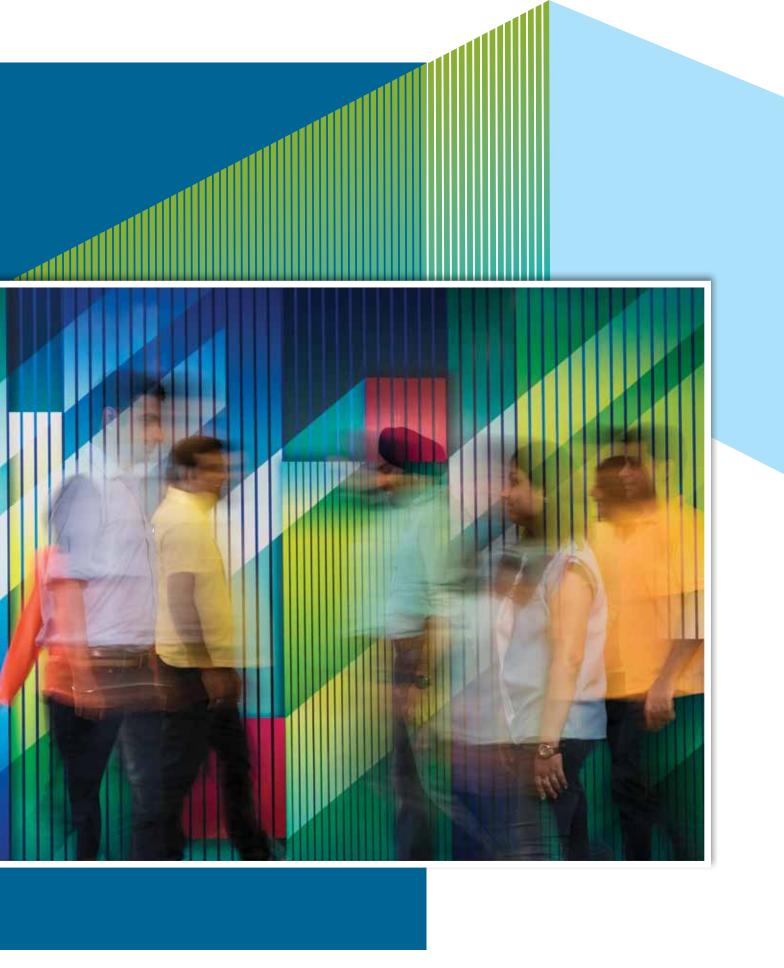


4 CEO's Message

- 8 Highlights & Business Snapshots
- 10 Management Discussion and Analysis
- 33 Report on Corporate Governance
- 49 Corporate Governance Certificate
- 50 Directors' Report
- 60 Annexures to Directors' Report
- **76** Auditors' Report (Standalone)
- 80 Balance Sheet (Standalone)
- Statement of Profit and Loss (Standalone)
- 82 Cash Flow Statement (Standalone)
- 83 Notes to Financial Statements
- 114 Auditors' Report (Consolidated)
- 120 Balance Sheet (Consolidated)
- 121 Statement of Profit and Loss (Consolidated)
- 122 Cash Flow Statement (Consolidated)
- 123 Notes to Financial Statements
- 157 Subsidiary Companies Reports & Accounts

CONTENTS







INFOEDGE ANNUAL REPORT 2014-2015



BOARD OF DIRECTORS

Mr. Kapil Kapoor

Mr. Sanjeev Bikhchandani

Mr. Hitesh Oberoi

Mr. Chintan Thakkar

Mr. Arun Duggal

Mr. Saurabh Srivastava

Ms. Bala Deshpande

Mr. Naresh Gupta

Mr. Sharad Malik

Non-Executive Chairman

Founder & Executive Vice-Chairman

Managing Director & Chief Executive Officer

Whole-time Director & Chief Financial Officer

Independent Director

Independent Director

Independent Director

Independent Director

Independent Director

COMPANY SECRETARY

Mr. MM Jain

AUDITORS

Price Waterhouse & Co Bangalore LLP (FRN-007567S/S-200012) **Chartered Accountants**

BANKERS

ICICI Bank Limited • HDFC Bank Limited • State Bank of India Punjab National Bank HSBC Bank • Bank of Baroda • Bank of India Oriental Bank of Commerce • State Bank of Hyderabad

REGISTERED OFFICE

GF-12A, 94, Meghdoot Building, Nehru Place, New Delhi-110 019 India CIN: L74899DL1995PLC068021

CORPORATE OFFICE

B-8, Sector-132, Noida - 201 304 Uttar Pradesh, India



CEO'S MESSAGE

Dear Shareholders,

Almost a decade and a half ago, our flagship brand – naukri.com – got its first round of funding from ICICI Information Technology Fund. You would recall that at the time very few people believed in the future of any internet based businesses. It was the aftermath of the dotcom bubble burst in USA. The general talk in investor and corporate circles was about companies like ours being a flash in the pan — set ups run by inexperienced new age entrepreneurs that would at best be small boutique enterprises. It was generally believed that, for a developing economy like India, internet penetration would take a very long time to be meaningful and effective.

WE HAVE TRAVERSED A LONG JOURNEY SINCE THEN.

Today, especially so over the last three years, the business and investment landscape in India has seen a complete transformation. Digital India is a reality. Be it in financial dailies, magazines, investor conclaves, business television programmes or just Board room discussions, a substantial part of the content deals with internet based businesses. From budding college based entrepreneurs to seasoned corporate czars, everyone is working on executing the next successful internet based business idea.

This excitement and exuberance is not misguided. Not in the least.

The numbers speak for themselves. In 2013, there were some 170 million internet users. In two years this has grown substantially to around 250 million in 2015.

Today, the internet users' base offers a large market and huge opportunities for the Indian e-commerce industry. It is no surprise, therefore, that domestic and global venture capital (VC) and private equity (PE) investors, including the likes of Tiger Global, Sequoia, DST Global and Soft Bank to name a few, are very active in this space. It is estimated that in 2014 alone, the sector secured over US\$3.9 billion investment from VC/PE and internal funding.

WHAT DOES THIS MEAN FOR US AT INFO EDGE?

Firstly, it vindicates our long held belief in the ever growing digitally networked Indian society. We are primarily an 'online classifieds' company and the online advertising space has grown significantly in the last four years. IMRB estimates suggest that total spend on online advertising increased from ₹11.4 billion in FY2011 to ₹35.75 billion in FY2015. The market has become three times larger in just four years. And the opportunities are growing.

Second, being firmly committed to this market, we have meticulously built our businesses over a period of time in a well thought out manner. Today, with naukri, 99acres, jeevansathi, shiksha, policy bazaar and zomato, we have created, nurtured and developed some of the most well established brands in the digital marketplace in India.

As an organisation, we were the early movers and have in the process built and sustained a large knowledge pool on product development, technology, customer expectations, offline support, and marketing and sales that go into creating such offerings that are market leaders in their respective categories. It is this rich experience that we continue to build on and leverage to enhance our competitive positioning and further penetrate the 'online classifieds' market.

Third, we have been successful in finding a right balance between pushing for higher profits and free cash flow from established businesses on the one hand, and making investments in growing businesses of the future on the other. Today, apart from identifying new business opportunities, we are aggressively pushing for growth in 99acres which involves considerable investments and expenditure. It is important to note here, that for our businesses, most of these investments are in people, product and brand building.

In terms of accounting principles, these are revenues expenditures that have a direct impact on operating profit margins today. Yet these are essential to maintain leadership and to grow these businesses.

While investing as we do, we have also learnt how to get maximum mileage out of such spends. 99acres is a prime example of our capital efficiency. The total investment in 99acres till date is less than US\$15 million. In contrast, some companies that we are competing with in this space have already spent in excess of US\$ 100 million till date. Yet, we continue to occupy the leadership position.

Today's excitement in India's digital economy is well founded. However, having been in this business longer than most others, there are reasons to believe that the present phase of aggressive investments will last for a while — and then move on to a phase of consolidation. In the process, the industry will go through a churn.

I am confident that with our experience and organisational capabilities, most of our brands will emerge out of the churn as winners.

LET ME NOW FOCUS ON THE DEVELOPMENTS IN FY2015.

As a standalone entity, our top-line grew by nearly 21%, which contributed largely to the over 50% growth in PAT, at a time when operating EBITDA margins reduced by 3% percentage points due to investments in people, product and brand building. This performance is in line with our business strategy.

Moving onto the results on a consolidated basis, revenue growth was over 29%. The aggregate top-line of the six investee companies grew by 72% from ₹1,920 million in FY2014 to ₹3,300 million in FY2015. However, PAT reduced from ₹897 million in FY2014 to ₹ 240 million in FY2015 which was primarily on account on expenses incurred in the relative start-ups such as zomato and Applect.

There has been a marked improvement in the performance of the flagship recruitment classifieds portal, naukri.com. The recruitment services top-line grew by 19.6% in FY2015 and the EBITDA margin was at 51.2% compared to 49.8% in FY2014. The recovery that one is witnessing in naukri's domestic corporate sales is particularly encouraging.

These companies are pursuing high growth and their losses are likely to be high even in the next few years. Almost all of them continue to look for funds for investments to compete and reach self-sustaining scale of operations.

There has been a marked improvement in the performance of the flagship recruitment classifieds portal, naukri.com. The recruitment services top-line grew by 19.6% in FY2015 and the EBITDA margin was at 51.2% compared to 49.8% in FY2014. The recovery that one is witnessing in naukri's domestic corporate sales is particularly encouraging. It has been primarily driven by the IT sector; even the non-IT sectors are showing initial signals of coming out of their slumber.

However, the success story at naukri is not just about improvements in the job market. Several developments intrinsic to naukri have helped its growth. Let me touch upon a few.

For one, there was a significant gain in traffic share, which was at an all-time high of 71% in April 2015. For another, the quality of our mobile application has helped us to successfully transition over 50% of the site's traffic to the mobile platform, with its ever increasing user base. Besides, the introduction of new products like the Career Site Manager and the Referral Hiring Platform have helped to not only provide enhanced customer usage benefits but also to tap into new revenue streams.

The related naukrigulf business also gained considerable traction in markets like Dubai, Abu Dhabi and Oman. Quadrangle, the offline placement services business, also had a good year and we expect to grow this business with relatively little investment in the future.

The real estate portal – 99acres.com – has been our focused area of investments for expansion.

As most of you are aware, the real estate market in India is going through a lean patch. Demand for new homes, especially in traditionally strong markets like Noida, Gurgaon, Mumbai and Hyderabad, continues to be weak. Simultaneously, competitive activity in the portal market is at an all-time high with VCs and PEs aggressively investing in this space.

Despite these conditions, we were able to grow our real estate business by over 32% in FY2015. We believe that there is a big opportunity in this market in the long run. If one looks at global trends across most countries, the main real estate portals are larger than the leading job boards. So, the opportunity could be even larger than what we had for naukri.

There is no doubt that competition is intensifying. Estimates suggest that since FY2014 the online real estate business has seen companies spend a total of around ₹2.5 billion every quarter on marketing. This will be a race to the finish which shall be determined by the survival of the fittest. We are confident of our capabilities. We remain totally committed to the space and will continue to invest aggressively in sales, marketing, product, data quality, mobile, analytics and userinterface to improve the experience of both buyers and sellers on our platform.

Given these expenditures, in the short term, one expects losses to grow in this business. However, we are well-capitalized and continue to leverage our core strength of much higher capital efficiency vis-a-vis our competitors in this space.

In fact, Info Edge raised money through a QIP offer in September 2014 largely to support various efforts at sustaining 99acres.com growth momentum. Some of the ₹7.5 billion raised through this route will also be used for other strategic investments.

As you are already aware, in the last couple of years, we have been continously improving operational efficiencies of our matrimonial portal, jeevansathi.com. This has resulted in reduction in losses in the business, while revenue growth has been maintained at steady levels of around 9% in FY2015. We have made reasonable progress with the mobile platform for 'jeevansathi' and by the end of FY2015, about 65% of the traffic on the site was from the mobile app.

In our education portal, Shiksha, we continued to develop the product. Through FY2015 we have substantially improved our content and Search Engine Optimisation. Even so, we have some distance to cover in terms of further product development. Going forward, the focus will be on enhancing user generated content, students tools and the mobile app. The user base and engagement continues to grow at a healthy rate and we expect to continue to be the market leader without incurring high losses on account of revenue investments.

Our investee companies continued to witness good revenue growth, particularly zomato, policybazaar and mydala.

During FY2015, we invested a total of about ₹2 billion in our existing portfolio of investee companies, most of which was in zomato. Since then, in April 2015, we have infused another ₹1.52 billion in zomato. This restaurant review and ratings based website is in an aggressive growth mode with a global focus. There has been a series of acquisitions to gain markets across the world and consequently valuations have enhanced. Additional funding by existing investee companies will be required from time to time and we will evaluate each of these on their merits.

In addition, we continue to explore investments in new opportunities. Here, we do some tight rope walking — and seed only so many companies that our balance sheet can support.

OVERALL, WE ARE WELL POSITIONED IN A DYNAMIC MARKET SPACE.

While I am very excited about the future prospects, I am also cautious of not getting carried away with unrealistic market exuberance. We have rich experience in the online classifieds domain, which will continue to be our primary competitive strength.

Today, the digital market place in India has become a serious reality. The economy is on a recovery path, which will further boost demand. We look forward to healthy revenue growth in FY2016. However, as stated earlier, profits might be affected as we will continue to invest in our businesses for the long run.

I want to thank all the employees for their enormous commitment to the business. They are the heart and soul of Info Edge. I also extend by gratitude to the shareholders, investors and partners who have continued to repose faith in us.

In a sense, we have finished our first lap and gained recognition as one of the premier pioneers of internet based businesses in India. Now, we move to the next level of operations in an even more competitive environment but with a much larger addressable market. May the best team win.

Best Regards
Hitesh Oberoi

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HIGHLIGHTS

FIVE YEAR PERFORMANCE: STAND ALONE

₹ Million

		V MILLIOIT				
	FY2011	FY2012	FY2013	FY2014	FY2015	CAGR
Net Sales	2936	3,756	4,349	5,051	6,113	20.1%
Total Income	3219	4,165	4,838	5,491	6,880	20.9%
Operating EBIDTA	981	1,423	1,474	1,644	1,792	16.3%
Operating EBIDTA margin	33.4%	37.9%	33.9%	32.5%	29.3%	-
EBIDTA	1260	1,818	1,939	2,077	2,556	19.3%
EBIDTA margin	39.1%	43.6%	40.1%	37.8%	37.1%	-
PBT	1240	1,737	1,551	1,876	2,675	21.2%
PAT*	840	1,226	1,022	1,285	1,939	23.3%
EPS (₹)**	15.38	22.46	9.36	11.77	16.82	-
Cash & Equivalents (FD in Banks, Investment in Debt MF & FMP)	4546	4818	4,252	4,782	11,722	26.7%
Net Worth	4630	5744	6,654	7,621	16,624	37.7%
Head Count (year end)	1768	2150	2,464	3,016	3,826	21.3%

^{*} After exceptional item

FIVE YEAR PERFORMANCE: BUSINESS VERTICALS

₹ Million

	FY2011	FY2012	FY2013	FY2014	FY2015	CAGR
Net Sales						
Recruitment	2,425	3,042	3,368	3,713	4,450	16.4%
Matrimonial	221	254	323	360	392	15.4%
Real Estate	228	347	516	758	1,004	44.9%
Vertical EBITDA						
Recruitment	1,098	1,550	1,658	1,879	2,279	20.0%
Matrimonial	[41]	(49)	(75)	(67)	(44)	NA
Real Estate	4	1	(8)	(48)	(375)	NA

^{**} Bonus issue in ratio of 1:1 made in FY 2011 and FY 2013 respectively