it doubled, but then your net income sort of run about 3 to 4x year-over-year.

Ambarish Raghuvanshi:

You know, the profitability has grown by more than 90% as you would have calculated.

Nitin Saigal:

Yes

Ambarish Raghuvanshi:

And some portion obviously is related to the increase in other income. But...

Nitin Saigal:

And the other income is all, mainly the interest.

Ambarish Raghuvanshi:

That's right. But I tell you one thing. On quarter-on-quarter comparisons in our business, could perhaps be a little misleading, because there would be an expense which is a significant sort of expense, and that will vary quarter-on-quarter depending on deals we do. So I would not go by quarter-on-quarter comparisons alone. That will be perhaps misleading.

Nitin Saigal:

Okay. And then my last question is on the EBITDA. I know you said your EBITDA is about 440 million for the year. So call it 31%, 32% margins. But if I back out your other income, margins actually contracted slightly year-over-year, because other incomes sort of -- you think that that is not operational. So if just set a 25% to 26% margin this year, what do you -- how do you think about that going forward? Do you think that can get up to the 30% range or we can have that margin maximize here?

Ambarish Raghuvanshi:

No. I do not think the margin has maximized on a mature business. But because we have two businesses in investment mode, which are Jeevansathi and 99acres, a lot will depend on how revenue ramps up there. And therefore predictability is poor. So as a strategy, however, we are about growth and we will go for growth, first at topline then at

bottomline. But I am not able to predict, you know, exactly where the margin realizes here.

Nitin Saigal:

Okay, guys. Thanks a lot and all the best for the year ahead.

Ambarish Raghuvanshi:

Thank you.

Operator:

Thank you, sir.

Next in line, we have Mr. Harish Bihani from FirstGlobal. Please go ahead, sir.

Harish Bihani:

Hi, Sanjeev. Thank you for taking my question.

Sanjeev Bikhchandani:

Hi.

Harish Bihani:

Two questions. First a broad question. The latest data on Alexa shows that all three properties opened have significant gains and significant traction in the market share.

Naukri, again, it's run up to 7th from 8th a few months back. Similarly, Jeevansathi, which I saw today, was 24th from 56th and 99accers was 47 from 87th.

So broadly, all the players in this market has increased advertising technology spend.

Then I was just trying to understand that what is it that you people are doing, which competitors are not doing, which is helping you gain this traction in the market.

And my second question pertains to excess cash utilization, barring the IPO proceeds, your business has low capital requirement and strong free cash flow. What do you intend to do with the cash surplus going forward?

Sanjeev Bikhchandani:

Okay. See as far, you know, traffic rank is concerned, we don't go by one measure. We don't go by Alexa alone. There is Comscore. There is Alexa. We use two. On Alexa, what we feel is that, at Alexa to look at ranks and trends and who is bigger than whom, but not necessarily look at absolute scores, because it's like a sample. And it may or may not be 100% accurate in absolute scores.

So we use this measures as indicative rather than definite or precise. As far as what we are focusing on we are not spending as much on advertising as our competition, just spending adequate to retain a sort of brand salience. But what we are focusing a lot on is products, user experience, quality and the kind of content we have, the aggregation we've built of jobs, jobseekers, resumes. And the algorithm on the search result ranking.

We believe those criteria would be what user experiences on this. And that's what keeps bringing people back. And you may have to advertise less due to this user experience. As far as utilization of cash is concerned, we are looking at acquiring land and building an office in Noida where we can be in one place, because we are currently in four different rented buildings.

It's easier to manage if you are in one place. But land deals do take time, but we are working on it. On acquisitions, we're going to be opportunistic depending on what's available at what price and what idea and what business, what traction, what management team.

So we are not in a desperate hurry there, we are not going to be acquiring in a rash manner. Sure there are lot and lots of VC funded dotcoms, which are out there. And maybe some of them useful -- and maybe some of them will be useful to acquire maybe a year-and-a-half down the line. As far as -- and the rest of money, obviously, we can use to build our own business in-house, and then we'll see what happens.

Harish Bihani:

Okay. Thanks a lot. Thank you.

Operator:

Thank you, sir. Next question comes from Mr. Ashish Kacholia from Lucky Securities. Please go ahead.

Ashish Kacholia:

Good evening, and congratulation on a great set of numbers. I have three questions for you. My first question is could you just enlighten us a little bit on the pricing model that you follow with your customers. You seem to have ramped up your revenues on your top customers significantly. How do you charge your customers? What is the basis of charging them as far as Naukri is concerned.

Sanjeev Bikhchandani:

There are two big revenues streams. One is job listing and visibility solution for branding, employer branding for A) generic branding in the careers' market, B) for getting more traffic to your job and getting more response.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

Other is resume database access.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

Where you pay us money to access a database of over 9 million resumes.

Ashish Kacholia:

This is -- just, for example, I will just throw a name. Suppose it is Hindustan Lever.

Would you be increasing the charges every year to them just for accessing your database?

Sanjeev Bikhchandani:

Well, like I said for existing products, charges don't go up by more than 15 - 20% a year.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

Note if there is a large company who has a large requirement, last year they took database, this year they may have taken some of the database, plus home page solution, plus tomorrow you might have taken 10 database licenses. You know, next year you take 25 as this requirement goes up.

Ashish Kacholia:

What is this 10 versus 25?

Sanjeev Bikhchandani:

Let's take 10 recruiters in your recruitment team.

Ashish Kacholia:

Okay. So you charge on the basis on per recruiter as well?

Sanjeev Bikhchandani:

We charge one is the basic cost, which will give you two licenses. And per extra license that you want, we will charge you more.

Ashish Kacholia:

You actually load on some software on to their machines as well?

Sanjeev Bikhchandani:

No, it's not that. It is login. We give passwords, but simultaneous login.

Ashish Kacholia:

Okay. All right. Okay.

Sanjeev Bikhchandani:

...maybe you would want many passwords, so simultaneous login.

Ashish Kacholia:

Okay, okay. So as many -- I mean as their business demands increase, so does your ability to charge revenues on them...

Sanjeev Bikhchandani:

You know -- no -- and then tomorrow we might run a campaign on the site for people, which is you know will include popups, you know mailer, SMSs. For example, if you are one of large IT Company and you are running 14 walk-ins next month across 14 centers.

Ashish Kacholia:

Okay. Right.

Sanjeev Bikhchandani:

I think you might give us 50 -- you might give us 20 lakhs to run a campaign on the site also for the same organization.

Ashish Kacholia:

Okay. Okay. All right. So variety of ways by which you can get more revenues on this at times.

Sanjeev Bikhchandani:

It's key account management initiative and it's about relationship management there and understanding client needs, and being there with solutions that solve them.

Ashish Kacholia:

Right. My second question pertains to a point that you mentioned on the -- on your ability to generate relevant responses as far as the companies are concerned. I mean, tolling through the database of millions of resumes and then coming up with a right solution. Minor check that we did with some of the companies seems to indicate that Monster is better at this kind of service than Nakuri. I mean, could you just enlighten us a little bit about where you stand vis-a-vis your competitors, in terms of relevant ad searching.

Sanjeev Bikhchandani:

You know what we believe is that the work we have done in the last year is way ahead what others have done.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

I am sure different clients have experienced it, so, you know, it's possible that the people you spoke to were happy with Monster.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

But, you know, there is one difference between what we do and what Monster does in the resume database search ranking.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

Monster ranks on relevance as default. Okay. So if you do a search on the Monster resume database, they will show you results by relevance, even if the CV is old.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

As default. Okay. You know -- and therefore, there will be some not so relevant CV showing up on page one, which may apparently make the page look not so good. But when you do your MISs at the end of quarter and end of the year, you will find that, maybe many recruiters find that they are hiring more from us because the people who are showing on top are looking right now. They have got their new CVs.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

And we have a relevant sort as an option. So the Company you check with, maybe you just want to, sort of, tell them that -- to compare relevant sort or relevant sort.

Ashish Kacholia:

Okay. And what goes into maintaining this kind of cutting edges. I mean you guys keep developing better and better algorithms all the time. Is there something proprietary in your technology? I mean is there a genuine technology as that you can sustain over a period of time?

Sanjeev Bikhchandani:

We do have few algorithms, which are proprietary. And we are still improving them. But they are out -- they were already in the market and the responses are pretty good.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

And we are going to keep working on them. And this is something which, it's going to be slightly hard for competition to copy because it's not immediately obvious as to how it's working.

Ashish Kacholia:

Okay. Because one would believe that, I mean with access to the Stanfords and Harvards of the world America-based company should have an advantage in terms of intellectual property in these kind of areas.

Sanjeev Bikhchandani:

Actually, if you look at the job sites industries around the world.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

That's been -- you know, our estimate is that they have more sites that are stuck in the technology of 1998 in terms of -- in these areas.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

So some of stuff that we're doing, we're not sure a lot of people have done around the world even.

Ashish Kacholia:

I see. Okay. My third question is regarding the progress of jeevansathi, are you going to be doing online plus offline model as some of your competitors are doing or are going to stick with 100% online model?

Sanjeev Bikhchandani:

As of now the thinking is 100% online.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

However, we are always looking and we know our strengths, the franchise cost and the franchise economics given the price points of the online products. We're not sure, if physical distribution outlets could be viable. As on each physical distribution outlet how many are viable. So it's a bit tricky this one. We are waiting and watching.

Ashish Kacholia:

Okay. And you know, you are -- as you mentioned you're probably second or third in this particular market, is there a possibility -- pardon me.

Sanjeev Bikhchandani:

Yes, third on an aggregate basis in revenue...

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

...these are our estimates because, competitors are not obliged to give their numbers.

Ashish Kacholia:

Right.

Sanjeev Bikhchandani:

In their segment they could be number one. So this is a market which is highly segmented because the arranged marriages are typically within communities.

Ashish Kacholia:

Right. Okay. So is there a possibility that over the period of time you could take the leadership position and what are your efforts in that direction?

Sanjeev Bikhchandani:

The segments in which competition is strongly entrenched, which is Bharat Matrimony in South India and Shadi among NRI's.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

Our strategy is not to take on in segment when they are deeply entrenched.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

Really there are other segments wide open, which we are focusing on.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

And we know there are segments where we will remain number one, other segments where they will be number one. On aggregate basis it remains to be seen as who will be emerge as number one in revenue.

Ashish Kacholia:

And in which segment are you guys a leaders currently?

Sanjeev Bikhchandani:

We are strong in Maharashtra.

Ashish Kacholia:

Okay.

Sanjeev Bikhchandani:

We are getting to be strong in the Hindi belt which is Bihar, UP, Madhya Pradesh, Rajasthan, Delhi, Haryana. And people who are from these regions because arranged marriages are within communities.

Ashish Kacholia:

Okay. And where do you stand vis-à-vis Shaadi.com or what's your biggest differentiator versus Shaadi?

Sanjeev Bikhchandani:

They are strong NRI's and Punjabi and Gujrathis. We are strong in Maharashtrians and Gujrathis.

Ashish Kacholia:

Okay. All right. Okay. Great. Congratulations and keep up with good work. Thanks.

Operator:

Thank you, sir. Next in line we have Mr. Shekhar Singh from Goldman Sachs. Please go ahead sir

Shekhar Singh:

Hi, sir. Congratulations on a good numbers.

Sanjeev Bikhchandani:

Hi, Shekhar. Thank you.

Shekhar Singh:

Just want to know like, in terms of your breaking even in the two businesses that is jeevansathi and 99acres, is there some change in terms of like the timeline like when you think you did those breakeven?

Sanjeev Bikhchandani:

Well, we are saying that hopefully we'll be in a position by end of this current financial year on a month on month to decide whether you want to breakeven or not in jeevansathi. But technically, we can breakeven today also. But it means that growth will be significantly impacted and we don't want to do that. And also the biggest expense we had in jeevansathi is going to be advertising. And you know it is so much that it doesn't breakeven immediately. And revenue doesn't deteriorate immediately. But it will start deteriorating over a period of time. So we don't want to do that. As far as 99acres is

concerned the visibility is less because it's a much younger business. But definitely based on the kind of feedback we are getting from the market, when we talk to the sales people the kind of feeling we get, it looks like we can be optimistic about the future. But clearly, we are willing to invest a lot longer in this business and we are hoping to break even in the month of March '09 on a month on month basis.

Shekhar Singh:

Compare to this \$2 million loss that you had in FY '07, should we be expecting this to half or come down further or --?

Sanjeev Bikhchandani:

Well, Shekhar that's a difficult question to answer because while we can control our expenses revenues remain sort of not so visible and how they grow. So a lot of depends on revenue growth, but that third question I can't really answer precisely.

Shekhar Singh:

Next in on Jeevansathi, in terms of pricing environment, you mention in case of your recruitment services looking to 20% sort of price increases are possible. So you might not be taking it. But in case of Jeevansathi, how is the pricing environment? Is there possibility of increasing prices over there?

Sanjeev Bikhchandani:

See. Jeevansathi the things that I know if you like a girl, you are not going to argue about 200 rupees. So what the point is, that we are not price makers here in this market. We let others set the prices and we come in maybe 10% to 15% lower than that in certain segments. So we are not going to decrease prices wildly here.

Shekhar Singh:

And so in case of 99acre, I think we haven't seen anybody who is been waiting on the real estate side. So now that you are taking more optimistic view about the environment, can you just touch upon that what are the key drivers, which we are seeing in the agency market?

Sanjeev Bikhchandani:

If you look at the spend in mass media on real estate which is print, TV, radio, outdoor our estimate is that again it's not a perfectly documented figure. We don't have that, but our estimate is that it is probably more than twice that of jobs. And that's what leads us to believe that look it's -- the market potential is very large because fraction of this is on your site, you have a large business. Having said that, you know, in Naukri we've done it. In 99acres we haven't done it yet. So there is a market risk. There is an execution risk. There is a market revenues risk. Having said all that, you know, it's -- the people who are spending money in the real estate business which are marketing people who are profit centres. And the people who are spending money in job space are HR managers who are cost centres. In general, we believe that the marketing guys will tend to spend more money than cost centres but those are up to, that's a macro 30,000 feet level kind of comments. A lot depends on whether we can make it happen.

Shekhar Singh:

Sir, lastly like excluding advertisement cost, people cost which is it is a significant portion of the total cost, what are the expectation like in terms of increases going forward or increase in FY '08?

Sanjeev Bikhchandani:

Well, you see the market/ economy is booming in India. And for good people -- the increments are high, people become expensive. But at the same time, what's happened to us post the IPO and given that we are now public I believe, is our ability to attract talent for ourselves has improved and the kind of people who are willing to join us now are very high potential. And that is good news but yet people cost are significant and they are rising.

Shekhar Singh:

And in terms of number of employee recruitment, last year was a big employee addition year. So going forward, are you going to add same number of employees or --?.

Sanjeev Bikhchandani:

A lot depends on how businesses perform. I mean potentially a 99acre could absorb a lot of sales people. But it has to deliver some growth then you put more people then deliver more growth and you put more people. So a lot will depends on 99acres scale up. Similarly, if we are running a sort of tele calling operation for international sales, which we are and that, depends on how that scales up because that is also scalable. We are running a small desk on Naukri e-Hire, which is short listing service for clients. Potentially that can scale up but a lot depend on business scale up. But on a run rate basis I would probably say if things stay normal and nothing sort of exploit suddenly beyond our expectation. We should add maybe about 250 to 300 people in the year

Shekhar Singh:

Okay. Thanks a lot, sir.

Operator:

Thank you sir. Next question comes from Mr. Ankit Kedia from ICICI. Please go ahead.

Ankit Kedia:

Sir, my question is regarding the tax. Your tax percentage has come down significantly compare to last nine months, any significant reason for that?

Sanjeev Bikhchandani:

You know, this is results of the deferred taxes that this year we added some assets and so on, on which the deferred tax is higher that's the result. So off a small base on tax that's what distorting it.

Ankit Kedia:

So going forward you can take it 33% or--?.

Sanjeev Bikhchandani:

We are a full tax company.

Ambarish Raghuvanshi:

We don't have any tax shelter. So one can for future projection resume that it's going to be 33%.

Ankit Kedia:

And my second question is regarding the 3% dilution. So has the board passed a 3% dilution or how much is going to be?

Sanjeev Bikhchandani:

See the board had passed / recommended 3% and thereafter, than in the EGM we've adopted 3% too. But this is not for immediate use. We expect that we will use it over the next two, maybe three years. The 3% dilution has not taken place yet. You know, its going to take as and when required.

Ankit Kedia:

Okay. Thank you, sir.

Operator: Thank you, sir. We have follow up question from Mr. Jason from CitiGroup. Please go ahead.

Mr. Jason:

Thank you. My question is maybe give us color or thoughts on say how you think the rate of growth for the upcoming year will be? We've talked a lot about the effects you had in last year. And I guess I'm much more interested in the Naukri site. And then maybe as part of that, one of the -- you kind of described one of the things that give seasonality in your expenses is your ad spend, as you spend more level or lower margins. Kind of how should we think about this seasonality in the timing of your anticipated ads spend as we look out over the next year? Thanks.

Sanjeev Bikhchandani:

Okay, typically our ad spend, a lot will depend on the deals we get with TV channels on, there maybe some events we advertise more on. But in general we advertise less in Q3, we advertise less in Q3, because it's festival season and people are not so active on job-seeking because of Diwali, Dusshera, Christmas and New Year. So quarter-on-quarter advertising could vary and which will create some volatility, as far as growth is concerned, Jason, I know, our ability to predict is not much better than it was in the past. And therefore, you know, all we can say is that it look like we will stay a fast growing company. It looks like every year the growth will come off a bit, because the base is getting larger. So last year we grew 87% and this year we grew, you know, at 69%, for the operating income, but 75% on total income. So there has been a coming off by, you know, maybe 10, 12, 15%. And I expect there will be, you know, maybe some coming off again this year, unless one or two things really sort of become home-run suddenly, which is not so predictable. Similarly

profits on Jeevansathi and 99acres may begin to turn around over the next two years or so. You will find, maybe the profit is increasing at a slightly faster rate. But you know, a lot depends on how much and how quickly the new businesses turn around. And also on advertising I mean there are two elements to the ad expense. One is the strategic advertising that we will be doing and spending a little bit more money this year on 99acres, because last year we have spent for 99acres a little bit, but we'll probably do a little more. And then we've got to also react to competition in some form or the other. And there's been inflation continuous inflation on online ad rates and that continues, because the demand for online advertising has grow faster then supply has grown, so that will eat up a little bit.

Mr. Jason:

Perfect. Again, thank you, gentlemen.

Operator:

Thank you Sir. Next in line, we have Mr. Tejwinder Singh from Allianz Capital. Please go ahead.

Tejwinder Singh:

Good evening everybody. My question is about the USP in the 99acres, how it is being differentiated from Magicbricks.com? And what would be the required growth drivers for 99acres?

Sanjeev Bikhchandani:

Tejwinder, this business is still very young and we are still getting the product in place. We've set up a basic site which, we think, works much better than Magicbricks in terms of product performance. We are investing heavily in a sales force which will educate customers because this community is not net savvy. We've set up a strong back end to

service customers. We are working on our UI and our interfaces to ensure that the user experiencing the site is much better than competition. And we were working on search to ensure that we are able to show people relevant property and relevant distinct when they log onto to the site. So really it's not just one thing which we're doing. It's a combination of four or five things, which we think will result in a better user experience and a better client experience on the site.

Tejwinder Singh:

When do you expect these developments to be over?

Sanjeev Bikhchandani:

This is ongoing -- these are ongoing things we do to continue improvement. So it's happening or if it happened there is more to happen. So it's not an event in the process.

Tejwinder Singh:

Thanks a lot.

Operator:

Thank you sir. Once again, if you wish to ask a question please press "star" "one" on your telephone and wait for your name to be announced. I repeat, if you wish to ask a question please press "star" "one" on your telephone and wait for your name to be announced.

The next question comes from Mr. Sadanand from Kotak CMS. Please go ahead.

Mr. Sadanand:

Sir, can you give a bit of breakup of your media spend across different media properties print, television and online?

Sanjeev Bikhchandani:

We spend the bulk of a money on online and television. We spend next to nothing on print. Within that the breakup varies depending on the deals we get.

Mr. Sadanand:

Okay.

Sanjeev Bikhchandani:

Negotiated rates because, Google is of course an ongoing thing maybe we can decide how much to spend on a daily basis. But our other spends on online are negotiated rates and they have contracts and we will sort of we will allocate our expenditure quarter-on-quarter depending what deals we get with TV channels and what deals we get with websites? I think having said that, the kind of ratio that has happened in the past has varied between 40:60, 50:50, 60:40 its that kind of ratio between online and television.

Mr. Sadanand:

Okay. Are you looking at any increased service offerings over the next 18 months?

Sanjeev Bikhchandani:

We have to kind of improve on all our products we are doing that especially in Naukri we are constantly trying to improve product features and services. We keep trying, not all of them work and deliver the results, we know, but -- so you can expect more services. But what will work and not work, it's hard to predict and so hopefully a few will work. One of the big thrust we had in last year, year and a half or so is trying to get SMS onto on our site or the mobile phone.

Mr. Sadanand:

Okay.

Sanjeev Bikhchandani:

So we've had mixed results there, you know that the challenge of small skills is very hard to beat. We've got some traction on sms, but it's not become a home run yet.

Mr. Sadanand:

Okay. And your top billing has gone up from 44 million to 10 million. Could you explain you know how did you able to skill up this stock billing from 4 million to 10 million?

Sanjeev Bikhchandani:

That's about key account management, relationship management getting deep into clients departments we're spending on, client recruitment department and understanding the needs and product enhancements, innovation and credible solutions and recommending solutions which work for them, so it's a not one thing, it's basically about better servicing /applications and at the same time producing better solutions that work for clients.

Mr. Sadanand:

And what kind of traction you're seeing in such segment?

Sanjeev Bikhchandani:

Client recruitment departments, understanding the needs, product enhancements, innovation and solutions, recommending solutions which work for them, so it's a not one thing, it's basically about better servicing and at the same time producing better solutions that work for clients.

Sadanand:

What kind of traction you are seeing in such segment?

Sanjeev Bikhchandani:

Clients are big recruiters, when I say big recruiters I mean they need large numbers and so, you need, let's say to hire 10,000 people a year, 20,000 people a year. Those were kind of

clients who have large budgets, who have the velocity and mass of recruitments is very, very high in those companies and that's where the big opportunities are and those were kind of clients who are dealing high with us.

Sadanand:

The campus recruitment is an area or do you want to look at it?

Sanjeev Bikhchandani:

E-recruitment has not really worked at the entry level so well. The model -- reason is that e-recruitment essentially works for those kind of hires, where you can look at the CV and decide whether to short-list or not, whether the CV is good or not. And if you go beyond the top say 200 campuses in the country you will find that you can't short-list simply by looking at the CV because you have to meet and test the person, interview him or her in order to assess quality plus quality is patchy. And in the top 200 to 300 institutes if you don't go to campus, your competition will be still higher because talent is out. So e-recruitment is not natural for campus recruitment in India but having said that if somebody has a model for e-recruitment in campuses, which works and delivers, it can be a big thing, we haven't thought of/ come across an idea, which will work.

Sadanand:

If you say over the last 12 to 18 months, we are seeing a lot of action on the off-land recruitments space that the foreign, you know, entities are coming into India, why isn't that is a trust area for your company?

Sanjeev Bikhchandani:

Quadrangle does do that however having said that off-land recruitment is a much harder business to scale in this highly fragmented industry. There are thousands and thousands of

recruitments consultants -- and Naukri being online is the much, much more scalable business and therefore, that's why we are a 90% plus internet company growing at these rates.

Sadanand:

Thank you very much.

Operator:

Thank you Sir. If you wish to ask question, please press "star" "one" on your telephone and wait for your name to be announced. At this time there are no further questions. I would like to hand over the floor back to Mr. Sanjeev Bikhchandani, for final remarks. Over to you, sir.

Sanjeev Bikhchandani:

Thank you, thank you for listening and if there are any further questions please, mail us or call us, Sudhir Bhargava, Ambarish, myself, Hitesh, anybody or anyone of us. We'll be happy to address any queries and naturally when you'll be visiting Delhi, we'll be happy to happy to meet you in our offices. The transcript will be on the site, I think in next 24 hours or 48 hours. Thank you so much. Thank you.

Operator:

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

END