



FROM STRENGTH

TO STRENGTH

INFO EDGE
ANNUAL REPORT 2009 · 10

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BOARD OF DIRECTORS

Mr. Kapil Kapoor	<i>Chairman</i>
Mr. Arun Duggal	<i>Independent Director</i>
Mr. Saurabh Srivastava	<i>Independent Director</i>
Ms. Bala Deshpande	<i>Independent Director</i>
Mr. Ashish Gupta	<i>Independent Director</i>
Mr. Naresh Gupta	<i>Independent Director</i>
Mr. Sanjeev Bikhchandani	<i>Managing Director & Chief Executive Officer</i>
Mr. Hitesh Oberoi	<i>Director & Chief Operating Officer</i>
Mr. Ambarish Raghuvanshi	<i>Director & Chief Financial Officer</i>
Mr. Sandeep Murthy	<i>Nominee Director (Resigned w.e.f. April 30, 2010)</i>

COMPANY SECRETARY

Mr. Amit Gupta

BANKERS

ICICI Bank Limited, Preet Vihar, New Delhi 110 092

AUDITORS

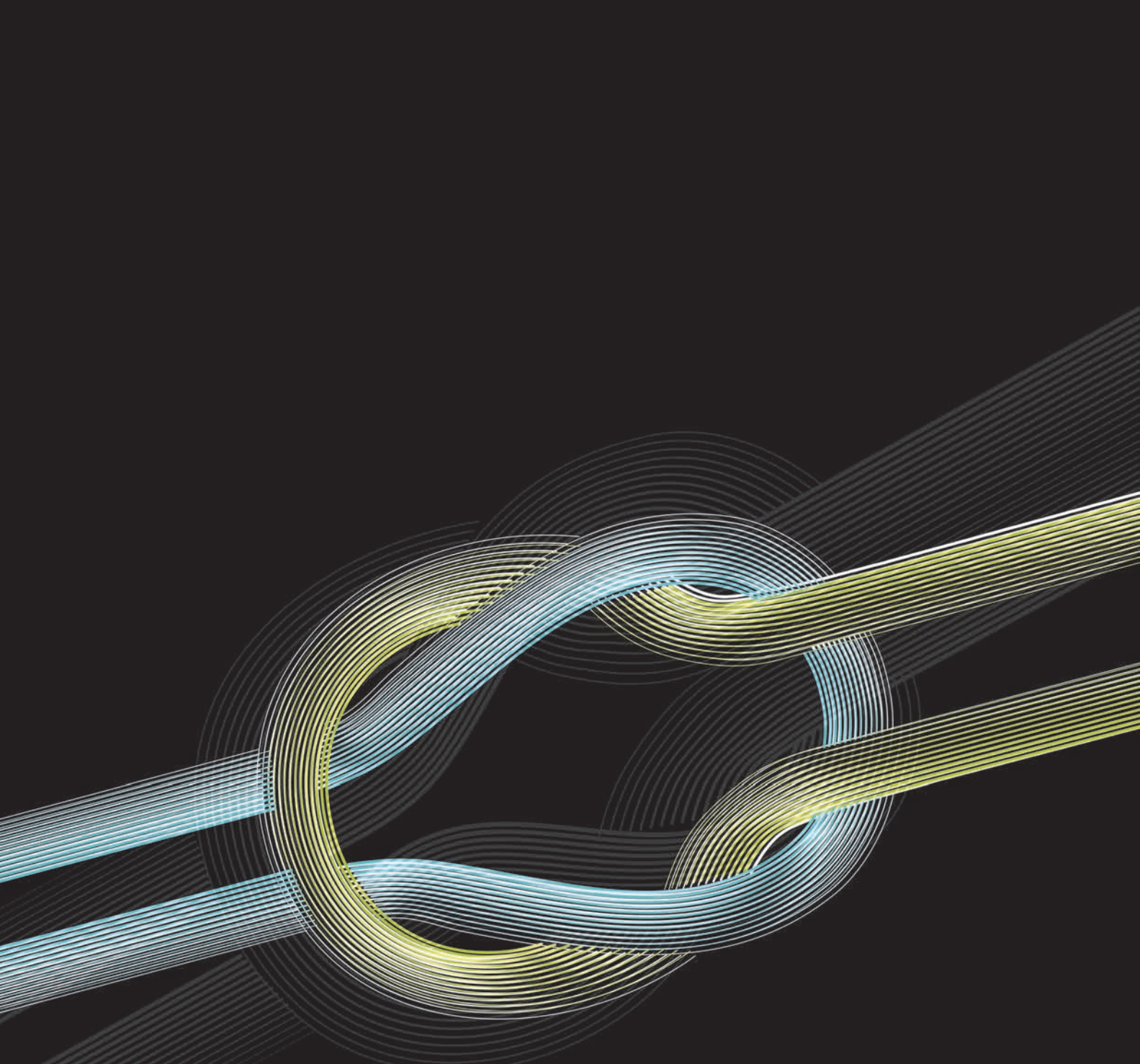
Price Waterhouse,
Chartered Accountants,
Gurgaon - 122 002

REGISTERED OFFICE

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

CORPORATE OFFICE

A-88, Sector-2, Noida - 201 301
Uttar Pradesh, India



WE IN THE SENIOR MANAGEMENT AT INFO EDGE HAD EXPECTED REVENUE PRESSURES AND WERE GEARED FOR A DIFFICULT 2009-10. WE RECALIBRATED OUR BUSINESS STRATEGY; WE FOCUSED ON OUR PROCESSES; AND WE WORKED EXTENSIVELY ON COST MANAGEMENT



Dear Shareholders,

2009-10 was indeed a difficult year for most businesses. In the aftermath of the US sub-prime crisis and its consequent financial turmoil, economic growth across the world was hit hard. After a horrible second half of 2008-09, the first three quarters of 2009-10 saw most economies groping with low to negative growth and considerable uncertainties.

Despite firmly belonging to the positive growth territory, negative economic signals affected business sentiments even in India. Companies went into preservation mode and there was significant slowdown in the Indian job market.

With over four-fifths share in total revenues, your Company's recruitment portfolio — primarily comprises naukri.com — defines much of its financial performance. Given Indian market conditions in 2009-10, this business suffered. So, too, did the online real estate business driven by 99acres.com, thanks to a massive crunch in the real-estate sector for the first half of 2009-10. Consequently, Info Edge's revenues were under considerable pressure for most of 2009-10.

You might recall that in 2008-09 I had talked of the possibility of lower growth rates for forceful first generation Indian companies like yours. In 2009-10, regrettably, there was a drop in revenues for the first time in your Company's history.

On a consolidated basis:

NET SALES AND OPERATING INCOME DECREASED BY 3.55% FROM RS.2458 MILLION IN 2008-09 TO RS.2370.81 MILLION IN 2009-10.

PROFIT BEFORE TAX (PBT) FELL BY 0.6% TO RS.847.69 MILLION IN 2009-10. (EXCLUDING EXCEPTIONAL ITEM OF RS.37.74 MILLION)

PROFIT AFTER TAX (PAT), AFTER MINORITY INTEREST AND LOSSES FROM ASSOCIATE COMPANIES WAS RS.520.76 MILLION IN 2009-10.

In normal times, such results are a cause of concern. But, the global economy was not normal since September 2008. Thankfully, we in the senior management at Info Edge had expected revenue pressures and were geared for a difficult 2009-10. We recalibrated our business strategy; we focused on our processes; and we worked extensively on cost management. Consequently, your Company preserved margins — profits before tax fell by only 0.6% while revenues reduced by 3.55%.

More importantly, in terms of cash returns, your Company has actually grown in these adverse conditions. With a significant increase in cash flows, we have further strengthened our balance-sheet. This provides a major competitive edge in developing businesses to gain market share and future profits. In terms of numbers:

NET CASH FLOW FROM OPERATIONS INCREASED BY 90% FROM RS.197.84 MILLION IN 2008-09 TO RS.376.02 MILLION IN 2009-10.

LIQUID ASSETS IN TERMS OF FIXED DEPOSITS IN BANKS AND SHORT TERM DEBT MUTUAL FUNDS INCREASED BY

17.1% TO RS.3754.51 MILLION AS ON MARCH 31, 2010.

The almost debt-free balance sheet with good reserves of free cash gave Info Edge the strength to continue to invest in its long term growth plans even when market sentiments were down.

WHILE THE COMPANY CONTINUES TO MAKE INVESTMENTS AND STRATEGICALLY DIVERSIFY ITS PORTFOLIO, THERE IS A REGULAR EVALUATION OF EXISTING BUSINESSES.

In the course of such an evaluation, we had found that external developments and the progress of the business of Studyplaces Inc. USA had lost alignment with Info Edge's long term plans. In Q4, 2009-10 Studyplaces Inc. USA sold off its business and consequently the company made a provision of Rs.37.74 million for the permanent diminution in carrying value of this investment through the Mauritian Subsidiary. This one time exceptional loss of Rs.37.74 million further diluted the company's profits.

THE STRATEGIC AND OPERATIONAL PATH ADOPTED BY INFO EDGE IN 2009-10 REKINDLES SOME MEMORIES AND LESSONS.

Several years earlier, when naukri.com had just gained some traction and was looking like a viable business, we started attracting investment bankers. Their valuations of our business were well beyond our imagination. They universally advised us to significantly increase our investments in promoting the product and taking it to much higher revenue levels — for which they were willing to invest in your Company. Although determined to grow as entrepreneurs, our calculations suggested that heeding to such advice would lead to losses in the near future and high cash flow risks. Neither were acceptable to us. So we shelved these plans.

WHAT DID WE LEARN? I WOULD SAY TWO FUNDAMENTAL, AND COMPLEMENTARY, THINGS. FIRST, WHILE GROWTH IS ALWAYS DESIRABLE, IT CANNOT COME AT THE EXPENSE OF POTENTIALLY BANKRUPTING A COMPANY OR EXPOSING IT TO HIGH CASH FLOW AND BALANCE SHEET RISKS. SECOND, A COMPANY THAT GROWS ITS WAR CHEST IS FINANCIALLY CAPABLE OF DEALING WITH A DOWNTURN WHILE SIMULTANEOUSLY MAKING STRATEGIC INVESTMENTS FOR FUTURE GROWTH.

Both these lessons translate to common principles: that of being careful about costs, of always having sufficient funds to make core investments, and of running a business with reason and care, instead of irrational exuberance. I believe that these have held your Company in good stead in the difficult period that we saw in 2008-09 and 2009-10.

Guided by this belief, we rolled up our sleeves and focused on streamlining the fundamentals of our business — sales management, customer analytics function, product and technology.

We completely revamped the sales organisation to improve efficacy and better utilise our resources. We laid emphasis on promoting more cost effective and focused customer acquisition methods. The target audience was first evaluated; thereafter, customers with higher probability of payment were identified and approached. We now have a well structured pan-India sales network, which can be better leveraged to promote growth under improved business conditions.

We continued to support our in-house analytics team which provides important insights on customer behaviour and preferences. By analysing online data and using sophisticated statistical models, the team provides inputs on which class of customers have higher probability of subscription. This helps the sales team to do better targeting.

Customer insights also help us to improve user experience on our portals. This is executed by the technology team, which focuses on improving algorithms and upgrading our websites. The Company also devotes considerable energy on keeping up-to-date with new technology developments and their utilisation.

The effective integration of these three functions — sales, analytics and technology — differentiates us from others in this business. Working in synch, these three functions together define the 'customer experience', and differentiates your Company from its competitors.

INFO EDGE'S FOCUS ON ENHANCING CUSTOMER EXPERIENCE HAS HELPED IT TO OUT-PERFORM COMPETITION AND GAIN MARKET SHARE DURING 2009-10. ESTIMATES FROM COMSCORE.COM SUGGEST THAT [NAUKRI.COM](#) HAS GOT OVER 60% SHARE OF TRAFFIC FOR MOST OF 2009-10, WHILE THE NEAREST COMPETITOR'S SHARE HAS DROPPED TO BELOW 30%. [99ACRES.COM](#), TOO, STARTED GETTING OVER 40% SHARE IN TRAFFIC, WHILE THE NEAREST COMPETITOR'S SHARE DROPPED TO BELOW 30%.

We have sensibly dealt with four bad quarters beginning from Q3, 2008-09. In doing so, we have demonstrated strength of purpose and the determination to overcome challenges while conserving much needed cash. Today, I believe that the worst is behind us, and Info Edge is well placed to gain even more in the pick-up.

India's economic conditions have improved considerably in the second half of 2009-10. There are clear signs of the job market picking up. The 'naukri job speak index', which hovered around 700 for most of 2009-10 has increased to over 900 in February and March 2010. The real estate market, especially in Mumbai, Delhi and Southern India has started gaining traction.

After two quarters of negative growth and one flat quarter, Info Edge's quarterly income increased by 11.8% in Q4, 2009-10 to Rs.717.37 million compared to the same quarter in 2008-09. Quarterly operating EBITDA increased by 19.5% to Rs. 215.80 million in Q4, 2009-10. And jeevansathi.com became the first of your Company's 'other businesses' to break-even in Q4,2009-10.

Moreover, broadband is finally picking up in India, with connections increasing from 5.52 million in December 2008 to 7.82 million in December 2009. Broadband not only helps increase internet penetration, but also converts internet usage from 'dial up' to 'always on' — thus creating much more scope for internet-based businesses.

INFO EDGE IS ENTERING THE REVIVAL AS A STRONGER COMPANY. WE HAVE THE CASH. OUR INTERNAL IMPROVEMENTS AND PRODUCT RECALIBRATION DONE IN 2009-10 WILL HOLD US IN GOOD STEAD FOR THE FUTURE. OUR COMPETITIVE POSITIONING HAS IMPROVED. AND THANKS TO A STRONG BALANCE SHEET, WE HAVE THE ABILITY TO INVEST IN AND DEVELOP NEWER BUSINESSES LIKE [SHIKSHA.COM](#), [JEEVANSATHI.COM](#) AND NEW TECHNOLOGY LIKE 3G COMPATIBILITY, WHILE ADAPTING TO MARKET DEMANDS OF OUR ESTABLISHED BUSINESSES.

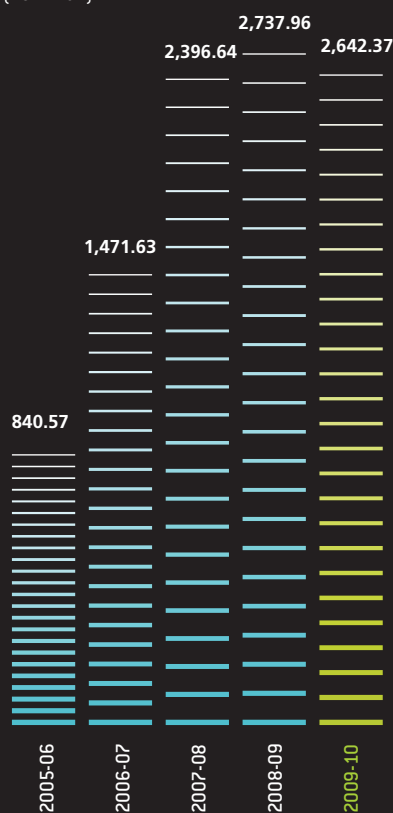
With concerted internal efforts, Info Edge has emerged out of the economic slowdown with a much stronger business positioning. We will continue to focus on excellence in innovation and execution. And, I am confident of your Company's ability to deliver superior results in 2010-11.

Thank you for your continued support. Our businesses have huge growth opportunities. With the dedication of our employees and your encouragement, Info Edge will make the best of these opportunities, and deliver superior long term shareholder value.

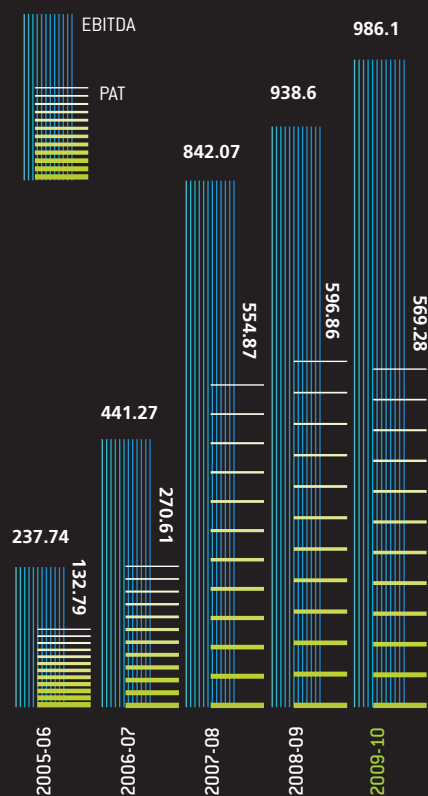
Regards
[Sanjeev Bikhchandani](#)

TOTAL INCOME

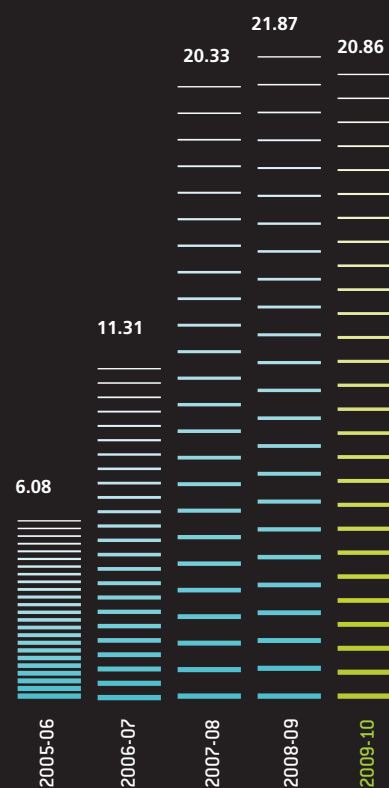
[Rs Million]

**PROFITS**

[Rs Million]

**EARNINGS PER SHARE**

[Rs]

**Maintained Top-line Growth**

After 3 years of rapid growth between 2005-06 and 2007-08, maintained revenues at high levels even during a market downturn in 2008-09 and 2009-10

Healthy Profits

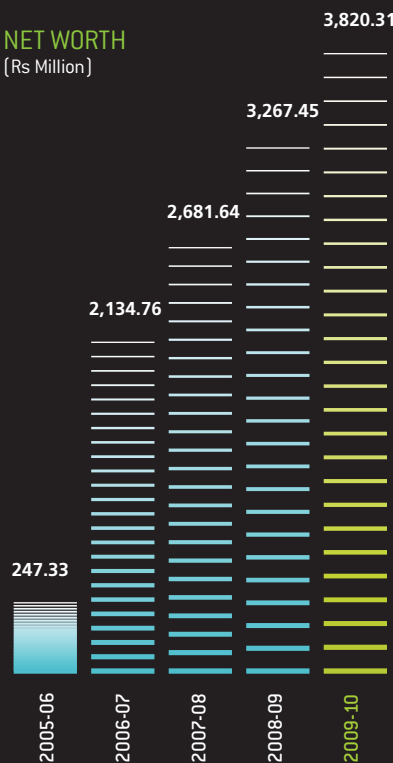
EBITDA continues to grow and PAT remains at high levels

Good Returns to Shareholders

Three consecutive years of EPS over Rs.20

NET WORTH

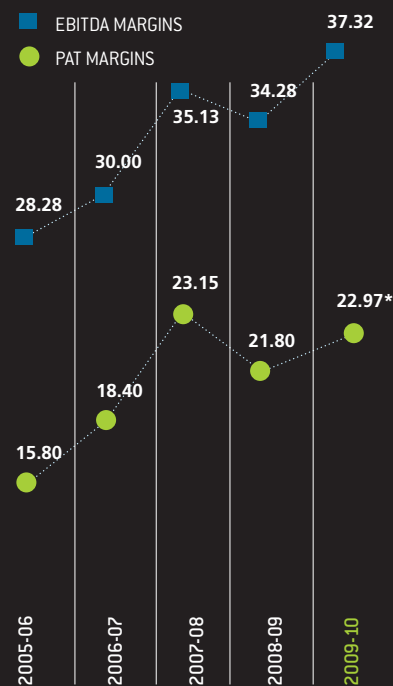
[Rs Million]

**MARGINS**

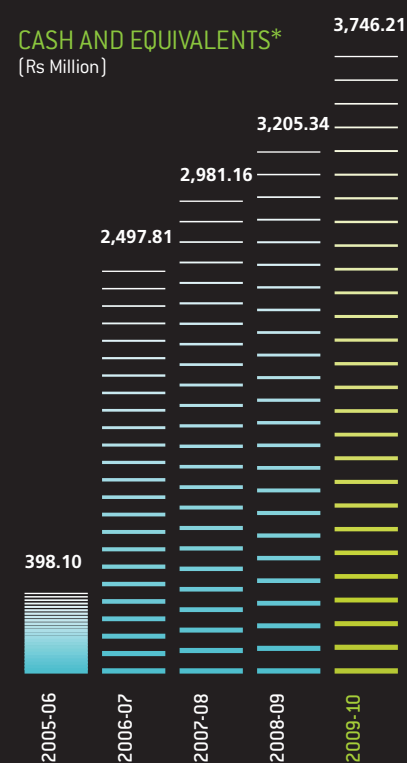
[Ratio to Total Income]%

■ EBITDA MARGINS

● PAT MARGINS

**CASH AND EQUIVALENTS***

[Rs Million]

**Building up reserves**

Net Worth continues to grow. This includes the significant addition due to the IPO in 2006-07

Maintained Good Margins

Average EBITDA margin over 30% & Average PAT margin over 20%

* Excludes one-time exceptional item of Rs 37.74 million (21.53 including the item)

High Liquid Assets

Cash and equivalents continues to grow

* FD in banks and short term debt mutual funds

CORE BUSINESS

RECRUITMENT SOLUTIONS

REVENUES

(Rs Million)



Recruitment business affected by economic slowdown, but still managed to maintain a healthy level of revenues

OTHER VERTICALS

MAINLY MATRIMONIAL & PROPERTY SEARCH

REVENUES

(Rs Million)



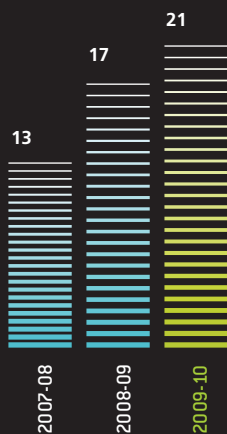
Other verticals continue to expand their business and generate higher revenues

Today, Info Edge is a portfolio of different businesses, each of which is in a different stage of evolution. Consequently, while tied together by the common thread of online enterprises, each has its own potential.

NAUKRI.COM

RESUMES

(Nearest Million)



UNIQUE CUSTOMERS

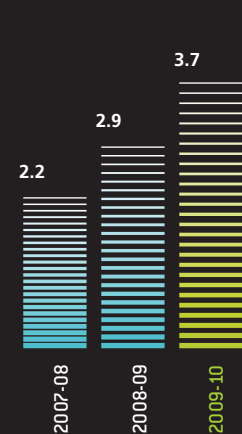


Naukri.com continues to witness improvements in customer base and portal usage

JEEVANSATHI.COM

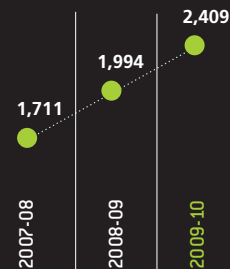
PROFILES EVER LOADED

(Millions)



AVERAGE REALISATION

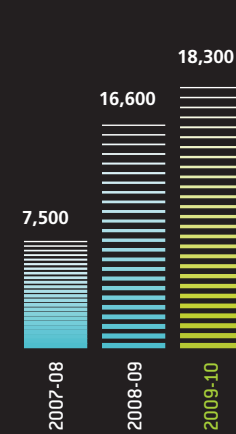
(Rs)



Good traction in jeevansathi.com, as it grows in revenues and breaks even in Q4, 2009-10

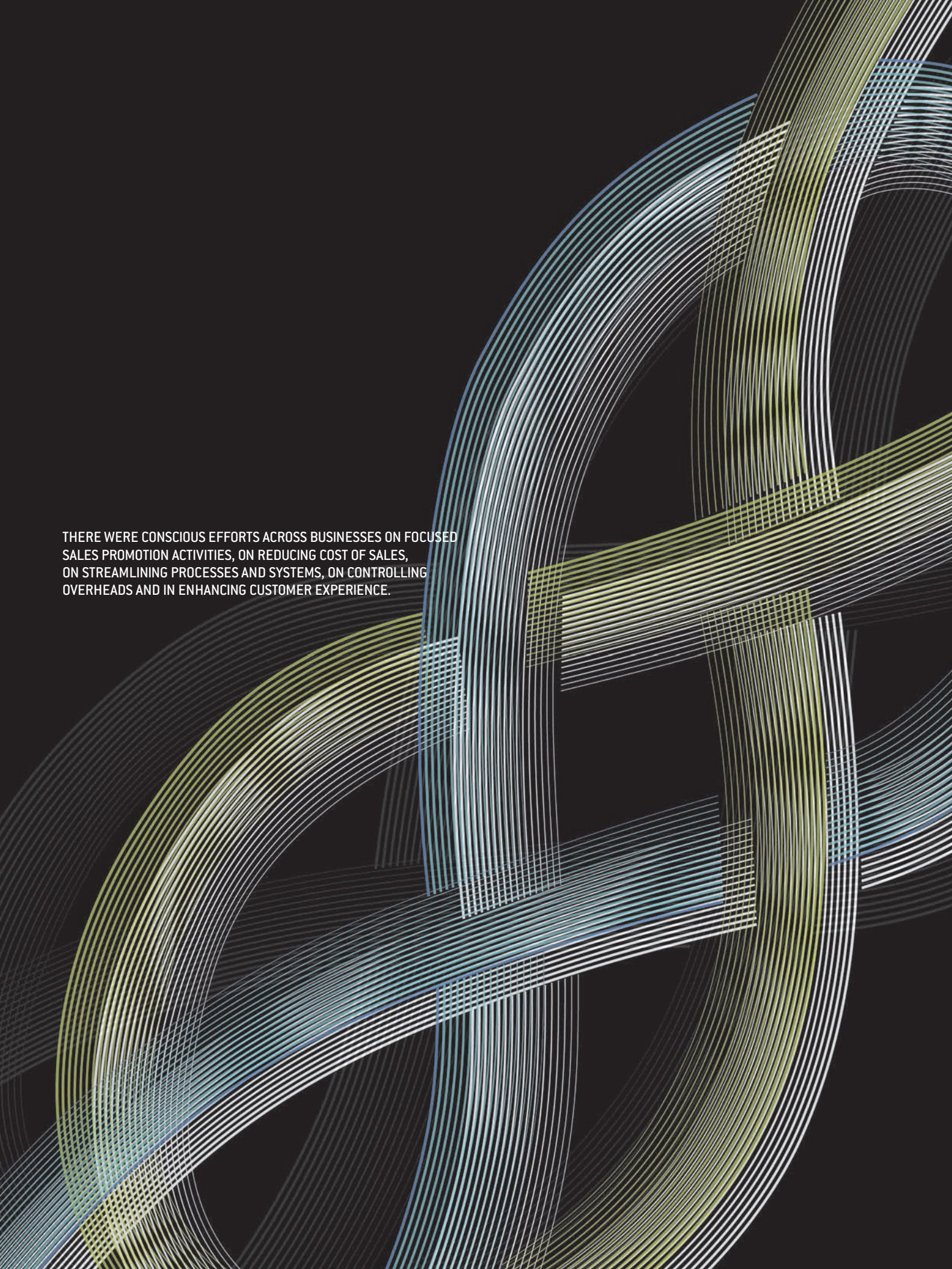
99ACRES.COM

PAID TRANSACTIONS



Increased focus on growing paid transactions

Across the different businesses, the Company focuses on brand management, market understanding, product development, revenue model management, value added services and effective utilisation of technology.



THERE WERE CONSCIOUS EFFORTS ACROSS BUSINESSES ON FOCUSED
SALES PROMOTION ACTIVITIES, ON REDUCING COST OF SALES,
ON STREAMLINING PROCESSES AND SYSTEMS, ON CONTROLLING
OVERHEADS AND IN ENHANCING CUSTOMER EXPERIENCE.