

Info Edge (India) Limited



Report



naukri.com
India's No 1 Job Site

99acres.com
India's Property Bazaar

Jeevasathi.com

Quadrangle

Annual Report 2006-07

www.reportjunction.com



COMPANY INFORMATION

Board of Directors

Mr. Kapil Kapoor	Chairman and Non-Executive Director
Mr. Sanjeev Bikhchandani	Managing Director & Chief Executive Officer
Mr. Hitesh Oberoi	Director & Chief Operating Officer
Mr. Ambarish Raghuvanshi	Director & Chief Financial Officer & Head - Legal & Administration
Mr. Arun Duggal	Independent Director
Mr. Saurabh Srivastava	Independent Director
Ms. Bala Deshpande	Independent Director
Mr. Ashish Gupta	Independent Director
Mr. Sandeep Murthy	Nominee Director

Auditors

Price Waterhouse, Chartered Accountants, Gurgaon

Bankers

ICICI Bank Limited, Preet Vihar, New Delhi

Registered Office:

GF-12A, 94, Meghdoot Building, Nehru Place, New Delhi - 110 019

Corporate Office:

A-88, Sector -2, Noida-201301

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Director's Report

Dear Members,

The Directors are pleased to present the Annual Report together with the audited statement of accounts for the year ended March 31, 2007.

OVERVIEW

Your company continued to strengthen its position in all its businesses during the financial year 2006-07. Naukri.com, the online recruitment business of the Company, witnessed high growth and retained its position as the No. 1 job site in India. The other businesses namely Quadrangle, Jeevansathi.com and 99acres.com continued to witness high growth and currently occupy dominant positions in their business segments.

Key highlights of the financial year are as under:

Operational

- Number of corporate customers (employers and placement firms/ consultants) increased by 7,500 in Naukri.com
- Over 4 million resumes added in Naukri.com
- Over 0.8 million profiles added in Jeevansathi.com

Financial

- Net sales up 69%
- Total income up 75%
- Profit before depreciation and tax up 86%
- Net profit up 104%

The performance of the Company has been discussed in detail elsewhere in this report

FINANCIAL RESULTS

(Amount in Rs. million)

Particulars	Financial years	
	2006-07	2005-06
Net Sales	1,395.69	824.05
Other Income	75.94	16.50
Total income	1,471.63	840.55
Expenditure (including interest)	1,030.62	602.92
Profit before depreciation & tax	441.01	237.63
Depreciation	46.19	27.56
Profit before Tax	394.82	210.07
Provision for Tax	124.15	77.25
Profit after Tax	270.67	132.82
Profit brought forward from previous year		
including Stock Options A/c	13.44	2.72
Profit available for appropriations	284.11	135.54
Appropriations:		
Proposed Dividend	20.47	16.38
Corporate Dividend Tax	3.48	2.30
Transferred to General Reserve including		
Employee Stock Options Outstanding Account	6.61	15.89
Profit carried forward	253.55	100.97

FINANCIAL REVIEW

During the year, the Company showed an improvement in performance both in terms of revenue and profitability. Total income increased by 75% from Rs. 840.55 million in financial year 2005-06 to Rs. 1471.63

million in financial year 2006-07 while net sales increased by 69% from Rs. 824.05 million in financial year 2005-06 to Rs. 1395.69 million in financial year 2006-07. The profit after tax increased by 104% from Rs. 132.82 million in 2005-06 to Rs. 270.67 million in 2006-07.

DIVIDEND

Your Directors are pleased to recommend dividend at the rate of 7.5% (Re. 0.75 per share) for the financial year 2006-07, subject to the approval of the shareholders. The proposed dividend together with corporate dividend tax would use up an amount of Rs. 23.95 million.

INCREASE IN SHARE CAPITAL

During the year, the company offered 5,323,851 equity shares of Rs. 10 each to the public through an Initial Public Offering (IPO). The IPO was sold to Indian investors and on a restricted basis to foreign investors as a "Regulation S and Rule 144A (of the Securities Act of United States) compliant" offering. The IPO of the Company was extremely well received by the investor community and was over subscribed by more than 53 times. The Company's shares are listed on Bombay Stock Exchange Ltd. (BSE) & National Stock Exchange of India Ltd. (NSE) with effect from November 21, 2006.

During the year, prior to the IPO, the Company had issued 135,203 equity shares of Rs. 10 each as preferential allotment to Independent/Nominee Directors.

LIQUIDITY

We continue to be almost debt-free, and believe we maintain sufficient cash to meet our strategic objectives.

During the year, the Company issued fresh share capital due to which liquid assets (net of IPO expenses) of the company as on March 31, 2007 increased by Rs.1,599.76 million. These funds, pending usage, are currently invested conservatively in deposits with banks and liquid/fixed maturity plans of mutual funds in line with the investment policy of the Company.

PARTICULARS REQUIRED AS PER SECTION 212 OF THE COMPANIES ACT, 1956

Directors' Report, Audited Financial Statements & Auditor's report thereon in respect of our subsidiaries Naukri Internet Services Private Limited and Jeevansathi Internet Services Private Limited are annexed as part of the Annual Report.

INDIAN ECONOMY

India's economy is on a high growth curve. The gross domestic product (GDP) growth rate has exceeded 9 percent during the last two years, and the prospects for 2007-08 continue to be favorable. The saving and investment rates have risen significantly, reinforcing the prospects of sustained high growth. Business confidence remains high. Some inflationary pressures have emerged, reflecting both demand factors and supply side constraints. More recently, strengthening of the rupee against the dollar (the currency most Indian exports are involved in) has led to erosion of export margins and reduced competitiveness of Indian Exports.

The service sector maintained its vigorous growth performance and there were distinct signs of sustained improvements on the industrial front. It

is estimated that the service sector accounted for over 50 per cent of the country's GDP. Growth in the services sector continues to be broad-based with trade, hotels, transport, financial services, communication services and real estate continuing to boost the sector by growing at double-digit rates for the fourth successive year. Impressive progress in information technology (IT) and information technology enabled services (ITES) coupled with fast growth of telephone connections, particularly mobiles, played a key role in such growth.

BUSINESS

We provide recruitment classifieds and related services through Naukri.com and Quadrangle business divisions. This business generated about 91% and 94% of the net sales during the financial year 2006-07 and 2005-06 respectively. We also provide matrimonial and property related classifieds & related services through our Jeevansathi.com and 99acres.com divisions respectively. A substantial portion of our businesses are closely aligned with the economy and therefore we believe that the high growth in the economy would translate into improved business prospects for the Company.

Naukri.com

The Company provides recruitment classifieds and related services to job seekers, employers and recruitment consultants through its website www.naukri.com, supported by a network of 48 offices in India in 31 cities, and two offices in Dubai. As of March 31, 2007, Naukri.com had a database of over 9 million registered job seekers, including their resumes, and over 80,000 live job listings from Corporate Customers (corporates and placement firms/consultants). During the financial year 2006-07, Naukri.com's services were used by approximately 27,500 Corporate Customers as compared to 20,000 in financial year 2005-06. An average of about 10,000 and 8,000 new resumes were added per day to the Naukri.com database in financial year 2006-07 and 2005-06, respectively.

During the year, the Company launched www.naukrigulf.com, a website dedicated to address the recruitment market in the gulf countries. The response has been encouraging and given the large migrant population from South Asian countries including India and in countries surrounding the Gulf region like Jordan, Egypt etc., we believe this will be an attractive market.

Quadrangle

Quadrangle provides offline executive search and placement services for middle and senior level management personnel to Corporate Customers in various industries and a wider range of search & placement services to our Corporate Customers in the IT and ITES sector.

Jeevansathi.com

The Company provides matrimonial classifieds and related services through its website www.jeevansathi.com. The website provides an information exchange service to prospective brides, grooms and their relatives, in India and in certain other countries, and is supported by our office network in India. During the financial year 2006-07 and 2005-06, approximately 2,300 and 1,700 new profiles of prospective brides and grooms were added per day to the Jeevansathi.com database, respectively. As of March 31, 2007, Jeevansathi.com had a database of more than 1.48 million profiles.

99 acres.com

The Company provides real estate classifieds and related services through its website www.99acres.com, which is a relatively new business for the

company. Our website provides a convenient forum where lessors, lessees, buyers, sellers, developers, and brokers of residential/commercial/industrial real estate in India can exchange information concerning real estate properties with a view to entering into a transaction. We also provide advertising space on our website for property developers and brokers. As of March 31, 2007, 99acres.com had a database of more than 60,000 real estate/property listings located across 25 cities in India. In a relatively short time span, the site has gained popularity (in terms of traffic and revenues) with users both in India and overseas.

FUTURE OUTLOOK

We are optimistic of the future prospects of the company. This view is emboldened by our expectation that the economy is expected to continue to maintain its high growth. Internet penetration and usage would increase at a rapid pace and complementary technologies will keep emerging, thus enhancing productivity of internet users.

In our recruitment business, we see robust demand with most employers, both due to growth & attrition, continuing to witness manpower shortage. Our market feedback indicates growing employment opportunities and higher attrition levels in certain industries. We also continuously develop and improve our products and technology to deliver better value to our customers. The response to our naukrigulf.com initiative has been encouraging. We would continue to explore opportunities to expand our existing businesses in newer geographies while deepening our offerings in existing markets.

We expect the matrimonial market will continue to grow with increase of internet penetration and continuous improvement in product features.

Real estate players have emerged as large consumers of advertising space be it print, outdoor or electronic media. The current online advertising by the real estate participants is in our opinion a fraction of the total real estate advertising spend. As internet gains popularity we expect real estate participants to increasingly use this as a medium for advertising/ transacting. The growth witnessed in 99acres.com in financial year 2006-07 is encouraging and we expect to harness our knowledge and understanding more effectively in the future.

Our confidence in the future in all our businesses emanates from our faith in our employees who have taken challenges and delivered superior results in all streams. We aspire to retain and attract talent towards achieving our goals.

Apart from organic growth, we will also explore acquisitions or strategic alliances or seed/develop businesses which we feel can complement our growth objectives.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- In the preparation of Annual Accounts for the financial year ended March 31, 2007 the applicable accounting standards have been followed.
- They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of

the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- They have prepared the Annual Accounts for the financial year ended March 31, 2007 on a going concern basis.

BOARD OF DIRECTORS

The Board appointed Mr. Sandeep Murthy, as an Additional Director w.e.f. July 14, 2006. Mr. Murthy is a joint nominee of Murugan Capital and Sherpalo LLC Mauritius, both venture capital investors in the Company.

AUDITORS

M/s. Price Waterhouse, Chartered Accountants hold office until the conclusion of forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE

As per the requirement of clause 49 of the Listing Agreement with the Stock Exchanges, a detailed Report on Corporate Governance is annexed as part of the Annual Report.

HUMAN RESOURCES

Over the last financial year, we have grown rapidly. Recruiting quality talent has been a key focus for the HR team, and the Info Edge family has grown from about 870 employees as on March 31, 2006 to over 1200 as on March 31, 2007. Besides recruiting fresh talent from business schools, colleges and engineering colleges, we did substantial middle and senior level lateral hiring for our technology, product, business development, finance and marketing departments. Employee development was a thrust area in the last financial year. A number of training programs were conducted through the year to improve employee efficiency and productivity. We also instituted a formal induction program for our new associates, which has been well received.

Another important HR initiative has been the development and successful implementation of a robust Human Resource Information System which provides all kinds of reports and analysis at the click of a button and ensures that all details, personal records, employee history etc of an employee are easily accessible. We have also focused on strengthening internal communication by launching an internal quarterly e-magazine "Inside Edge" which covers all major happenings in the Company/ Department/Branch, introduction of new Products/technology, brief on any get-togethers or events, new appointments at senior level and major organizational changes/restructuring.

The particulars of employees required under Section 217 (2A) of the Companies Act, 1956 and the rules thereunder, are required to be annexed to this Report as Annexure. However, pursuant to the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report and Accounts are being sent to all the shareholders of the Company without the above information. Any shareholder interested in obtaining such particulars may write to the Company.

EMPLOYEE STOCK OPTION PLAN

We had adopted an ESOP scheme in 2004 to include our employees in wealth sharing and in adopting a more retention oriented compensation program. As the Company was a private limited unlisted company at that time, therefore SEBI ESOP Guidelines were not applicable to our old

ESOP scheme. However, with the listing of Company's shares in November 2006, the Company introduced a new SEBI compliant ESOP scheme, which was approved by passing a special resolution in the Extra-ordinary General Meeting (EGM) held on March 26, 2007. The Company has not made any fresh Grants under this new ESOP Scheme till March 31, 2007.

The disclosures in compliance with clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchases Scheme) Guidelines, 1999 as amended from time to time in Annexure to the Directors Report.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As the company is a services company, the information on conversion of energy and technology absorption is not required to be disclosed under this head. However the information regarding Foreign Exchange earnings and outgo are as below:

(Amount in Rs. million)

	2006-07	2005-06
Foreign Exchange Earnings		
Sales	138.03	60.47
TOTAL INLOW	138.03	60.47
Foreign Exchange Outgo		
Travel	1.34	0.94
Expenses on Server, etc.	38.86	22.07
Promotion & Marketing	35.33	14.29
IPO related Expenses	10.96	NIL
Others	3.55	1.65
TOTAL OUTFLOW	90.04	38.95

NOTES ON ACCOUNTS

The observation of auditors and notes on accounts are self explanatory.

ACKNOWLEDGEMENTS

We thank our clients, vendors, investors and bankers for their continued support during the year. We place on record our appreciation of the contribution made by employees at all levels. Our consistent growth has been made possible by their hard work, solidarity, cooperation and support.

For and on behalf of Board of Directors

Dated : May 30, 2007
Place : Noida

sd/-
(Kapil Kapoor)
Chairman

Annexure to Directors Report

FORM A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A) Particulars pursuant to Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988

1. Conservation of energy

Our operations are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy-efficient computers and purchasing energy-efficient equipments. Currently, we use CFL fixtures and electronic ballasts to reduce the power consumption of fluorescent tubes. We are using power factor panels at the supply level of the state grid power to achieve high energy efficiency of over 98-99%. As energy costs comprise a very small part of our total expenses, the financial impact of these measures is not material.

2. Research and Development (R&D)

We operate in the internet/information technology industry where developments happen on a continuous basis. We regularly evaluate these developments & factor their suitability to us. Accordingly, research and development of new services, designs, frameworks,

processes and methodologies continue to be of importance to us. This allows us to enhance quality, productivity and customer satisfaction through continuous improvements/innovation.

a. R&D initiative

Our Technical Team works to optimize the existing software applications and optimally uses the existing hardware on a continuous basis.

b&c. Specific areas for R&D at the company & the benefits derived therefrom

Our search engine team has worked on bringing about significant improvements to the job and resume searches offered on the website by exploring newer and better ways to search.

d. Future plan of action

We constantly keep working on finding/evaluating new technologies, processes, frameworks and methodologies to enable us in improving the quality of our offerings and user satisfaction.

e. Expenditure on R&D for the year ended March 31, 2007

Our Research and Development activities are not capital intensive and we do not specifically provide for the same in our books.

PARTICULARS OF ESOP

Sr. No.	Nature of Disclosure	Financial Year 2006-07														
a	Total number of options granted in FY 2006-07	218,375														
b	Pricing Formula /Exercise price	Rs. 245 per share for 17,900 options; and Rs. 280 per share for 200,475 options.														
c	Total number of options vested	221,900														
d	Total number of options exercised	97,976*														
e	Total number of Equity Shares arising as a result of exercise of options	97,976														
f	Total number of options lapsed/forfeited	34,142														
g	Variation of terms of options	N.A.														
h	Money realized by exercise of options	Rs. 1,199,220														
i	Total number of options in force	424,059														
j	Grant to Senior Management Personnel (during FY 2006-07)	<table><tr><th>Name</th><th>Options granted</th></tr><tr><td>Mr. V. Suresh</td><td>12,000</td></tr><tr><td>Mr. Vineet Singh</td><td>12,000</td></tr><tr><td>Mr. Vibhore Sharma</td><td>9,500</td></tr><tr><td>Mr. Vivek Khare</td><td>9,500</td></tr><tr><td>Ms. Deepali Singh</td><td>9,000</td></tr><tr><td>Mr. Harveen Bedi</td><td>9,000</td></tr></table>	Name	Options granted	Mr. V. Suresh	12,000	Mr. Vineet Singh	12,000	Mr. Vibhore Sharma	9,500	Mr. Vivek Khare	9,500	Ms. Deepali Singh	9,000	Mr. Harveen Bedi	9,000
Name	Options granted															
Mr. V. Suresh	12,000															
Mr. Vineet Singh	12,000															
Mr. Vibhore Sharma	9,500															
Mr. Vivek Khare	9,500															
Ms. Deepali Singh	9,000															
Mr. Harveen Bedi	9,000															
k	Diluted Earning Per share (EPS) pursuant to issue of shares on exercise of options	11.31														
l	Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation cost (calculated on the fair value of the options)	Rs 35,706,331														
	Impact of this difference on our profits and EPS EPS would be Rs 9.82 per Equity Share.	Profit would be lower by Rs. 35,706,331 and the adjusted EPS would be Rs. 9.82 per share														
m	Weighted-average exercise prices and weighted-average fair values of options whose exercise price either equals or exceeds or is less than the market price of the stock	N.A.														
n	Impact on the profits and EPS if the Company had followed the accounting policies specified in Clause 13 of the SEBI ESOP Guidelines	N.A.														

*includes 182,700 Options granted for Re. 1 per share consolidated into options for Rs. 10 per share.

Management Discussion and Analysis

I. Industry Structure & Developments

Internet is similar in many ways to mass communication media like print, television and radio. Internet however, offers significant advantages over other mediums like speed, interactivity, longer shelf life and ease of access resulting in its proliferation worldwide. Worldwide the internet companies typically earn revenue by charging a fee for providing/exchanging information or for advertising/selling products and services. Our businesses are similar to such businesses worldwide in terms of operations and revenue model.

Our Business

We are primarily in the online classifieds business and help people and businesses meet. We are a leading provider of online recruitment, matrimonial and real estate classifieds and related services in India. Though the company operates in single segment as per the accounting rules, its businesses are managed through the following divisions:

Recruitment classifieds and related services

We provide recruitment classifieds and related services through our website www.naukri.com and the offline placement services through our division Quadrangle.

Online recruitment classifieds and related services

We provide online recruitment classifieds and related services to Corporate Customers (employers and recruitment consultants) and job seekers through our websites www.naukri.com and www.naukrigulf.com supported by our network of 48 offices in 31 Indian cities, and two offices in Dubai. For job seekers, we also provide assistance in preparing resumes and listing them on our website and forwarding to consultants. For our employer and recruitment consultant customers, we list their job vacancies, provide tools to conduct searches in our database of resumes and provide job application screening programs. We also post advertisements on our websites for our Corporate Customers.

Executive search services

Through our Quadrangle division, we provide offline executive search and placement services for middle and senior level management personnel to our Corporate Customers in all industries and a wider range of search and placement services to our Corporate Customers in the IT and ITES industries.

Matrimonial classifieds and related services

We provide an information exchange service to prospective brides, grooms and their relatives, in India and in certain other countries, through our website www.jeevansathi.com, which is supported by our office network in India and a tele-calling operation. On www.jeevansathi.com, listing of profiles of prospective grooms and brides, as well as viewing of submitted profiles is free, expressing interest and acceptance of expression of interest is free as well. However, users are required to pay in order to view contact information of profiles for which mutual expression of interest has been made. The revenue model is similar to other match-making/matrimonial sites.

Real estate classifieds and related services

Our website www.99acres.com aims to provide a convenient forum where buyers, sellers, lessors, lessees and brokers of residential and commercial real estate in India can exchange information concerning real estate property with a view to entering into a transaction. We also sell advertising space on our website to property developers and brokers and in a limited way, to individuals seeking buyers/lessees for the properties.

II. Opportunities and Threats

A. Opportunities

We seek to maintain our position as the leading provider of online recruitment solutions in India and further enhance our position as one of the leading providers of internet based matrimonial and real estate services. In addition, we seek to diversify into and establish a position of leadership in the diverse spectrum of the online classifieds market and other markets. In order to achieve the prevalent opportunities, we propose the following strategies:

Continued emphasis on innovation and customization of our products and services

The Company recognizes the importance of continued innovation of our products and services. We intend to enhance the utility and features of our existing products and services and create new products and services customized for our diverse groups of users based on their geographic location, interests and other criteria. For example, in the case of [jeevansathi.com](http://www.jeevansathi.com), we are focusing on increasing our database across all segments and improving and increasing matching options for our users based on a number of criteria, e.g., religion, caste, region and linguistic preferences. With respect to [Naukri.com](http://www.naukri.com), we have launched a diverse portfolio of products and added new features to our products such as "online job fairs". We had during FY 2006-07 initiated the process of providing content on mobile phones, including short messaging services, WAP, GPRS, and voice segments. This arrangement was initially adopted for [Naukri.com](http://www.naukri.com), and was subsequently implemented for [jeevansathi.com](http://www.jeevansathi.com) and [99acres.com](http://www.99acres.com) as well.

Enhancement and diversification of our advertising revenue streams

We believe that the popularity of our websites, particularly the status of www.naukri.com as one of the most visited websites in India (ranked 7th most visited website in India in April 2007 as per www.alexa.com), enhances our attractiveness as a location for advertising on the internet. We have an inventory of advertising space on our websites, which we currently sell to our Corporate Customers typically for periods not exceeding twelve months for job related advertising. We intend to enhance our revenues generated by advertising and diversify the revenue model to further strengthen our brand recall.

Our brands constitute one of our most important assets and we intend to continue to take steps to further develop and enhance our brands, through, among others, communication and

promotional initiatives such as advertising, interaction, participation in industry events and seminars. It will also provide us the platform from which we can launch new products in the online classified business.

Developing alternate delivery models for our services

The Company is focused on developing multi-channel delivery models for our services, particularly through mobile telephones, by entering into alliances which will enable us to provide systems integration and develop content for such services. We identified short messaging services (sms) of mobile telephones as a potential channel of communication with our users. We believe this has enabled us and our customers to access a larger number of users in real time as users would not need to access the internet to avail of some of the services provided by us.

Expand the scope and geographical presence of our business

The Company intends to open more offices in and outside India. In particular, we are currently focusing on the countries in the Middle East. As a step in this direction we have already opened two offices in Dubai. With respect to the international markets, we intend to customize our products to the extent necessary to cater to the local conditions of those markets, including the creation and operation of websites specific to such markets. In line with the above, the Company had launched www.naukrigulf.com with a view to address the gulf market specifically.

Growth through a combination of acquisitions and organic growth

The Company recognizes, given the differing nature of the businesses of our divisions, our need for division-specific models of growth and expansion. We will continue to focus on growing each division based on a model most suitable for that division. We intend to evaluate acquisition opportunities as well as organic growth. We are also continually evaluating strategic alliances for the growth and expansion of our other businesses.

Leverage offline relationships and associations to augment the growth of our online businesses

The Company is focusing on integrating the print and online advertising and information exchange platforms in the sectors and industries that we are engaged in. For example, in the case of 99acres.com, we intend to build a client base of brokers who currently do not list their properties online and to actively solicit such brokers to list their databases on our website. We have built alliances with partners in the print media to enhance our reach.

Diversification into providing online classified services in new market segments

The Company believes that with the ever-expanding growth of the internet in India and elsewhere, the online classified market is poised to cover classifieds as extensively as it is currently covered by the print media, and that there is an opportunity to enter other online classifieds segments, such as automobiles, educational services and industrial products amongst other. We intend to capitalize on our experience in the classifieds business in recruitment and matrimonial services to diversify into such segments.

B. Threats

Macroeconomic factors affecting our prospects:

Overall economic scenario

Growth of the online recruitment industry is very closely linked to that of the overall recruitment market, which in turn is dependent on the overall economic growth. According to the estimates of the Central Statistical Organization (CSO), India's GDP has grown over 9% in FY 2007 and the trend is likely to continue in FY 2008. However, more recently, some inflationary pressures have emerged, reflecting both demand factors and supply side constraints. Further, the recent strengthening of rupee against the dollar would lead to erosion of export margins and reduced competitiveness of Indian exports. These developments, if they continue on a prolonged basis in the economy, could have an impact on our business.

Favorable demographic trends

According to Census data of 2001, 54% of Indian population comprised of people below 25 years of age. This younger population on entering the workforce will increase demand for products and services including online recruitment, matrimonial and real estate. This age group is expected to be early and intensive users of the internet.

Rapid growth in IT/ITES sector

The IT and ITES sectors have grown at a fast pace during the last 5 – 6 years. Their contribution to the country's GDP is estimated to have grown from 1.2% in FY 2000 to about 4.8% in FY 2006. The total direct employment in the IT and ITES sector is estimated to have grown from about 0.28 million in FY 2000 to over 1.29 million in FY 2006. IT and ITES sectors have been the early adopters of online recruitment and in our opinion account for a sizeable share of the revenues of online recruitment industry. This sector accounted for about 32% of our net sales of the recruitment solution business in FY 2006-07.

Internet and computer penetration

India has among the lowest internet penetration rates in the world currently compared to other similar economies. India is experiencing a strong growth in internet and PC penetration. The frequent high quality internet users in India are expected to increase from 2.8 million in FY 2007 to 4.3 million by FY 2008 as per estimates of the Internet and Mobile Association of India (www.iamai.in). The Government of India has also adopted a number of policies that are promoting internet penetration in India e.g. lowering of prices of broad band access, better internet infrastructure, lower priced PCs etc.

Cultural changes/Increase in mobility of individuals

India has witnessed increase in urbanization and literacy rates, and this trend is likely to continue. These factors have also led to significant cultural changes in the workforce, including the change in the attitude of a typical employee to his or her job as being for more or less a certain period of time – instead of for life – and such changes are expected to increase the mobility of the Indian labor force. The enhanced mobility of the Indian labor force is likely to contribute to the growth of the