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TRANSCRIPT

LYCOS INTERNET LIMITED

**Investor Conference call
Quarter 4 & FY 2016 results**



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Presentation Session

Moderator: Good evening ladies and gentlemen. My name is Honeyla and I will be the moderator for this conference call. Welcome to the LYCOS Internet Limited's investor conference call. The duration for this call will be one hour. For the duration of the presentation, all participant lines will be on the listen only mode. After the presentation, we will conduct a question and answer session for the participants. Please note this conference is recorded. I would now like to handover the floor to Mr. Rajesh, who handles the Investor Relations; thank you and over to you sir.

Rajesh: Thank you Honeyla. Good evening everyone. I welcome all of you today to our quarterly and full year results of 2016. Today we have with us our Chairman and Managing Director, Mr. Suresh Reddy and joining us for the first time, Mr. Ramesh Reddy, who is our Executive Director and Group CFO. Today we will start the call with Mr. Ramesh, who will be giving us the company's financial update and then Mr. Suresh will give us an update on the business events during the year. Before I hand over to Mr. Ramesh, I would like to mention that during the conference call, Certain Statements in this release reflecting our future growth prospects are forward – looking statements which involve a number of risks and uncertainties that could cause result to differ materially from those in such forwarding looking statements. The risks and uncertainties relating to these statements include but are not limited to risks and uncertainties with respect to fluctuation in earnings, our ability to manage growth, intense competition in online advertising including these factors which may affect our cost advantage, cost of resources and introduction of regulations that might impact the prospects, our ability to successfully complete the planned projects, general economic conditions affecting our industry. The company does not undertake to update any forward looking statements that may be made from time to time by or on behalf of the company. Now we would like to introduce Mr. Ramesh Reddy to take this conference forward; over to you sir.

Ramesh Reddy: Thank you Rajesh. Good afternoon everybody. I thank the board of LYCOS, Suresh and everybody for giving this opportunity. I have been on the board of LYCOS Internet Limited for many years as you all may be aware. It was exciting to see the growth of the company over the last few years and now it is very exciting for me that we are looking at the next

phase of growth. I am looking forward to be part and play a role on group level. I am also joined in this call with Mr. Y. Srinivasa Rao, who you all are aware of. He will be supporting me on this call for the financials. Now i would get on with the results and give you an update on the financial performance of the company.

As you are already aware, we had a fantastic year. The revenue grew over 15.3% year on year from earlier level to Rs. 2255 crores. The net profit grew 18% to 405 crores. The best part of it is that the digital revenue grew by 22% in this period. The EPS of course by virtue of that grew from Rs.7.19 to Rs.8.50. Revenue and net profit grew in terms of US dollars by 7.7% and 10.6% respectively. So, even in US dollar terms we had good growth.

In terms of the quarter on quarter if you consider last year to this year Q4, the revenue growth has been 6½% from Rs. 445 crores to Rs 474 crores and PAT has grown from Rs 77 crores to Rs 84 crores, which is around 9% increase. EPS has increased 8% from Rs.1.62 to Rs.1.76. So if you compare, the previous quarter of previous year, the same quarter to this year, it has been a great quarter. And we are happy that this consistent performance of the company has been able to post over this year.

The next part is in terms of the breakup of the revenue as well if you see, as you know the company has two segments. One is the digital marketing revenue and the second is the software division revenue. The good part is that the share of the digital revenue has increased from earlier 76% to 81% now. The digital revenue growth revenue year on year has grown by 22%, which is a fairly robust growth in this market and that means we have not only retained our market share, but grew the market share as well. So, this has been a very positive trend and also that has helped us to realize the good profitability that we are able to see.

When we see quarter on quarter and various quarters previous year, the good part is that every quarter of FY2016 is better than the previous corresponding quarter of FY2015. This is despite the growth and the market pressures, our EBITDA on sales has been the same, almost 30%, very marginal change there. We have managed to retain the same level of profitability at the EBITDA level. In terms of PAT by sales, on the percentage wise, it's again same, approximately 17% to 18%. So every quarter, whether we look at it from profitability or from revenue, the corresponding quarter in FY2016 has been better than the previous year.

During the year we have paid almost around Rs 29 crores to the bank for the outstanding debt, which includes the interest and the loan repayments. The interest cost has reduced almost 29%. This is again showing the benefit in terms of how the financing and the financial assets have been

managed. In terms of operational efficiency and the business parameters, the key parameters that we have been tracking have been the receivables, which we have been trying to bring under control and also to reduce as much as possible. And this year we have managed to reduce the receivables from Rs 845 crores earlier to Rs 729 crores, which is almost 14% reduction across the two segments. But significantly if you look at the trade receivables from digital market, then that has reduced from 106 days to 99 days, so it is like sub 100 days, quite close to the 90 days target that we are looking at. Of course that is our effort towards going forward. And on software side, last year we had 325 days of receivables, which again has been brought down significantly, considering the kind of nature of business to 193 days. And we are trying to improve this further.

So, these are the key financial updates in terms of the numbers. And what we have done in this period also is in terms of, while balancing the growth we needed to sustain this growth and to sustain the growth in the future. We had to make lot of investments and the key investments that we had made are on three tracks. One is on the product side; other is on the brand development and reorganization side and the third on the business acquisition and enhancements through affiliate investments.

So, coming to the products, I will briefly touch upon the various key products that we have worked on and the details again will be covered in subsequent sections on the business update. Video traffic for Compass, a product called VAST, which is enabling us to do better in the video traffic market. As you are all aware, the company branded and launched Brightcom as a division to address certain definite market segments. And this has been supported by a programmatic solution, which automates the advertisement and the management of these advertisements. VoloMP is content marketing module, which is very critical, which has added a lot of value to this product. And Lycos LIFE band, which is one of the wearable sections that we have been working on. Version two has been developed, which again we will elaborate in the business update.

In terms of the brand development, Brightcom which was launched has opened sales offices in various locations and participated in trade shows. We have invested in the PR campaign, corporate identity creation campaign and to strengthen the relationships with various partners in the trade. And the last track which I mentioned about the business acquisition and enhancements through affiliate investments are especially to enable building deeper and preferential relationships with various partners to own and manage digital assets. And this is something that we are focusing on. And this has helped us also to not only increase the business, but also to get preferential terms, which also leads to a better profitability in terms of the transaction level.

Going ahead, we wanted to briefly mention here in terms of our focus, in terms of the financing part. On the finance team part is to see that we balance growth needs, while of course managing the investor expectations. So, in that sense we wanted to, in this year manage the second part. That is the reason we had a detailed discussion and explained to the board in terms of the importance of also sharing some of the cash with the shareholders by way of dividend, which boosts the sentiments of the investors and has multiple benefits in the market. We are looking forward to the approval from shareholders for this 5% dividend that we have proposed. And this will definitely help pave the way further for the improvement in the investor sentiment and support that we will receive for the company in terms of their goodwill. And definitely a bulk of the focus will still be on balancing the growth needs of the company and the requirements to meet various business lines, business plan requirements. Improve focus on efficiency in reporting, putting the financial reporting, putting in process for world class and globally accepted processes for timely financial reporting to meet the international standards, as we are expanding worldwide. And we want to also work towards group's financial integration to leverage global cash flows.

So, these are some of the key initiatives that we are planning going forward, which we feel will give a good impetus and support to the business plan that has been put forth by the business team. And we look forward to a good year going ahead as well. And we thank you for the support that we got in this regard. And now, I would request Mr. Suresh Reddy to come forward and give the business update. And while in the subsequent Q&A session, we could address your questions, me and Suresh. Thanks for the opportunity.

Suresh Reddy: Thank you Ramesh. First of all I would like to thank all of you for taking time on a busy day to be on our call. I really appreciate your interest in our business. We have had a very strong year. We are very pleased with everything that has happened this year. Particularly I have to thank various teams that have had to push harder, work extra hard to make this happen for all of us, our shareholders. And all of us as management, we are extremely grateful to the team's efforts in putting this together for us.

First of all I want to give you all a quick review of what I am going to talk. The first part is, I would like to discuss about what has happened in the industry this year, which has caused little bit of a shift at the ground level in the market place. And then I want to talk about how we addressed it as a company and how we came out looking stronger. The third part, I want to slightly touch a bit on

the future plans and how the future looks for the market. So, this is my broad agenda and post that we will take questions.

Coming to the industry, as we have talked about it in the past, it is always driven by how users have been using the media driven by internet. What was happening years ago, which was driven through a keyboard, through displays of desktop, laptop, tablet, all that is shifting broadly. It is going from a very static image to a very dynamic image. We are looking for more engaging content. So, you can see at the content distribution level, whether it is Facebook or Twitter or Google, everybody is now going towards video, we are seeing more and more usage on the video side. We are seeing the users are going towards video, hence we see as the advertisers are also shifting towards advertising on the video side of the platform, which puts us in a very unique position, which we saw that coming last year. While we had a sense, but we didn't expect the rate at which the advertisers picked up.

One of the beautiful things about video is that it is very engaging content. So, obviously conversion rates have been better. This has also caused advertisements on video based advertisements to pick up a lot. Then of course the standard things that have helped are your mobile based videos has picked up. And as an internal medium, social media has picked up. So, these are the few things that are really changing and shifting things, from going from text based to video based. Also what we expect as we go forward is more voice and audio based commands, which will drive this. So, search keyword may change. It will still be a keyword, but you will be talking to it, that is the shift that will also be seen further down.

Broadly this has changed a lot of things. Lot of steps by majors companies in the industry that have taken steps to cut out any sort of fraud. Fraudulent traffic has also changed a lot of advertising space to move out. So, in this challenging environment, I am very proud to say, our team has taken up all the right things. We saw huge growth in video advertising.

We saw massive growth in the programmatic buying, which is automated buying through programs. We have talked about it in the earlier conversations as well. Automated trading, buying and selling through advertisers online have given us unique advantage and we have played it very well in the market. Especially in the last two-three quarters we have seen significant shift towards video and programmatic buying. So with that effect we have also launched a new, brand called Brightcom, which fits perfectly to address that area and to actually leverage that to a stronger degree.

And in terms of things that we had launched last year, we are seeing connected devices and all permeated internet expected to grow in the coming years. We identified them fairly early. But as you can see, things are shifting at a much faster pace. We are hearing more of IoT this year, compared to last year. IoT is nothing but, Internet of Things, which is basically internet in which is all devices are connected everywhere. That trend is only going to grow. And you may call it wearable or band or a ring or a button or a shirt you wear. It could be so many things and so many ways in which you can be connected to the internet and how you can take advantage of that. So, that area is growing and we at LYCOS launched, LYCOS Life brand directly addresses those markets.

So, coming down to the core business itself, I will talk a little bit about technology that we have built. I think Ramesh talked briefly about VAST engine. Fundamentally it is a video traffic management enhancement to our platform "Compass" which we had built two years ago. And now we have added significant capability to Compass. Basically it can directly manage traffic from DSPs via real time bidding, which actually gives very unique advantage to our publishers and advertisers. That is one major enhancement that has happened this year on the technology front. We have also built a header bidding solution last quarter and got it launched. Fundamentally it manages auction from publishers and pre-bid partners. It has come out very smart and it is looking like there is a lot of interest in the market about it. And on top of it we continuously work on adding more data management and optimization tools.

I want to touch a little bit about the importance of data and how that is a central piece in our entire business today. Data, whether it is in the internet advertising space or in the wearable space, it is key for taking smart decisions. We have lot of engines that are common between what we do in advertising and what we do for the other parts of media. The data management and optimization becomes a very important part of our inherent strength that we have built over the years.

With that I will go on from the technology update to what we have done on the media buying side that is publisher side. We had Microsoft exclusive agreement in the PAN Latin America region. We have enhanced that and started managing their ad operations as well this year. The relationship with Microsoft continues to grow. We are very happy with that. We also added a new publisher called Medula, through which we are getting additional operating inventory. This is publisher owned and operates websites across the Latin American region. There are large editorial houses that are part of it, which is a good enhancement to our network which will directly result in additional business and additional revenue to the business.

And there are other products from the publisher servicing side that we have started to work on. Fundamentally anti-ad blockers solutions, search and in-site search, which are also very engaging solutions to the publishers, this is something we are offering as an add-on bonus to the publishers. These are some of the core highlights that we have done last quarter and the year in terms of technology.

In terms of LYCOS Media, we have done one of the major deal this year with Yahoo. We have renewed a contract with Yahoo for global contextual advertising and we are pretty excited about it. We see that as a big opportunity to grow revenue globally with advertiser fee that we get from Yahoo. Plus, we have partnered with Ezoic, which is part of the Google relationship, which will give us additional business. We have added a local ad feed from Dex Media. We are also looking at few other partnerships on the sports side. These are some of the things that are going on the LYCOS Media part of it.

And coming to LYCOS Life, we have already started selling, which I think most of you are aware of on Amazon, Flipkart and Snapdeal in India and on the Amazon in the US. The core thing that we are working on right now is we are trying to get the marketing message right. We have done lot of experiments on the social media with this messaging. We believe that we are very close to having it finally figured out. And there is also a way of marketing, which is more as opposed to just doing a traditional way of marketing and we wanted to leverage that. So, you will see in the next coming few quarters and you will see and hear a lot more about this product. We are pretty excited about this whole LYCOS Life as a division. The first product I would say was more experimental and testing and now we are coming up with the next version of band, which we will be launching this year. We also have few other products that we hope to surprise you and surprise the market with the kind of solutions that it can give to the market place.

So, that being said, I would move further towards other initiatives. I talked about the initiatives of LYCOS Life and Brightcom already. There is a joint venture this year that we have put together with a subsidiary of Apollo Tyres called Apollo Logistics. They fundamentally deliver within India and abroad. They do the last mile delivery of various products. And we are for the joint venture between Apollo and LYCOS, it is called "APPLY". We are forming the initial contours of it and we like to report today that we almost have our first client on it. We hope to announce the client's name fairly soon. We have had a pretty successful trade show in Mumbai with respect to this. This is I would say still early stage, but we are very excited about how this is coming together. We are very happy with our relationship with Apollo and how these two pieces are working.

And in terms of key things, appointments that have happened this year, you already heard from Mr. Ramesh. I would like to first just touch upon this, first of all thanking him for accepting to be coming into the management team. I am happy that we have been able to convince him to come on board I think it is very important and a wonderful addition to the team. He brings in lot of experience, expertise and knowledge, from what the shareholders need and how to run a global enterprise. He has always been a friend and advisor to Lycos over the years. So, in this particular call, I am very excited to have him on. And together, I think we are looking at the next growth that comes on for the company. So, that is a very significant appointment. The second one is Dr. Jayalakshmi Kumari came in as an Independent Director. She came in the place of Rajalakshmi, who resigned for other reasons. And Dr. Jayalakshmi also comes from a very different background. She brings in tremendous strength to the board. She has got a PhD. She has got background on various different aspects of society. I think she will bring lot of perspective to the board. And then third important appointment this year that has happened is Ms. Gali Arnon in Israel. She was already part of the team. She is not a new addition, but she was more a General Manager in the LYCOS advertising side. She was the one who spearheaded the idea of Brightcom and pushed it hard and took it to fruition. We have moved her up as the CEO of that division. she is given a lot of freedom to drive it and to grow that business and I am very pleased to report that she is doing a fantastic job.

Those are some of the main points that I wanted to talk about. In terms of the future, I want to talk about some of the ideas that we are hearing and seeing in the market place this year. In our strategy session, both in Israel and India, we have seen these are the areas that we would like to be more active in. The words that we are hearing are influential marketing, which is a big area. Fundamentally what it means is that in the social media today, there are a few people who influence the direction in which the entire social citizenry moves. So, from an Indian context, somebody like Amitabh Bachchan or Narendra Modi or someone else, these are the people who are actually talking and driving some of the things, So, these influencers are beginning to shape and drive how people are thinking and how people are browsing, how people are buying as well. This is beginning to suddenly surface across the world in which is we would like to put some of our eggs in that, since we feel that that is going to be something very interesting and we see the initial contours there.

We also are hearing a lot about automation of marketing tools, which we are already doing continuously. But, I think this year we will see a significant upswing in that area. Another area which I think Ramesh briefly touched about is quality of digital asset, meaning owning your

consumer, owning the eyeballs or owning engaging consumers who would come and actually visit these assets, that is another area which is getting very keen and very interesting. Having relationships there are becoming more important. So, we are trying to see how we can address that area.

And other parts which you might have heard of this year is about context advertising. we have already started to do some of the parts of contextual based advertising. Content based advertising, which is basically native ads, which becomes part of a content that becomes a small part of a larger story that is being read, this has also picked up steam significantly last year and now it is beginning to reach mainstream. The other part which I am looking forward to this year is US election year, which would also change how social media is used for political purposes. We think that's going to be a big contributor for this year's revenue. We are pretty excited and are waiting for that.

And another update I do want to give, I am sure a lot of people are waiting to hear on this is regarding Ybrant Media Acquisition Chapter 11 filing. After our LYCOS Inc. acquisition, we had a second payment to be paid. There was a dispute between us and the seller from South Korea. We have had conversations with them. We have reached an acceptable price; I have also talked about it in one of the TV shows before. We have reached a number that is workable and now we are trying to do the legal and the financial parts, of trying to get that closed. We are very happy about that development. We will do a press release immediately after we sign the definitive agreement on that.

So, these are the core updates. And at this point, I would like to open the floor for any questions and then Ramesh, YSR and me will be happy to answer your questions. You can address any of us. Thank you.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have any questions, 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, our first question comes from Mr. Krishnamoorthy Individual Investor please go ahead.

Krishnamoorthy: Good evening. I have been checking the share price in recent times and there is lot of volatility in the share price, like touching 52 week lows. And whatever the announcements you have made from the company and could not be able to gain the confidence from the investors. And the second thing is, you are boasting about acquisitions, lot of acquisitions and the launching of Brightcom and the Daum issue. These are pretty huge things. But, my question is how can you just go on acquiring the companies and then how can you manage and them, make the company work after these many acquisitions? You can focus on one thing, like running the core business and making profits and then run the company with acquisitions.

Suresh Reddy: Good evening. Thank you for having confidence in us and buying our shares. I do completely understand the extreme fluctuations that are going on in the market. That being said, we are thinking to bring on somebody with market experience like Ramesh Reddy coming on board and we are doing a few more things that you will start hearing as we go forward to address the credibility issue of the company. Once the credibility of the company is established, then you will start to see a better, more sustainable long term investors coming on board, which is what we are trying to address. That is number one. Number two is, you are talking about acquisitions, we have not done any major acquisitions this year. These are just business development, and business growth deals. We are much focused on internet and surrounding things and how consumer is shifting and accordingly we are shifting around it. Whether it is advertising or it is media or IoT, they are all related and they are all connected. We are very confident that this will all produce revenues and profits as the market place shifts. So, it is the nature of the beast, for us as a company. We didn't start this business five years ago or three years ago. We are in this business for almost seventeen years. We have seen how the markets have shifted and we have grown from a business of 1 million dollar company to the size we are today. We are very conscious of how the market shifts and we accordingly plan and do things. While we are very novice on the market, in terms of the stock market part of it, we do not understand it and that is something we are trying to get a grip on. I don't believe in trying to do things for the short term to get markets to jump up and down. I think we have to make fundamental shift in terms of how we operate as a business and how we are perceived as a business, which is what we are working on right now. And it would require a longer term investor to kind of live through this and ride through this and I appreciate you for being on this call and trying to bring this up. Thank you.

Moderator: Thank you sir. Sir, the next question comes from Mr. Siddhant Poddar from Yashwi Commodities Private Limited. Please go ahead.

Siddhant Poddar: Good afternoon. My question is that what do you think will be your growth drivers in the future? And what are the headwinds which the company is going to face in the near future? And regarding the bankruptcy filing of your US subsidiary, what is the timeframe you expect in which all the dispute will be resolved? Thank you.

Suresh Reddy: Thank you very much. The growth driver of the business are three core areas, internet advertising and the Lycos network. Third, the new area is the connected devices area or the IOT, as it is called. These are the three core areas that we are working on. And the tools and technology that we have built and the expertise that we have in the business are directly able to handle all three seamlessly and well. So, we believe that is the core strength that will win going forward. Headwinds that we expect, there are lots of things that can change. So, obviously there are two parts to our business, which I have talked in the past also. There is a continuous growth part of our business, which is a straight line growth over the years, which we are doing about 20% to 30% growth year on year basis. And we also have new areas in the business to support that kind of growth. The growth rate I don't think we have faced so many headwinds. Yes, there will be shifts, and we have been always ahead of the shift and we are continuously monitoring and running that part. The second part is how the J-curve which I have talked about in the past, which is what we are expecting. It hasn't happened yet. But the products that we are talking about, the areas that we are working on, we are working slowly but surely. So, once that takes off, I think that is where you will see a huge gain in terms of a big shift in the revenue, but that is a work in progress. And third thing, coming to the bankruptcy filing, it is capital level filing. When we bought LYCOS Inc. we used special purpose vehicle called Ybrant Media Acquisition. It is a holding company. There is nothing in the company except holding LYCOS Inc. So, in the dispute between the seller and us, we use that and we use for the sake of protecting LYCOS Inc., we have filed for Chapter 11. It is a standard practice in the US. It is fundamentally to protect from losing that asset. So, we have used that. And then post that we have talked with the seller. And like i just mentioned at the end of my update in the call, that the discussion is done. Now, we have to put the pieces together and do the paperwork to close the deal. How long will that take? I was expecting that to be done by now. Obviously it has not happened, because lawyers take time and it is hard to predict exactly how long it will take. My sense is not more than two to three months, but I expect it much faster than that. So, that is where we are right now.

Moderator: Thank you sir. The next question comes from Mr. Sanjay Kaul from FE Securities. Please go ahead.

Sanjay Kaul: Good afternoon to you all. What is the net debt now that the company as on 31st March? You said you have repaid Rs 29 crores.

Y. Srinivasa Rao: That is right.

Sanjay Kaul: How much is left now?

Y. Srinivasa Rao: So, the bank debt is around Rs 84 crores. We paid Rs 29 crores towards Principle and Interest.

Sanjay Kaul: Okay. And this Daum issue that you are talking of, can you just tell whether the number is at whatever you have decided on, is it lower or is it higher?

Ramesh Reddy: I don't think we can disclose that number, as the matter is still with lawyers. Once it is done, we will inform you.

Sanjay Kaul: Fine. Thanks a lot.

Moderator: Thank you sir. Sir, the next question comes from Mr. Ajay Jain, an Individual investor. Please go ahead.

Ajay Jain: Good evening to all of you. I have a question and it relates to the balance sheet. You have shown a long term borrowing in the standalone number of Rs87 crores, whereas in the consolidated balance sheet this figure is not there. Why is there this kind of a situation?

Y. Srinivasa Rao: Good afternoon. In our standalone balance sheet we are showing Rs 87 crores long term borrowing, which is taken from the 100% owned subsidiaries. It is an inter-company debt. When you consolidate the balance sheet, these inter-company transactions are eliminated. So, in the consolidated balance sheet we have nil balance.

Ajay Jain: And where is the bank loan that you were talking about?

Ramesh Reddy: Bank loan is the short term borrowings.

Ajay Jain: The working capital basically?

Ramesh Reddy: That is right.

Ajay Jain: Can't you write this off in this subsidiary which has lent this money to this standalone company?

Y. Srinivasa Rao: No, Standalone Company has to pay to the subsidiaries. So, that will come in the standalone balance sheet. But, when you consolidate with the subsidiaries it will be eliminated.

Ajay Jain: I understand. But, can't you write it off?

Y. Srinivasa Rao: No, you cannot write it off.

Ajay Jain: It is an odd figure which is appearing, because you cleaned up your balance sheet mostly in the non-current liability section. But, this is an odd item appearing in the standalone numbers.

Suresh Reddy: Mr. Ajay, I would like to address this. Let me give you a little insight on the working capital loan that we have had. When we acquire the company and post merger of Ybrant Digital and LGS back in 2012, there was a working capital loan, altogether that loan was about Rs150 crores, of which we have paid off close to Rs 80 odd crores. Money was borrowed from the subsidiaries that are owned by the company to pay off the debt here. So, it is a loan from the parent to the subsidiary.

Ramesh Reddy: Just to clarify your point Ajay and add what Suresh said, so basically there are some payments which have been received from the subsidiary to the parent that is the standalone company. This is the question which you are saying, which is long term. So, we don't need to repay it now. But, supposing we, like you said because they are controlled by us, we can always say, we ask them to avail it off, then it becomes an income in our hands. Then it again becomes an issue and these are cross broader transactions. So, we need to look at that as well. It is in course of business that it has come. It is only because it is a cross border and we hold them across different places. But, our true nature of business and everything gets reflected only in the consolidated. So, that would be the focus area for us.

Ajay Jain: Okay. Another question is that you just mentioned that you have not made any new acquisitions this year, am I right?

Ramesh Reddy: Mysms is one of the acquisitions, which is in process.

Ajay Jain: I was surprised to see, there were non-current investments which have gone up from Rs 6 crores to Rs 108 crores in the consolidated number.

Ramesh Reddy: Right. That is right. That is what we explained to you, few items like we said business acquisitions and some investments that have been mentioned there. So, the investments that you see there are part of the investments are towards acquisition.

Ajay Jain: Rs 102 crores fresh investment be in the non-current assets?

Ramesh Reddy: Right. Basically that is a non-current asset that is the investment that our subsidiaries have made for various business acquisitions. These are where we need to make the investment in the publishers business to be able to get preferential terms that is what we were explaining in the brief I had mentioned in financial update. But, that is the basic investment

Ajay Jain: Okay. The other thing is that over a period of two years, I have seen that your cash profit is over Rs 800 crores. And out of which 5 crores have come to the shareholder this year. So, it is a little odd don't you feel so, that the shareholder should be rewarded more generously than the Rs 5 crores out of Rs 850 crores?

Suresh Reddy: You have to take into perspective where it came from. We are trying to retrieve everything and put it back on track. And we were successfully able to do that. So, lots of money was used to bring things back on track. So, now we are able to see cash beginning to flow and hence this year we have started the dividend distribution idea going forward. So, we came in with the debt, working capital debt of Rs 150 crores.

Ajay Jain: A more generous treatment for the shareholders. Thank you so much.

Suresh Reddy: Let's see sir. Thank you very much.

Moderator: Thank you sir. The next question comes from Mr. Sabya Sachi Piyush from Eastern Finance. Please go ahead.

Sabya Sachi Piyush: This year obviously your receivables have come off quite a bit. But, in terms of this remaining Rs 730 crores, how sticky are these? Do you expect to get some of these back in the next say, three to six months or they will remain sticky for a longer time?

Suresh Reddy: Thank you. Let me give you a little perspective on the industry norm in this space. We service the advertisers and we are basically get paid by the advertisers. We have to invest to get media and we buy advertisements from publishers, at a very high level. We give terms to our publishers, where we pay them every month. So, sometimes within a day they get their money or within thirty days. So, it is all shorter than thirty days, whereas we get paid three months. So, ninety days is the norm. And these are all good high quality receivables. There is no problem of non-payment. We have had 99.5% ability to collect in all these cases, except the one that we wrote off was through the merger and those are all software side of things. This stuff that you are saying is primarily big advertising agencies or large advertisers across the world. So, these are very clean and complete receivables.

Sabya Sachi Piyush: No, as long as you manage to get back the money, it is fine and in terms of your consolidated balance sheet, there are loans and advances of roughly about Rs 350 crores. This would again include the publishers and vendors?

Suresh Reddy: These are things that have been on our balance sheet from the past and they will keep going, fundamentally some advances that we give to the publishers when we get paid back. So, this is an ongoing process.

Sabya Sachi Piyush: Okay. Thank you so much.

Moderator: Thank you sir. Sir, the next question comes from Mr. Nityanand B, an Individual Investor.

Nityanand B: Good afternoon. Congratulations on a best set of numbers. My question is on your segment results. If you look at the digital marketing EBIT for the last quarter is down 33% quarter on quarter. Considering the majority comes from the digital marketing, this is little disturbing. Can you throw some light on this?

Suresh Reddy: Good afternoon Mr. Nityanand. Sure, you have to understand the nature of our business is cyclical. It is like typical buying behavior in the Western world. Most of the buying happens during the December quarter, which is the third quarter. So, historically our third quarter has always been the best quarter, whereas the second and fourth quarters are relatively weaker and third is the best and first is the next best and that is how it flows. So, hence you cannot compare. You can look at all past years. Every time fourth quarter is going to be less than the third quarter. So, it is not fair to compare, because that is the way the cycle flows, in terms of quarter on quarter. In terms of year on year, I think the number has grown at an EBIT level

Nityanand B: That is the full year. I am saying if you look at the last quarter and for that quarter compared to the last quarter in the year 2015 and the digital marketing EBIT.

Y. Srinivasa Rao: The reporting is done in the following way. The audited balance sheet is prepared for the full year. The residual balance is shown in the fourth quarter. So, it is fair to compare the full year PBIT (Profit Before Interest & Tax) with the full year PBIT of 2015. Last year it was Rs 540 crores and this year it is Rs 608. There is an increase of about 68 crores and in the terms of percentage it is 13%.

Nityanand B: Yeah, I know that. Overall, year on year it is fine. I have another question. In this industry who normally we fight for the business? Who are your main competitors? And if you can give generally the industry size and your wallet share, that will be a great help.

Suresh Reddy: Perfect. It is a very large industry globally. We play in a lot of markets. And we compete with lot of people across lot of markets, so just to give you a very broad answer. It is around 200 billion dollar business globally. Broadly half of it is US and then there is Latin America and Europe close to 17%-18% and then the rest of the world is the rest of the pie. So, this is how the market is distributed. In terms of people, we compete with lots of players. For example, in the US we may be in the top thirty, maybe top fifty for sure, in terms of who we compete with, because there are very large players in the US and we compete with various people there. In terms of Latin America, we are definitely in the top five, maybe number one in some of the countries. In Europe, we are in the top fifteen, max and rest of the world we are, still there is a very scattered market for us to even say how it is going to look like. So, this is broadly how it plays out. And the players that we compete with, I can give you a few names. In the US, I don't think you will know them, like Specific Media, Tribal Fusion, they all have newer names. They are always shifting

names. But, basically these are some of the players there. ValueClick used to be one of the players in the US, which got acquired. And in terms of mobile marketing sub space, we collaborate and compete with players like AdMob and companies like that in the US. It is part of the Google ecosystem. This is a very interesting space, where we collaborate very closely with different companies. While we say we compete with Google in some places, we actually collaborate with Google in others. Some of our big revenues in the media side does come from Google and same is the case with Yahoo. And in Europe for example, we compete with the likes of Tradedoubler and similar players like that. So, there are a whole slew of different players we compete with in this market. So in terms of the company that has a large footprint and is able to leverage right shore for the right activities, we feel very proud. We are definitely one of the fastest growing and most efficient companies there, in terms of how we are right shoring our work and making sure everything is flowing well.

Nityanand B: Great. Thanks a lot. Thanks for explaining in detail. I have few more, which I will send it over the email.

Suresh Reddy: Please send it. Definitely, we will do that.

Moderator: Thank you sir. Sir, there are no further questions.

Suresh Reddy: Okay. Thanks a lot and appreciate all of you to be on the call. And we will give you updates all through the quarter and any developments and definitely see you next quarter. Thank you.

Moderator: Thank you sir. 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 all disconnect your lines now. Thank you and have a wonderful day everyone.

Note: 1.This document has been edited to improve readability.