



# **LYCOS INTERNET LIMITED**

Q3 FY15 Investor Conference call Transcript

4th February 2015, 02:00 PM IST

**Moderator:** Good afternoon ladies and gentlemen. My name is Moumita and I will be the operator for this conference. Welcome to the Lycos investor conference call. The duration of this call will be one hour. For the duration of the presentation, all the participants will be in the listen-only mode. After the presentation, a question and answer session will be conducted for the participants. I would now like to handover the conference to Mr. Rajesh K, who handles the Investor Relations. Thank you and over to you, sir.

**Rajesh K:** Thank you, Moumita. Good afternoon everyone. And thanks for being with us to discuss Lycos financial results for the quarter ending 31<sup>st</sup> December 2014. Today, we have with us Mr. Suresh, Chairman and Managing Director and Mr. Y. Srinivas Rao our Chief Financial Officer and Mr. Shriram. Mr. Suresh Reddy will give us an update on business front and Mr. Y. Srinivas Rao will give us the financial highlights and Mr. Shreeram will update us on the technology front. Before I hand over to Mr. Srinivas Rao, I would like to mention that during the conference call, except for the historical information and discussions contained herein, the statements made can constitute forward-looking statements. These statements include description regarding the intent, belief or the current expectation of the company with respect to the results of the operations and the financial condition of the company. Such forward-looking statements are not guarantees of the future performance and involve risk and uncertainties and actual results may defer from those in such forward-looking statements as a result of various factors and assuming which the company believes to be reasonable in light of operating experience in recent years. The risk and uncertainties relating to these statements include, but not limited to the fluctuations in earnings, the company's ability to manage growth, competition, government policies, and regulations. The company does not undertake to revise any forward-looking statements that may be mailed from time-to-time on behalf of the company. Now, I would like to introduce you to Mr. Srinivas Rao, who is our CFO to take this conference forward.

**Y. Srinivas Rao:** Hi. Good afternoon to all. I am Y. Srinivas Rao, CFO of Lycos Internet Limited. I will give you a brief on the financial highlights of our company. Regarding revenue for the Q3 of financial year 2014-15 was 595.67 crores, an increase of 29.4% on quarter on quarter and 28.8% on year-on-year basis. Regarding EBITDA, for Q3 of 2014-15' it was 163.4 crores, an increase of 16.3% on quarter-on-quarter basis, an increase of 66.7% on year-on-year basis. Regarding PAT for Q3 of 2014-15 was 98.9 crores, an increase of 19.9% quarter-on-quarter basis, an increase of 49.14% on year-on-year basis. When we come to the segmental analysis, revenue from digital marketing segment for Q3 of financial year 2014-15 was 493.09 crores, an

increase of 43.12% quarter-on-quarter basis and an increase of 38.74% on year-on-year basis. Regarding profit before tax from digital marketing segment for Q3 of financial year 2014-15 was 142.02 crores, an increase of 10.38% quarter-on-quarter basis and an increase of 90.91% on year-on-year basis. When we come to the revenue from software development segment for Q3 of 2014-15, it was 102.58 crores, a decrease of 11.31% quarter-on-quarter basis and a decrease of 4.11% on year-on-year basis. From the mentioned data it can be noticed that software service segment revenue was contracting quarter-on-quarter our core business is digital and digital revenue and is growing as per our plan. Now I hand over to Mr. Shree, who will give you a brief on the technology part.

**Shreeram:** Hi, good afternoon everyone. I'm Shree and on this call I'm going to share the technology development at Lycos Internet Limited. Going further we're going to bring you the updates at every investor every quarter. In the technology department the thrust is always on the product that is our bread and butter. We adopt agile and rapid methodologies to improve our ROI and tech platform. So here are the updates that we have from the digital marketing as well as consumer products.

On the digital marketing side we have updates on compass and mobile videos. On compass, which is our main breadwinner, we have finalized the specifications for Real Time Bidding integration and also new automated optimization techniques, which will help our sales force and also our account managers to generate deeper insights into the business. So this will also help us in understanding our cost structure and also improve and optimize our revenues. Coming to mobile video we have an end-to-end mobile video solution right now. This has some of the cool features, which is integrated with one of the top video ad platforms right now and we also have one of the best features, which is related to smart waterfall. It basically helps us to optimize and increase fill rate on each of those platforms. Then this particular solution also works with most of the apps and also works with mobile web browsers. Then we also have real time analytic support built into this solution. And coming to Lycos media consumer products that we have, we have signed a deal with Goodzer for working with their hyper-local service suite and that gets slightly integrated with our search properties, especially whowhere.com and this is going to bring in a lot of...I mean, this is going to help us optimize the traffic coming in and also it will help small business consumers like a platform to optimize the revenue. We also have some products in pipeline with respect to Lycos; we have Lycos Messenger, which is a communication platform which we are building for anything in Lycos to come online with this messenger. The Android version will go into private beta in a couple of weeks and with iOS we ran into few hiccups and we are targeting mass release with respect to iOS. We are also in talks with some of the top search engines to enhance our search advertising and we

will keep you posted on the names as the news fructifies. With respect to Lycos Shopping, earlier we had partnered with (not clear) then there was a slight change in the strategy and now we're building out our own internal platform with slight comparison and also some other cool features including commerce with (not sure) currencies as well as cross-country commerce. On the IOT side we're closing watching this space and researching it and we are firming up some of the product roadmap and also market entry in this segment. So we'll keep you posted as we move forward. I'll pass it on to Mr. Suresh Reedy to take this conference forward.

**Suresh Kumar Reddy:** Thank you, Shree. Thanks Srinivas. It looks like Shree took most of what I was supposed to talk as well. So basically, first of all I'd like to thank all of you for being in the call today. It's a pleasure to have you and getting a chance to interact with you and clarify any of your questions. I do understand there are a lot of outstanding questions and so what we have decided is to change the format a little bit and try to extend the call also by a bit. So in this process I decided to have a technology update also and then the other part is we will...my part would be minimized on giving an update on other features relating to investors. So some of the things that came up and some of the questions that are coming out to us are related to our NSE listing has been one of the top things that has been coming up, so I will talk about that and give you a sense on where we stand and the other portion is where do we stand on the brand. Brand Lycos, there is lot of work that has gone into it. We have come up with some very interesting strategies on how to launch ourselves, but we believe we need to launch ourselves into the market with the right product. So I am pushing the product development to move faster. There has been, obviously the plan was to start getting the product out in January, but we did run into hiccups like Shree mentioned on the iOS part of the messenger. Simultaneously we are making good progress on the IOT product that we're looking at. So one of the two, whichever comes first we would launch the brand along with the product in a big way into the market, that's the strategy that we're looking at. And how we position it, what is the way to enter, all those points have already been hashed out and incidentally we're now working on propagating into the team and ensuring that is brand integrity across the whole company with every interaction we have with our customer. So that's regarding the brand itself and then coming to...I mean I'll let the questions flow and then eventually if we don't cover some of the points I have I'll come back and talk. So I'll like to open it up for questions at this point.

*Question and Answer Session*

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**Moderator:** Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again.

Sir, we have our first question from Mr. Sanjay Kaul from FE Securities. Please go ahead.

**Sanjay Kaul:** Good afternoon gentlemen. Thanks for a great set of numbers. Mr. Reddy, I just wanted to ask you if you can elaborate on the NSE listing, it has been bothering people for a long time, number one. Number two, if you can give some indication or some assurance that in the March quarter, March year ending result when you consider it, you will consider dividend; of course, that's going to be subject to board approval, but you'll definitely take up the matter of dividend for the year.

**Suresh Kumar Reddy:** Thanks for being on the call, sir. Let me address the NSE question first and then we will talk about the dividend as well. NSE I think there is...we've made very good progress in the last, I'd say three to four months. While it may seem like it has been on forever the actual process we had to re-do starting from September 2014 and then very quickly by October we got the first set of queries that came in. We responded to all that and I think they were satisfied and the file was put up...as per the NSE communication the file was put up for a committee approval in late December and then post the committee meeting obviously they've not communicated approval or disapproval, but we believe...we don't know how NSE works obviously internally, but we got a set of questions, we had visitors, we had NSE officials come to the office, visit us and understand and do some diligence on the company and we have responded to all the diligence items post that. And now fundamentally all the things that they've asked has been provided, all of them have been given to the NSE I think by mid-January or so and we are just waiting for them to process it and get back to us. So in my view we are 90% there and obviously I cannot talk on behalf of NSE. We are also as hopeful as ever and from what we understand the next step will be where we get a mail from them asking us to make a deposit towards the listing, so we are waiting for it. So that is the NSE question, sir. So that's what actually...the reason again just to add a few points here, we are also very keen on NSE because we believe that the value reorganization happens when you expose yourself to larger group of investors, so NSE listing would be a significant landmark in our view. Simultaneously we are also working on doing international listing. I think I have talked about it in the past. So if you need further clarification we can talk about that. So that is the point in terms of value recognition and we are also doing more PR

activities. We have been to two TV channels and now consistently both of them are calling us. We will try to get more coverage going forward. We've just hired a PR agency to do that, all towards getting better value reorganization and better investor participation.

Number two question, sir, regarding dividend. I think it's a very legit question. I've been asked a number of times in number of interactions about dividend and in fact this...if you're looking at, like, what Srinivas was talking about, we have made about 260 crores PAT this year in nine months compared to 220 crores last year. So we are really....there is cash coming in. So the questions are being asked why you are not sharing some of that with us. Obviously, we come from a mindset of being private company, private expertise, that mode to push the money to grow the business and invest back in the business to grow, but I do understand that it is important and we have brought it up with the board this time. The board understands this; however, we did not get an approval to do a dividend distribution right away. They have completely agreed to consider it. I will push them and when we are ready we will make an announcement, at least, like you said, we will try to do it by year end, after the March quarter is done. So from my side there is full commitment to ensure that there is at least some dividend distribution to ensure that, shareholder see some amount of money flowing back to them. So we completely appreciate and understand that concern.

**Sanjay Kaul:** Thank you, sir. Thank you very much.

**Suresh Kumar Reddy:** Thank you.

**Sanjay Kaul:** That's all.

**Moderator:** Thank you, sir. Sir, we have the next question from Mr. Raymond Paul. He is an individual investor. Please go ahead, sir.

**Raymond Paul:** Good afternoon, Suresh.

**Suresh Kumar Reddy:** Hi, Ray. How are you?

**Raymond Paul:** Yeah, I'm doing good. My questions are with respect to Lycos Shopping. I understand that Ziftr is not a partner anymore. Has it been a major hiccup in Lycos going forward, Lycos Shopping going forward? And Lycos Shopping being a comparative portal, if you could explain what is your USP in Lycos Shopping that will also help us understand how you would want

to position yourself and any other kind of tie-ups or anything that you intend doing for the shopping venture? Particularly because I think Lycos Shopping would be a major contributor to the J curve, which has been anticipated for quite some time.

**Suresh Kumar Reddy:** Correct, correct. I think that's a very interesting point and a very important point. Lycos Shopping, originally we Ziftr's offering and we were very keen on going ahead and, they have a very good system, but as we started to progress our direction, which we wanted to take, shopping, and direction in which the world has changed, we had to take a step back and look at the strategy on how do we differentiate this shopping solution. Portal we're not using it as a word anymore, sir, but more of a solution today because when I say portal we expect you to come to our website, but now solutions can go to where you are, whether it's on a mobile or whatever form you like to access. So more importantly, a couple of things, which are very important to us, is let's look at it from a user's perspective. From the user perspective what is interesting is one is you sign up with a bunch of offerings and then try to shove it down the throat of the user, which usually backfires and eventually slow down because those are incentivized offers and stuff that done work as opposed to driving it completely from the user perspective what kind of things they would like to buy, depending on the reason, depending on the age group, depending on what they do and accordingly billed, billed into the system. So, in fact, when we're talking about a messaging system some of the things which will be integrated will be all the features that Lycos offers to each of our place where that user comes in touch with the Lycos solution. I mean, I have to keep it a little general. I hope you understand because we don't want to give away the form, but the key angle here is, the most important thing is we need to have a framework that is ready for cross-country commerce; that is very important.

Number two is ability to have the virtual currencies or crypto currencies as they call it, you know, a shorter form called bit coins or other virtual coins that are there, that people can use them to transact and to buy things and we should have a system to be able to convert that. But Ziftr took a direction of coming up with their own coin, which we were not interested in going. We decided to have more of a solution rather than get into the coin business as such. So that's some of the reasons we decided to pull back. First of all fix everything, put it the way we want it, and then come back into the market. In terms of timing, obviously there is a shift in mindset, but we want to do it right because undifferentiated products would be of no use. So we believe thinking through and coming up with the right product, though it may take a couple of months more is the right strategy.

**Raymond Paul:** Perfect, Suresh, and I'll try to be as crisp as possible. On the digital marketing side you seem to be end to end on the spectrum. You cater to clients with very basic needs in digital marketing and also you're partnering with some of the gurus in DM, digital marketing, like AOL, Facebook and Twitter. Now the interesting question that I have for you is why would these marketing gurus, what they expecting from a company like Ybrant and if you could sort them in the order of your engagement size or importance, not to differentiate, but just to help us understand.

**Suresh Kumar Reddy:** Absolutely, sir, absolutely. When you say engagement size, are you talking about how much they spend or how much we spend, which I would not be in a position to disclose or talk about it right now. I can talk on the strategy on how we...how our services are useful to different players in the marketplace. And broadly speaking, I'll go with order of what is most current and what is most hot right now. Talking about let's say video, video advertising, because more and more people are using video for entertainment through Internet, so lot of advertisements are going through the video and also on static web pages advertisers are interested in running video advertising. So I'm sure you read about it or heard about it, which actually creates a lot of opportunity for companies like ours to work with other players in the market and how we can bring value to the overall system.

So for example we work with the large video player like a SpotXchange, like a BrightRoll, like a LiveRail, Tremor Media, AOL signed up last quarter, so all this gives us access to various video advertising partners that we work with, more importantly what we bring is we add tools, which is what Shree was talking about. We add tools to add another layer of granularity, which will help optimize advertisers and help optimize for the publisher. So, for example, just to give you a sample sense let's say we're working with Facebook, for example. They would have...they'd say, okay, we would like to target people from Bangalore whose age group is from 20 to 30 and women, and this is salary level, they gave us certain demographics. We can take that requirement and break it down, we can go from 20 to 21, 21 to 22 and like that, break it down, bring more granularity on the age and then we can take the regions within Bangalore or we can say let's say all major cities, we can take Bangalore, Hyderabad and such and create multiple campaigns and then figure out, do a sample run and see what campaign is working better.

So these are some of the serious value add we bring to the advertiser, so he is able to see which part is working. For example, 20 to 22-year-old living in Maleswaram Bangalore may be responding better than somebody who is living in a different part of Bangalore who is 28 to 30. So then what



happens is the spend gets lot more granular and gets better results. So these are some of the strong tools we bring to the table with existing platforms and more importantly we also have great relationships with agencies, so we provide the tool to the agencies also. So we bring agency relationships also to the table when we work with these platforms. So that's a broad value add we bring when we're working with the larger players. And then directly we work with...we work directly with agencies, we also work directly with smaller advertisers who don't have an agency and they would like to get this part done though there.

So we would take their campaign and we would help them through the entire spectrum, whether it is social media, whether it is search, whether it is banner or whether it is video, so we are able to provide them an entire solution where they just decided, they don't even have to know all the different parts of digital marketing, they just say this is what our objective is, we want to sell this product and we can take it and run it for them across the table. So these are some of the parts that I can go on and on, but I just said we'd keep it short, this is all part we do in the digital marketing side. And now when we come to Lycos Media, here we're trying to directly deal with the users. So what we're doing here is, for example, the deal that we signed up with Auto web. For the end user who is coming to any of the Lycos properties now has the ability to fix car and see what kind of choices he has, compare all those, and then be able to buy the car he likes. So we will try to add these various features. Similarly shopping, like we talked about right now, so those are the media side of things. I'll stop here and want to make sure that we're in sync between your question and my answer.

**Raymond Paul:** Sure, Suresh. Since I have two more questions I will also rush up. See, one is on the kind of valuation that even unlisted companies in India are getting in denominations of billions of dollars that we know. When we take a market cap of nil it's a fraction of what it should be actually when you compare to some of these unlisted businesses, both in India and abroad. What else is the company planning to do to give it a major ramp up because one is people...you would also find everybody, you know, somewhere there is a lack of belief or something, so something needs to be done there. This is a request from the part of the shareholders that I would want to share with you, and also your reaction on that.

**Suresh Kumar Reddy:** No, no. I think you are absolutely right. We are also working on it. When I talked about value recognition we were also very concerned about that. And it's a process. It will not happen over night, so there are various initiatives the company has taken to make sure that we reach that. So, for example, reaching a broader investor base is one of them doing outside, that is

one. Number two is, have a more consumer facing large brand. So the brand launch would also bring more recognition. Whether it is directly...of course we're not doing it for the sake of the investors alone, but even for the sake of business also. We would like to bring more business. So then it becomes more known brands. When people start using then they get to know the brand and then it becomes...you get a lot more people to start participating in the companies, you know, wealth creation process. So that is the second aspect. The third part is, of course, we are constantly working on improving our visibility in the media and we are also working on enhancing, strengthening our investor relations. Just to give you some perspective, yes, on the retail side we have done a few things just to...I think end of last quarter we were close to I think 13,000 total shareholders compared to even five quarters ago when it was 2500 shareholders. So I think we need to broaden the retail shareholders, the larger it is the more stable the company would become. So that being said there is fundamental point that....what we are seeing, we are sensing is like you rightly said, you know, what are the things we need to do to ensure...make sure that the market feels comfortable about what we do and what we are now. So we are looking at some initiatives to address that because for whatever reasons there seems to be some challenges there that we have to address and we recognize that. These are some of the points and we'll be open to any other ideas you have, you can send them our way and we will be happy to work on that. This is one of the most important things that for me as a CEO or a chairman, it is very critical for me to ensure my shareholders get the value that they deserve for the business we are doing. So that's also very important for us.

**Raymond Paul:** Thanks a lot, Suresh. Thank you so much.

**Suresh Kumar Reddy:** Thank you. Thanks a lot, sir.

**Moderator:** Thank you, sir. Sir, we have our next question from Mr. Ankit Pandey from Quant Capital. Please go ahead.

**Ankit Pandey:** Hi, Mr. Reddy. How do you do?

**Suresh Kumar Reddy:** Hi, Ankit. How are you?

**Ankit Pandey:** Thanks for taking my call and my question is broadly on the whole macro side of things. I think we've been seen great sort of growth here and we're up 30% QoQ as well as YoY. So the whole smart phones and more digital, more apps being downloaded, where do you

think...what should be the expectations of the investors as far as growth is concerned? Because it only points in one direction and where do you think we might end up in, say, five years' time? What is your whole macro look on things?

**Suresh Kumar Reddy:** I mean we just let's kind of take one step back to give you perspectives, seven quarters ago we decided to focus on this for this very reason for the macro overall we feel is going to improve and grow nominally and so for that reason we have gone back to basic, we have ensured we have stronger technology that people doing what we are doing so that we can have providing a solution that is extremely interesting for large banking. Today we service some of the largest companies in the world. So globally we are working with some of the largest players and they are able to take advantage of what we have to offer. So coming back to India for example there is opportunity for their counterpart, some of the larger banks in India to take advantage of what we are servicing. There is one perspective on trying to grow into both India and China so these are areas we feel there is growth waiting to grow and which is the reasons why....the previous question was about the valuation that some of the companies are looking at. If there is impending explosive growth expected both in India as well as China on whole Asian region that the number people are more and more people are actively engaging with the media and then the younger people as they grow obviously their usage everything is going to do. That being said how are the people going to use the media, how they are going to transition that is the next expectation that we are looking at. The big thing that I talk about all the time. So far the user has been learning how to use the internet, so somebody has to be at least partly savvy to be able to go use the internet and take advantage of all the services that are provided, but now the whole paradigm is about to shift. I think it is at the point where whether you are internet savvy or not internet, internet is there to help you and do things for you and make your life easier. So that is where we are trying to put ourselves into an area called Internet of Thing which gives an opportunity for us to leverage all the knowledge or the relationships that we have built and all the technology that we have built to start providing these services to the end user and correspondingly help advertiser across the world. That is the approach that we have taken in order to address the global macro at a time. I hope I answered your question?

**Ankit Pandey:** Sir I just want to understand when do you plan to at all to think about India and China investment here, especially on the digital marketing side seriously. Do you have a time frame in my mind?

**Suresh Kumar Reddy:** We are looking at this year in terms of launching India. China we may take an inorganic crop. So we are talking to few companies there but nothing is close to you know getting finalized, but in India we want to do it in an organic fashion.

**Ankit Pandey:** Ram I just wanted one clarification on the crypto currency comment that you have made, could you please clarify what you exactly pointed out. I think actually Ram in his opening remarks made a remark on crypto currency platform. I did not quite catch that could you just clarify that.

**Shreeram:** Yes Ankit, crypto currencies are right now catching up in terms of...as a tool or the currency for commerce online these days, especially with popularity of big coin picking up. So we see a potential there as well and even a lot of advertising people start getting paid or transacting big coin. Of course big coin has a lot of volatility right now, but we see that it is going to consolidate and become main stream. It also becomes easier for people to transact because a lot of users, retails users do mine crypto currencies at home as a hobby or as a commercial operation. So we see that some of these are going to gain mainstream with regulations happening in the U.S. and in Europe.

**Ankit Pandey:** My question was specifically what the remark actually makes in your opening pages. You said I think you are helping a crypto currency platform, I am not quite clear.

**Shreeram:** We are going to bring that into integration with Lycos shopping....

**Suresh Kumar Reddy:** Ankit the point here is we see that whole lot of people holding crypto currency based wallets and going around and trying to buy. We want to be ready when people are ready to buy through.....

**Ankit Pandey:** How is that different from any Amazon or anybody just accepting big coins payment? Are you doing anything different there or just for the currency that you accept as (inaudible).

**Suresh Kumar Reddy:** We are not trying to compete with an Amazon here. This is still going to be comparison shopping engine, but wherever they go they would be using this simple platform to buy, the other side need not have the currency....

**Ankit Pandey:** Okay sir. Thank you so much.

**Suresh Kumar Reddy:** Thank you.

**Moderator:** Thank you sir. Our next question comes from Dayakar who is an Individual Investor. Please go ahead sir.

**Dayakar:** Good Afternoon Suresh and team Lycos. Congratulations everyone and I have two to three small little questions, may be you can answer them all in one go.

**Suresh Kumar Reddy:** Thank you sir. Thank you for being on the call. Please.

**Dayakar:** In brief I just wanted your commentary on Q4 revenue run rate, is it likely to be on the Q3 level that's one and your brief commentary on the J curve possibility in the next three to six months, #3 are you planning for any analyst meet consciously. The one detail question is around we have provided so far for tax 128 crores for the nine months so far, may be the finance gentleman can answer this. What is the actual TDS paid so far and what is the estimated tax provision for the last quarter? That's the set of questions.

**Suresh Kumar Reddy:** Okay sir. Thank you. I will start with the first three questions and then I will let Srinivas Rao to take on the rest. The first one is like I have already mentioned in my previous calls but I will repeat it. The way our....there is an amount of seasonality in the business that we have quarter 3, the quarter that we just finished is usually the best quarter that we have in a year. So these are quarters every year where Christmas and overall holiday season happens across the world. So that actually helps people to sell more, they are trying to sell more because more people are looking to buy and then there is more marketing that happens and hence there is more scope money that happens and so we participate in that foot chain and hence we get more than during the third quarter and then there is immediately after third quarter because there is lot of things happens, third quarter first few weeks of January relatively light and then it starts to pick up. Then there is the first quarter, the first and third are usually better more positive quarters, second and fourth are not as much. So I do not if it gives you sense but now we have just passed the third quarter, next we are getting into the fourth quarter. So if you want to compare third quarter to fourth quarter I do not think it will be on the same size. It will be lesser but you have to compare this with fourth quarter of last year to give you a sense of the business is doing well; just the way you have to compare the third quarter of this year with the third quarter of last year to see

if there is sequential growth in the business. That is how I would see that and then coming to the J curve possibility. J curve possibility is completely dependent upon our product launch which we for the reason we were not able to launch in January. We are going back to the drawing board, fixing a few things and ensuring that it comes out right and the moment we launch this is where we had looking that the J-curve possibility will start coming in. So there are two products that are looking ready to go. One is the messenger product which is in the work; the second one of course is IOT product. I think the IOT product will take more time. Then we have Lycos TV which is already helping but we have not gone from alpha to the next level yet. That is also something that we need to look at and Shopping. I think we talk enough about shopping but shopping is another product that we are looking to bring that so called J curve came into place. These are things that we are working on sir and as and when we have updates on that we will publish them or we will bring them to you. Analyst meet yes we were looking to do an analyst meet. We have met various funds and various analysts independently. We have somebody helping us out with whole the exercise. Once they feel ready because they are the one who understand the bamboo market. Once they feel ready in terms of our readiness go talk to the analyst we will be able to do it. My expectation is in the next couple of months we should be able to have an analyst meet where we can showcase some of our leaders from various divisions to come down and talk to the analysts and give them a sense on what we do and how we do. We have also done a small exercise as we have taken a few select people to give them a sense directly on how we work and what we do that also helps in focus. You wanted to talk about the tax provision.

**Y. Srinivas Rao:** Regarding tax provision for the nine months we have made 129 crore tax provision. On the profits of 264 crores normally what happens is the provision for taxation is to be made based on the profit but advanced tax varies. The advance tax is paid only to certain extent and to certain extent as TDS deducted by our vendor is available and to some extent we have the tax benefits offered by the respective government so letting off all these amount the net amount is ultimately payable to the government. So advance tax will differ from the provision. Whatever required advance tax is already made but final calculations will be crystallized only after March 31st while finalizing the events.

**Dayakar::** Would you want to give a flavor of what it is likely at the end of the year.

**Y. Srinivas Rao :** Already we paid some advance tax.

**Dayakar:** How much is that.

**Shreeram:** Tax liability is covered by the TDS certificate received from the vendor and part of the tax is cut off against the benefits offered by the respective government. So ultimate tax what are payable will be paid in the end quarter.

**Dayakar:** So is it likely that the last quarter we might end up drawing less towards that provision compared to the rest of the quarters.

**Y. Srinivas Rao :** What happens is; there are two issues for the accountant standard. For the liability we need to provide a provision on the liability side of the balance and whatever advance tax is paid whatever TDs is available, whatever tax rebates available we have shown as assets on the right side of the balance sheet. So both figures are shown when the finalization is done and then the return is filed these are netted off on ultimate tax liability whatever is small amount that will be paid along with the return. So this aside the provision is occurring like this.

**Dayakar:** I think the question I think is do we expect this to go down finally? Will there be something coming back.

**Y. Srinivas Rao :** In the last quarter also some provision is to be made that may be around another 31<sup>st</sup> only we will report to them.

**Suresh Kumar Reddy:** But when you actually audit the figures you might end up paying less and the figure is likely to be under 150 crores.

**Dayakar:** That is the possibility. I think the point is right.

**Y. Srinivas Rao :** Right sir. So any Cayman Island planning will go to address some of the facts related planning within the current financial year?

**Suresh Kumar Reddy:** Current financial year may be hard, next financial year will start seeing about it.

**Dayakar:** Thanks sir.

**Participant:** Thank you very much.

**Moderator:** Sir our next question comes from Mr. Dibyenda Chattaraj from Reach to Boast. Please go ahead.

**Dibyenda Chattaraj:** Good afternoon sir.

**Suresh Kumar Reddy:** Good afternoon sir. How are you?

**Dibyenda Chattaraj:** Yes I am fine sir. Sir basically I have a question. I feel business is not coming from the development. So if you concentrate on the sales and marketing then I think these will double. Basically I checked our balance sheet your business is not coming from development I think. What you think about this?

**Suresh Kumar Reddy:** I do not agree with you sir because we are....actually it is a fusion of marketing and technologies what we are so we do have products but products are (not clear) I think like Shree pointed out now the technologies are completely related to what the market wants. It is not like we are trying to build a product and waiting for somebody to come and buy. We have our seat on the ground, our sales guys are running sales day to day and they turn around and say this is a new requirement and this is where the market is going and accordingly the products are changed. So we are pretty nimble on being connected to the path.

**Dibyenda Chattaraj:** Yeah but think if you improve your members for the sales and marketing instead of development I think your business will be little bit improved....I think. Actually this is my suggestion. I checked the balancing very carefully. I think whatever you are investing for development you are not getting so much business from the development sector, whatever your business everything is coming from the marketing. So if you concentrate on the marketing section instead of development, I think your business will be little bit high. It is my suggestion actually.

**Suresh Kumar Reddy:** Point taken.

**Moderator:** Thank you Sir. Our next question comes from Mr. Satheesh from Idea. Please go ahead.



**Satheesh:** Good afternoon everybody. I have a question first on the Lycos shopping that is what you are talking about. So what is the time frame you are seeing for the release of Lycos shopping from your side that is one thing and whether the Cayman entity whatever you are talking about is it dependent on I mean the listing of the Cayman entity will be dependent on this Lycos shopping or how is that I mean what is the time frame you are looking at for both of these actually.

**Suresh Kumar Reddy:** So let me first of all clarify the Cayman entity. Cayman entity listing that whole process is independent of product development. So when ready we will go and start looking at launching that. So I do not think it is side to when we will launch Lycos shopping. This business will happen as it grows. Listing and value recognition happens completely independently. There will be points where it makes sense to intersect, but we are not tying Lycos shopping completion to Cayman. We are working very hard and trying to get all the pieces together to be ready to be listed either on US or UK market at this point but it (not clear) so that is the first question. The second question on time frame on Lycos shopping; we had Lycos shopping like as I said we went back to the drawing board. We have the basic requirement in place. We started the first cut to be that is working on right now. We will do a quick test. In terms of overall timing in my sense we are looking at about may be four months where it will come back as a time on the time before which we will be testing at various levels to make sure that it works where we wanted to work. Like potentially now it is February so we are looking at what March, April, May or June time.

**Satheesh:** Okay sir. Thanks a lot on that. Why I was looking at the Lycos shopping earlier I mean seeing that the beta version is out there and we were able to see and it has come out nicely but all of a sudden the link got vanished so I was little bit concerned about it actually so that is why, thank you for the clarification.

**Suresh Kumar Reddy:** Absolutely, I understand that. Thank you sir.

**Moderator:** Thank you sir. Our next question comes from Suman Kawatra who is an Individual Investor. Please go ahead.

**Suman Kawatra:** Good afternoon. Congratulations on set of numbers. I have again similar question under time frame for international listing that was one – what stage are we right now? Secondly like all the major IT companies they do announce any major orders or major link ups in the last quarter do you have something that short to declare?

**Suresh Kumar Reddy:** Yeah, we have declared, we have given you I think as part of the technology update. We have worked with goods this quarter, we have signed up with AutoWeb. We have actually added publishers like First Media which is publisher inventory of First Media. We have also added the Inquisitor as a publisher; we've added Next Step as a publisher. These are all important from the network side of thing and then in terms of the search you might have seen a line in our press release also where we are working with partners who can help us out to provide enhanced search advertising. We have signed up one of a very large deal there which can bring additional revenue. We are hoping that will bring by itself additional 20% on top of what we are doing now and that has been launched and we are working with others as well in the phase. It is one of the premium players in the phase.

**Suman Kawatra:** The kind of growth next financial year you are envisaging, 20% to 30%, does that include this major order you are just indicating of 20% pop up?

**Suresh Kumar Reddy:** We will include everything we can but we want to surprise you what the quarter is done, we will see how it may come. We will continuously add more business development because we do not know the scheme of things as we keep adding new clients and we try to make sure that we retain current clients. So we will only know as a quarter but the objective is keep adding larger and larger clients. The main thing here is as our brand gets stronger our margins will grow and our growth rate will grow for sure which is very, very important for us at this point to launch is Brand right. It will help the overall positioning of the business.

**Suman Kawatra:** Thank you sir.

**Moderator:** Our next question comes from Snehil Saraf from Radha Steel Ltd. Please go ahead.

**Snehil Saraf:** Good Afternoon Mr. Suresh.

**Suresh Kumar Reddy:** Good Afternoon Snehil, how are you.

**Snehil Saraf:** I am fine. Hope you are doing well. Congrats for the spectacular results this quarter.

**Suresh Kumar Reddy:** Thank you. Thank you.

**Snehil Saraf:** My question is regarding the accounts receivable; as to what has been the reduction in the accounts receivable cycle? In the last quarter you mentioned that there was some reduction, have you been able to push through some more reduction this quarter and what is the industry cycle for accounts receivable. How are they compared to our peers in the industry? And the second question would be what has been the institutional or mutual fund interest in the last quarter to participate in the equity of the company?

**Suresh Kumar Reddy:** I will first address the institutional interest part; then I will let Srinivas talk a little bit on the receivable and numbers. So first let me address the institutional interest part. We have done actually like we talked in the previous call also. We had investor conference that we attended post which we started talking to....started engaging with few of the institutional investors and there have been multiple queries and we have submitted the responses and that discussion was on. They have not come in to participate yet. The process is on. As you understand it is a process and they need to get comfort before they start taking part in it and we've had some really good institutional investors that we have talked to both from Bombay and abroad who have shown interest. My sense is couple of them have actually told us that why don't you finish your NSE listing as well. I am not saying that is the pre-cursor for it but that is also seems to be another thing that some of the institutional investors are waiting for. But more importantly we do understand....last time we kind of did it on our own with a few bankers. Now, we actually have a specialist group that is helping us out on making sure that we are positioned right, and we meet with the right people and do it right. So we have kind of taken a step back to ensure that optically the company is positioned correctly before we seek the institutional investor. So in January we took a step back to ensure that all the required things are done before we go back and start anything that is sustainable and so that has been the approach we have taken there.

**Snehil Saraf:** So just to delve into the question I want to know like some of these institutional investors like their fund houses do they have some pre-condition on their board that they should invest only in companies which are listed both on NSE and BSE?

**Suresh Kumar Reddy:** I don't think. It is not related to that. We are currently....in the business world where we operate we are very well known but in the Bombay Stock Exchange world, we still have to establish ourselves as a credible alternative option for investors to come in. This is what we are working.

**Snehil Saraf:** Okay and the receivable question...?

**Suresh Kumar Reddy:** Srinivas will answer that question.

**Y. Srinivas Rao:** Regarding the receivables, during the year ended 31<sup>st</sup> March 2014, we achieved a turnover of 1600 crores, 786 crores were outstanding on 31<sup>st</sup> March, roughly 171 days was the outstanding. It was mainly due to the software division which is inherited from the erstwhile company now as on December 31, 2014 it is reduced to 124 days. There is a considerable improvement almost we are recovering all the receivable from the software division. once those are cleared out then we can further review it. Going forward by March 31<sup>st</sup> our target is to bring it down to 110 days. So we are on the way. If you see only digital division, the receivables are only 89 days as on December 31<sup>st</sup>. We are concentrating about March 31<sup>st</sup> on overall basis we can achieve 100 days. We are looking forward for the further reduction.

**Snehil Saraf:** See compared to your industry peers how does this stand with your industry peers?

**Suresh Kumar Reddy:** Typically in digital side you are looking at 90 days it is not abnormal. If you are saying 89 days I think we are pretty much with industry peers. Now we need to know (not clear).

**Snehil Saraf:** Wish you all the best for that and the software side how are we compared to the industry?

**Suresh Kumar Reddy:** Software side, I do not know industry standard honestly...depending on what size market, what size business you are I think it varies.

**Snehil Saraf:** Any way wish you all the best, thanks a lot for answering my question.

**Suresh Kumar Reddy:** Thank you Snehil. Thanks for being with us on the call.

**Moderator:** Thank you sir. We have the last question from Joseph. He is a mutual investor. Please go ahead sir.

**Joseph:** Good afternoon sir.

**Suresh Kumar Reddy:** Good afternoon Mr. Joseph, how are you.

**Joseph:** I am doing good.

**Suresh Kumar Reddy:** Please go ahead sir.

**Joseph:** I would like to ask you a question with one of the recent developments; there has been a pledge of 50 lakh shares on your side. Has there been any increase in debt levels or....?

**Suresh Kumar Reddy:** Thank you for asking that question because that has been largely unanswered.

**Joseph:** Lot of people wanted to know about the pledge.

**Suresh Kumar Reddy:** And it is not a question to the company. It is a question to me personally because the pledge is from me. So to clarify you have to understand when we merge with the LGS company there is a working capital that we inherited which is a loan that we got with the merger and some of the basically security they had property and some shares at that time and this was one of the cases where we have to give additional shares from our side as new management and relieve somebody else in the process, some of the properties and things like that. So no additional debt has been taken. This is just additional security or replacement security that is coming to play and we will see some of that going forward so I request you not to get alarmed by this. These are just in line; it is actually to ensure that I don't sell the share. We are not taking any additional money just to provide better security for the loans that we have, of the working capital loans that we have. That's all there is to it.

**Joseph:** And with regard to your new acquisition, you are looking for new acquisitions or takeovers right? How are you going to fund this? Is it going to be through debts or will there be more internal accruals?

**Suresh Kumar Reddy:** We have to see depending on the sign sir, in some cases if it is within our capability to acquire with cash we have we can do it. If we require...or if it is a larger deal then obviously we will have to look at other direct or post...some other markets based on equity.

**Joseph:** Thank you so much.

**Suresh Kumar Reddy:** Thank you Joseph. Thank you very much.

**Moderator:** Ladies and gentlemen, this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have good day.

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**Note:**

- 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.