

INFOEDGE



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



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"In the fast evolving internet based start-up eco-system, we are a seasoned player who knows what it takes to build leading brands."

"Our flagship brand – naukri.com – registered strong growth numbers with revenue from recruitment solutions growing by a little over 19%. It has emerged as a clear leader with over 70% traffic share by the end of FY2016. The Company continues to leverage the cycle of profitable growth that such leadership brings."

"As you are aware, the real estate space saw large investments and new entrants with innovative products during the first half of FY2016. By the end of FY2016, a smaller number of players has clearly emerged as competitors vying for leadership. Importantly, amongst them, 99acres has garnered the largest pie of 40% plus steady traffic share over the last quarter of FY2016."

"We have been focusing on niche positioning for our brands with models that specifically address the nuances of the market. However, while we remain focused on optimising our return on investments, we realise we have to keep investing in our brands to remain competitive."



ceo's message

Dear Shareholders,

You would recall that in last year's letter to you, I had written, "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". While I am not and do not want to portray myself as a soothsayer, but this is essentially the storyline along which FY2016 unfolded for many internet based businesses in India.

It is now well established that internet driven businesses have huge potential in India. The pace of internet penetration in the country continues to be rapid. After the first 100 million users came on stream in the first decade of this millennium, the next 100 million were added in four years — between 2010 and 2014. In 2015 alone, another 100 million has been added. The trend is expected to continue in 2016 and by the end of the calendar year one expects 500 million internet users in India — that is a large market that could be serviced through various ways to create value.

The global investor community certainly recognised this rapid transformation of a large part of India into a digitally networked community. This business space had started attracting foreign investments since a few years back, but from the beginning of 2014 the internet based start-up ecosystem in India witnessed frantic activity. Some of it was also driven by global cues that signalled a move to investments in this space in the western world. The heightened activity continued till the middle of 2015 — a one and a half year period of massive buoyancy in terms of capital flows into the digital business industry in India. Investors from across the globe, were trying to enter or stay in India's consumer internet space. Consequently, expectations and valuations reached

unjustifiably high levels. In a sense it was the party you were willing to buy a very expensive ticket to. As predicted, this scenario did not last long.

By the middle of 2015, veteran investors, venture capitalists and hedge fund investors started questioning the fundamentals of many of the internet based business models and their ability to sustain the high valuations they had garnered. The correction in the market place was firmly established when certain big brands saw considerable value erosion in additional rounds of funding. While valuations are a way to gauge a company's worth, they tend to go through cycles, sometimes swayed heavily by investor sentiment.

At Info Edge, we have always tried to focus on business fundamentals and stayed away from market sentiments. However, this phase of easy access to capital created a culture of pursuing high growth with very high levels of cash burn in the industry. This external environment did have an adverse effect on the way we conducted some of our businesses. Essentially, it pushed us to making heavy investments to stay tuned in the race for market leadership, some of which we may not have done in the normal course of business growth. For Info Edge, this had a bearing primarily for 99acres.com — our online real estate business.

Today, while raising capital has become more difficult than in the last couple of years, it is important to understand that money has not suddenly dried up. There is still a large tranche of capital that investors intend to deploy. However, what has changed, is the filter employed by them. Today, it is not only about growth. It is about profitable and sustainable growth. The cash burning scenario is gone and investors want to ascertain that the businesses can scale up in a sustainable manner showing a clear path to profitability and exit for them. Interestingly, this is exactly in line with our internal philosophy of investments at Info Edge that we have deployed over the years.

So, how did we fare in this hectic year of fluctuating fortunes for the internet based industry in India?

Our flagship brand — naukri.com — which is the backbone of the Company registered strong growth numbers with revenue from recruitment solutions growing by a little over 19%. Naukri.com has emerged as a clear leader in its market

space with over 70% traffic share by the end of FY2016. The Company continues to leverage the cycle of profitable growth that such leadership brings with itself. Having said so, it is important to note that we continue to deploy resources and exert considerable effort to maintain and further establish our leadership position. Constant efforts are on in product development, sales, marketing and generation of customer insights. In fact, the total number of customers serviced increased from 57,000 in FY2015 to 61,000 in FY2016.

In terms of new developments, the referral hiring platform was converted to a paid product and the referral site for corporate customers was launched. Today, we have over 350 customers using it. In addition, the value added Career Site Manager offering with a presence on the Cloud platform has been very well accepted in the market with sales to over 1,600 companies in FY2016. Newer features added have resulted in realization doubling per customer. Over all, our focus on continuous improvements in the product and services continues to pay dividend.

As you are aware, the real estate space saw large investments and new entrants with innovative products during the first half of FY2016. Competition was intense. Given our philosophy of establishing market leadership, we had to increase our investments in product development, sales distribution and marketing activities to keep up with competition. Cash burn increased significantly during this period. Consequently, even as revenues grew by over 10% during FY2016, operating losses grew over 2.5 times and touched around ₹(911) million during FY2016. The positive development was the correction in terms of investments in the business space that happened during the second half of FY2016. With cash raising capacity drying up, the froth in the market cleared up and one went back to a more steady state of market competition. By the end of FY2016, a smaller number of players have clearly emerged as competitors vying for leadership. Importantly, amongst them, 99acres has garnered the largest pie of 40% plus steady traffic share over the last quarter of FY2016.

As the year progressed, cash burn in 99acres has also steadily come down. In Q1, FY2016 the losses were around ₹347 million, while in Q4, 2016 it has reduced to ₹114 million. Essentially, while our investments in improving customer experience and meeting customer needs continue, spends on sales and marketing have reduced. We believe that there is potential in supplementing a lot of the offline activity in this space with complementary online

services. We did notice that there were several products introduced in FY2016, which seemed to be technologically superior but did not bite much grass with customers. Consequently, our focus is on developing products that solve specific problems that are identified through extensive research on understanding customer needs. The Real Estate market however continues to be sluggish and demand for new homes especially in markets like Noida, Gurgaon, and Hyderabad continue to be weak, Mumbai and Bangalore are slightly better but everywhere unfinished projects and inventory overhang continues. Under these conditions, the business strategy is about developing a platform that becomes engrained as a market leader and can see explosive growth once real estate markets recover.



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Shiksha and jeevansathi have also gained some traction. Shiksha is going through its normal course of evolution in a steady manner and establishing several touchpoints that can be effectively monetised and scaled up in the future. At jeevansathi, too, this year we made some marketing spends and revitalised the brand. We continue to emphasize on building this as a product that addresses niche needs of specific regional communities in India. On both these businesses, we are focusing on improving customer experience and better targeting through the use of analytics.

These businesses contributed to a little over 18% growth in revenues on a stand-alone basis. EBITDA margins reduced due to the heavy investments in people and marketing initiatives, which we account for in operating expenses. As a result, profit after tax (PAT) reduced by 27% to around ₹1416 million.

“We had ventured into making strategic investments in investee companies to further enhance our portfolio in the digital business space in India. We believe that each such new business has its specific DNA and core competency that is seen in the team of entrepreneurs that have started it, and we play a role of supervising investors”

While the businesses in the stand-alone portfolio have a commonality in terms of developing platforms for bringing buyers and sellers together and monetisation through promotion of online classifieds, we had ventured into making strategic investments in investee companies to further enhance our portfolio in the digital business space in India. We believe that each such new business has its specific DNA and core competency that is seen in the team of entrepreneurs that have started it, and we play a role of supervising investors giving them the freedom to build on their concepts.

During FY2016, we invested about ₹2,302 million in our portfolio of investee companies including ₹1,554 million in Zomato in April 2015 and Rs.250 million in Applect. We also added three new companies to our portfolio - Mint Bird, Rare Media and Green Leaves. I urge you to read the details of these investee companies, which are extensively covered in the chapter on Management Discussion and Analysis, the business that has a major effect on our consolidated results is zomato.com.

Zomato, the online restaurant discovery and ordering business, recorded a 91% increase in revenues to ₹1,850 million in FY2016. However, given the investments, the EBITDA level loss was ₹(4410) million. After a phase of frantic cash raising and investments, the Company has revised its business plans with a focus on reducing cash burn. This includes rationalising manpower and marketing spends. Also, given its global push, the Company has now decided to focus on only 14 countries, while managing operations on the others efficiently from India. Both, the trend in increased revenue growth and reduced cash burn is in the right direction - Q4, FY2016 revenues was a third of annual revenues, while Q4, FY2016 cash burn was

only 15% of annual cash burn. We believe it is well positioned to improve its business fundamentals with a business strategy that is more capital efficient.

In the internet space, our focus has always been to establish leadership. It is clearly 'a winner take all' business - Gmail in email, Facebook in social networking, Twitter in microblogging, YouTube in video, all have a market share in excess of 80%. Also, in India it is an industry with one of the least barriers to entry. We have to prepare ourselves to compete with global majors. Hence, our products, our delivery mechanisms, our technology and our value propositions have to be tuned to be optimal at global levels. After all, in this space competitive threat has come in from none other than amazon and Alibaba - both global giants. We are aware of this, and have been focusing on culling out niche positioning for our brands with models that specifically address the nuances of the market where we operate. We have also taken our model of naukri to naukri.gulf and zomato has also gone global. It is important to appreciate that once such a global perspective is built into a business, while scale of operations and revenues grow, profit margins start to stabilise. While we remain focused on optimising our return on investments, we realise we have to keep investing in our brands to remain globally competitive even if our market is primarily in India.

Let's face it, there are so many Indians who pad up every day for a game of cricket, but only a handful become world beaters like Sachin Tendulkar, Virat Kohli or Mahendra Singh Dhoni. For these greats, every day of their career was a step in pursuit of greater excellence, and that is what Info Edge is about. In the fast evolving internet based start-up eco-system, we are in essence a seasoned player who know what it takes to build leading brands, while we continue to strive to be a step ahead of others.

Best Regards
Hitesh Oberoi

FIVE YEAR PERFORMANCE: STAND ALONE (₹ Mn)

	FY2012	FY2013	FY2014	FY2015	FY2016	CAGR
Net Sales	3,756	4,349	5,051	6,113	7,235	17.8 %
Total Income	4,165	4,838	5,491	6,877	8,063	18.0%
Operating EBITDA	1,423	1,474	1,644	1,793	1,578	2.6%
Operating EBITDA margin	37.9%	33.9%	32.5%	29.3%	21.8%	
EBITDA	1,818	1,939	2,077	2,557	2,407	7.3%
EBITDA margin	43.6%	40.1%	37.8%	37.2%	29.8%	
PBT	1,737	1,551	1,876	2,675	2,082	4.6%
PAT*	1,226	1,022	1,285	1,939	1,416	3.7%
EPS (₹)**	22.46	9.36	11.77	16.82	11.76	
Cash & Equivalents (FD in Banks, Investment in Debt MF & FMP)	4,818	4,252	4,782	11,722	10,964	22.8%
Net Worth	5,744	6,654	7,621	16,624	17,640	32.4%
Head Count (year end)	2,150	2,464	3,016	3,826	4,214	18.3%

* After exceptional item

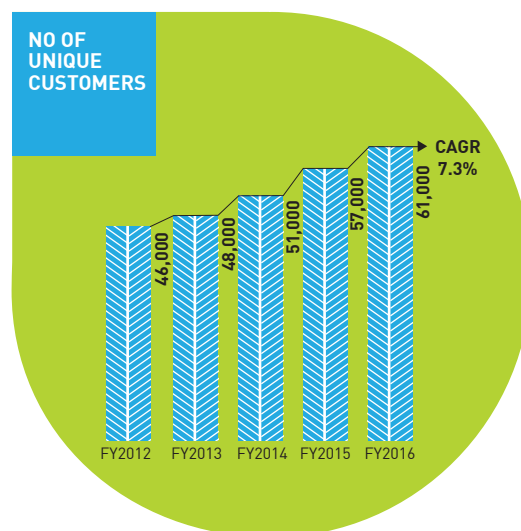
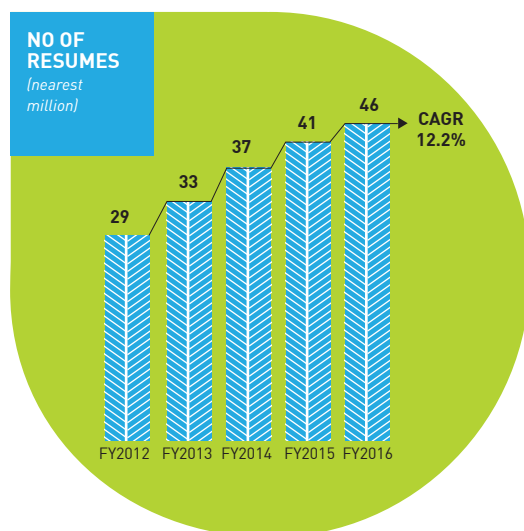
** Bonus issue in ratio of 1:1 made in FY 2011 and FY 2013 respectively

FIVE YEAR PERFORMANCE: BUSINESS VERTICALS (₹ Mn)

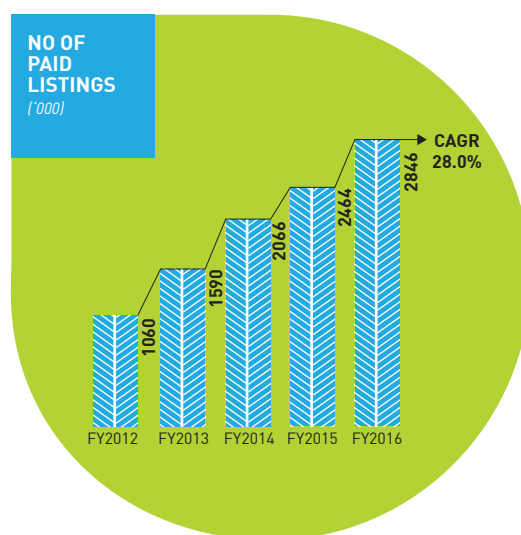
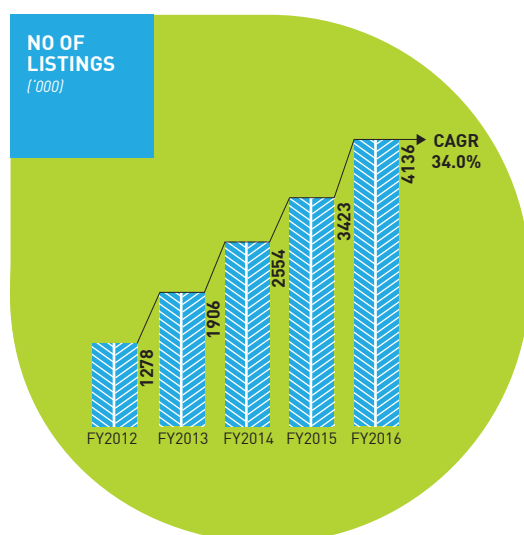
	FY2012	FY2013	FY2014	FY2015	FY2016	CAGR
Net Sales						
Recruitment	3,042	3,368	3,713	4,450	5,312	15.0%
Matrimonial	254	323	360	392	469	16.6%
Real Estate	347	516	758	1,004	1,106	33.6%
Vertical EBITDA						
Recruitment	1,550	1,658	1,879	2,279	*2,846	16.4%
Matrimonial	[49]	[75]	[67]	[44]	*[126]	NA
Real Estate	1	[8]	[48]	[375]	*[911]	NA

* Amounts in FY2016 are excluding Unallocated Head office expenses

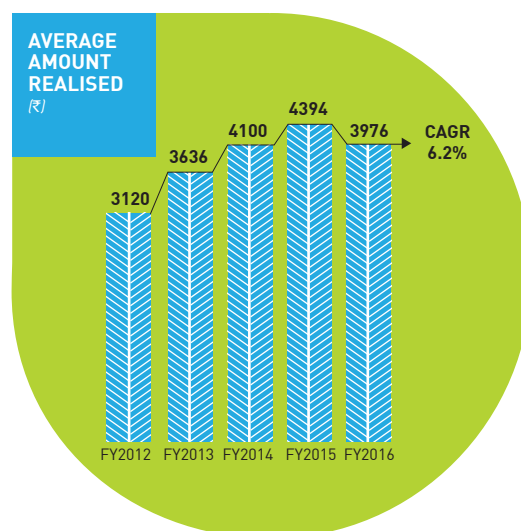
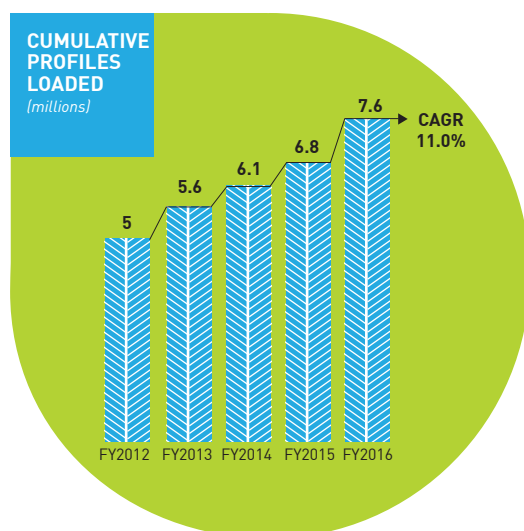
NAUKRI.COM: Leveraging leadership position to further gain on customer usage



99ACRES.COM: Penetrating markets further with stress on quality postings amidst stiff competition



JEEVANSATHI.COM: Continued focus on niche positioning



THE COMPANY'S FUNDAMENTAL BUSINESS ETHOS

In Financial Year (FY) 2016, as the digital business space started coming of age in India, Info Edge competed and overcame strong challenges in the market and further cemented its leadership position across its brands by adopting a strategy development and execution path based on certain fundamental business principles.

1

FOCUS ON OPTIMISING CAPITAL EFFICIENCY

Maximising margins and operating leverage and stressing on capital efficiency to build business models that provide strong cash accretion.

2

EMPHASIS ON CREATING MARKET LEADERS

Most strategic decisions and investments are tuned to establish leadership in the market for all the Company brands.

3

CREATING UNPARALLELED CUSTOMER EXPERIENCE

Recognising the need for proper off-line support to strengthen each of the brands.

4

EMPHASIS ON 'CONTINUOUS INNOVATION'

to create market differentiation in a competitive market place through its experience and knowledge developed over the years.