



LYCOS INTERNET LIMITED

**SECOND QUARTER FY 2015 – 2016 CONFERENCE
CALL TRANSCRIPT**

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Transcript

Conference Call of Lycos

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Presentation Session

Moderator: Good afternoon ladies and gentlemen. My name is Moumita and I will be the moderator for this conference. Welcome to the Lycos Investor Conference Call. The duration for this conference will be for an hour. For the duration of the presentation, all 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 hand over the floor to Mr. Rajesh who handles the Investor Relations. Thank you and over to you sir.

Rajesh: Thank you Moumita. Good afternoon, I welcome all today to earning's call to discuss Q2FY16 financial results. Today we have with us our Chairman and Managing Director Mr. Suresh along with our CFO Mr. Srinivas Rao, and joining us for the first time from Boston office, Mr. Ed Noel who is General Manager of Lycos Media. He will be talking about our media business as well as his interactions at Yahoo's Convention. We will start the call first with our financial performance with Mr. Srinivas Rao and then Mr. Ed will take over and from him Mr. Suresh will talk about our operations. Before I hand over to Mr. Srinivas Rao, I would like to mention that during the conference call the statements made can be constituted as forward-looking statements. These statements include description regarding the intent, belief or the current expectations of the company with respect to the results of the operations and the financial conditions of the company. Such forward-looking statements are not guarantee for its future performance and involve risks, uncertainties and actual results may differ from such forward-looking statements as a result of various factors and assuming which the office believes to be reasonable in light of operating experience in recent years. The risks and uncertainties relating to these statements include, but not limited to fluctuations in earnings, the company's ability to manage those, competition, government policies, and regulations. This company does not undertake any forward looking statements to make from this time to time on behalf of the company. Now I would like to forward

this call to Mr. Srinivas Rao who is our CFO who will give our financial update. Thank you sir and over to you.

Y. Srinivas Rao: Thank you Rajesh. Good afternoon ladies and gentlemen. It is a pleasure to speak to you. This quarter we have very good growth across geographies. Our performance in all parameters improved. Revenue for quarter 2 of 2015-'16 was Rs. 568 crore, an increase of 15.3% on quarter-on-quarter and 22.8% on year-on-year. EBITDA for the quarter 2 was Rs.182.72 crores, an increase of 18.5% on quarter-on-quarter and an increase of 30% on year-on-year. PAT for Q2 was Rs.105 crores, an increase of 16% on quarter-on-quarter and an increase of 27.5% on year-on-year. The digital has been a significant driver for growth across all verticals. Our ability to bring together our domain expertise, deep technology capabilities, and a unique understanding of the customer's business and context to create digital solutions in helping them to transform their businesses is positioning us very well. Revenue from digital marketing segment for Q2 of 2015-'16 was Rs. 458.38 crores, an increase of 17.92% quarter-on-quarter and an increase of 33.04% year-on-year. Profit before tax for digital market segment for quarter 2 of financial year 2015-'16 was Rs.152.32 crores, an increase of 11.42% on quarter-on-quarter and an increase of 26.16% on year-on-year. Revenue from software development segment for the Q2 FY15-16 was Rs.106.74, a slight decrease of 2.9% on quarter-on-quarter and decrease of 7.7% on year-on-year. Now I come to the other areas. I believe there have been some queries regarding the account receivables, intangible assets, bank debt, and dividend.

Now I will explain more detail in this regard. When we come to the receivables, we are happy to inform you that our receivables in digital segment has reduced from 106 days to 100 days and on consolidated basis also our receivables are decreased from 158 days to 151 days. Out of the total receivables of Rs.878 crores, the digital receivables is only Rs.458 crores and the software receivables is Rs.410 crores. All our digital receivables are aged less than six months. There are some slow-moving receivables in the software segment. However, we are putting all our efforts to realize the same. Our recovery is improving in these segments also. Going forward, by next March, we will have much more improvement in the recovery of software receivables also.

Next, I will come to the intangible assets, which is shown as an asset in the audited balance sheet of 31st March 2015. Normally the expenditure which is incurred is tracked based on the nature of expenditure. Basically the expenditure is of two types, that is revenue expenditure and the capital expenditure. Revenue expenditure goes into profit and loss account and the capital expenditure goes into balance sheet. The expenditure incurred for day-to-day operations for which the benefit is

realized in the same period, that is immediately, will be booked as operating or revenue expenditure. It will go to profit and loss account and it will be written off in the same period in which it is incurred. Second one is, any expenditure like employee cost, consultants cost, third party algorithm expenses and license cost incurred for research and development in nature and for the creation of any product or intellectual property the benefit of which are realized over a longer period of time, in future, is capital in nature. As per the provisions of company's act and the accounting standard. This is put under the head intangible assets as product development. It will be shown in the balance sheet as an asset. Any expenditure incurred in capital nature, other than the above mentioned purpose of product development is classified under the head work-in-progress. In this case also the benefits out of these assets are realized over a period of time in the future years. The details of expenditure incurred shown in the audited balance sheet as on 31st March 2015 is explained below. Capital work-in-progress of Rs.104.86 Crs has been shown as an addition during the financial year '14-'15. We have developed and deployed Lycos TV during this year. Significant developments were content management system, Showbiz, Drone Landscape, Entertainment, Fashion, Food, News, Entertainment Network, Featured Videos, Hooplaha and Sports Videos. Developed a base intelligence system for IOT endeavor of the company were Lycos Life app for Android OS, and iOS, LYCOS Life Band Firmware and design integration and LYCOS Life Ring: Design Integration.

And again intangible assets would be classified under head under development was Rs.164 crores was shown as addition during this period. Out of these, we incurred Rs. 36.88 crores for the enhancement of the sales infrastructure in the branch offices of Brazil, Argentina, Chile. On these enhancement of sales infrastructure, it enabled us to offer and grow in these geographies. And again Rs. 63.96 crores was incurred on intellectual property development which is for IP development efforts, which was made in the areas like Programmatic buying/advertising: Programmatic Buying integration with SSPs (Supply Side Platforms - Publisher side) and DSPs (Demand Side Platforms Advertiser side) to deliver impressions with highest in real time. Advertisers and Agencies are increasingly seeking effective budget utilization RTB is a natural progression for Lycos with a perfect ecosystem. With DMP and a Tag Management System in place, LYCOS can switch into a new orbit. Internet of things, Lycos has launched Lycos Life products i.e Lycos Band and Lycos Ring which come under Inter of Things. We had made significant enhancement on our Ad deployment platform to increase efficiency with Bot traffic filtering technologies and algorithms. We have developed LYCOS TV to incorporate 3rd party content acceptance systems for Video feed CNN and Reuters. Specific enhancements were made to the following legacy properties

Next, regarding the bank debt, during this year from April 2015 onwards we have paid an amount of Rs. 22 crores to bank. Actually our plan is to pay off the total bank debt by March 2016 or latest by August 2016.

Next is regarding the dividend. Regarding dividend our board of directors have taken a policy on the payment of dividend. That is dividend can be declared only after the following, that is 1) clearing of the total bank debt, which is explained above, and after meeting the research and development cost, which is going to help the company in the long run. After paying of the debt and meeting the R&D expenditure, the dividend is declared out of the surplus cash generated from the operation. Then, if you have any queries, you are always welcome to write at the end of the session. Now, I am handing over this to Mr. Suresh.

Suresh Reddy: Thank you all for being on the call today. It is, I know, a busy day for all of us. We really appreciate you taking time to get an update from us. This quarter has been extremely interesting and very satisfying, so lot of strategies we put in place are working, and we are seeing results. And the team is extremely enthused and excited about the direction in which we are going. So with that in mind I will primarily talk about the market, I will talk a little bit about the advertising group, the new division Life, and I will let Ed talk about the media.

So to start, just to give a quick update before I go to the market as well. A few key things that has happened over the last quarter, #1 is we were part of the list of Fortune next 500 list, we made the top 10 in the list and this is, I think, a decent achievement and we hope to cross and come to the top of Fortune 500 the next time around and looking at numbers, I believe, we should be able to get there. We will see how everybody else performs. So we are pretty positive on that. And we actually attended that Award conference and was part of that in Delhi. This is only for India, of course. In other significant developments, we have added Michael Mauldin to be on our board as an Independent Director. Michael Mauldin is the original inventor of Lycos back in the day and we are very, very proud and glad that he sees our vision, our strategy is in line with what he is seeing, so he would like to help us in any which way he can and we are very, very thankful to him for being on the board and we will start seeing the benefits of that as we go forward in terms of strategy and in terms of thinking about technology for the group. Also Subroto Saha, the Founder and CEO of Aquachemie, is one of the partners there in Dubai, has come on board. This should help us with the Middle East market and that is the area that we have not really expanded much and that is something where we could start taking his strategy and thinking on how we can crack that market. He comes on board as an Independent Director as well. And on top of that, these are quick updates

on things that have happened over the quarter. During this period we presented at two trade conferences, which are pretty reputed and they called us based on the product qualities that we have come up with. We have presented both at the Vegas Conference and at the Hong Kong Conference. So these are the key things that have happened over this particular quarter. Coming to other parts, in terms of just updates, in terms of patent, there are lot of questions regarding patents, what is going on is that we have had lot of requests, our partner is working with various requests, we have not finalized on who we will go with or what we will do at this point. There are various offers that have come to us, some good, some not so good, so we are trying to work to navigate through it and negotiate through it. It is taking a little more time than we expected. However, it is very positive that there is a tremendous interest in the patents system. So on various fronts we are evaluating where we could benefit out of owning this patent, because we believe it is a big asset of the company as well.

Then, coming to consolidation of all the digital assets under Cayman, we hit a couple of bottlenecks in terms all logistics and related to moving assets. Under that, to me, it looks like 2016 is when this is going to happen. We were not able to make much progress on that this quarter, but we are hopeful that lot of things will fall in place post the holidays, and we should be able to start bringing that together again. Then coming to our auditors, the Mr. Murali and company is our consolidation auditor while we have Ernst and Young as our auditors for Israel and we have other auditors in the US, auditing our books and only consolidation happens in Hyderabad by Mr. Murali and company. And his term ends after March 2016, so we are looking at who we should bring in next and we are evaluating a few major options. We had a few big auditors presentation to us in terms of how it can be done and what are the different ways of improving our reporting structure as well. So, these are some of the developments we are working in terms of cleaning up the core system and ensuring that faster reporting happens and so that we don't have to wait till the last minute to report. So, these are the top level things I wanted to update.

Coming to the market itself, the market has been fantastic as you might have noticed, we have had good results. The big changes that have happened in the market from a very high level strategy perspective, representative media, people who represent third party media and the trading ecosystem, have been massively impacted. People who buy from one and sell from one and don't have anything of their own, have started to get into trouble with this particular changes that have happened and own media, that is where we believe the strategy of us going towards Lycos and actually naming the company as Lycos is actually helping us stay ahead, so that is number one. I just wanted to update in terms of market changes and how we feel that we, we kind of predicted this in a way and we made the right move and one major event that happened was, appnexus, a large platform, seeing that number of digital media traders feeding off of its exchange, they decided

to drop an entire division which caused a huge grief to the market, a lot of companies actually their revenues dropped to 20%, 30% of what it used to be in the eco system. Eco systems got massively reshuffled. We came out unscathed, we did get impacted a little bit, but overall we came out good because of us moving towards video and having other options there and not forced to just depend on one or two major of these platforms, so it is always better to de risk yourself and continuously learn this from market shift. So this is something which we feel good that we were ahead of the crowd on that and other things that have changed, which we are now thinking on what is the next move in that direction is the content saturation. There is a lot of content being created, user engagement has been a challenge in some cases, so some of those have been, the whole strategy of just bombarding with lot of ads, through lot of content, it's probably not going to work, so the user engagement needs to get more sophisticated. Areas like influential marketing is beginning to just start seeing the early light. I will give you a larger update in the next quarter. I believe this is an area that might just start where influences in the market will have a significant role in marketing the right product. So, this is just broad market view and another big thing just I forgot to mention is ad block. There is lot of ad blocks that have also caused lot of grief in the market in terms of mobile marketing and lot of significant players both India and abroad have been impacted by this. However we have been working very closely with this blocker software in terms of vitalizing our offerings, because we work with the best of the best brands plus we also have our own tools which we bring as a value added offerings. So, these are two things that we have done proactively and hence we feel confident that our mobile friends will start to increase going forward. Broadly these are the areas, now coming into... the rest of it I think we already published on our press release, but I will just touch upon it very quickly. We launched a product called Vid-In which is basically a large video player where if there is a publisher who just has extra space and wants to have video we will immediately give them contents relevant to their site plus we will also embed ad for them to monetize their site, so that is one. Then the other part we added new publishers in news and travel verticals and we had a big representation go to Germany at UNESCO, that has been fantastic for us, outcome of that we have signed up a new European demand platform, SAP and plus we have also enhanced mobile supplies, thanks to some of the strategies we have put in place from existing demand partners and also we have this new video player integrated into the system plus we did an initiative, very interesting initiative by my head of the entire advertising area and VPF R&D. Bunch of the large senior management in that division did a road trip and met a lot of programmatic partners across the US primarily publishers to identify their needs, to help them tailor made technology to what their needs are and to help them monetize them. So, which is I think you will start seeing the benefits going forward. So, we are very excited about that also. I just wanted to share that with you and then the next thing is we have also signed a new deal with Apollo Tyres.

There was some confusion whether it is Apollo Tyres or Apollo Hospital; it is clearly Apollo tyres from Delhi. Apollo Tyres Group which is called Apollo International, they have a group called Apollo Logistics with whom we have done a joint venture to help brands from across the world enter into India and do income. It is an e-commerce enabling solution, it is basically commerce as a service which is, in the early days some of our investors talked about it, but this is the venture where we feel that we only have the expertise on one part, but as a joint venture where they have expertise on logistics, we have expertise on setting up and promoting products online, so this combination we feel would be very strong. This is first of the kind in India, it is making tremendous progress, we had our first board meeting on Monday and Tuesday this week and the whole team is being put together, business plans are being drawn up, so we are pretty excited about that venture as well. Coming to the interesting fun part of what we are working on, is the Lycos Life area where we have our brand and our wing that we have launched on an alpha and on a beta level and we have got phenomenal feedback, the software has massively stabilized in the last quarter, I would say the last one quarter, three months roughly, it is very, very stable now, we have added lot of new features taking the feedback into the system and yet kept the system very stable and we believe now it is getting to a point where we are ready to launch officially into, start doing marketing launch. So, that is a two-step process, the first part which is you want to do a test market. We have identified the test market, it is one part of a major metro that we are looking at, we have, the key things that we are working there is we have brought in an agency to help us, then we are also looking at the marketing message on how we can get ahead of the clutter, there are so many other options are there, the market has, then we have a very unique product and how do we position ourselves right. So, that is the big work that is going on in that group and we are very pleased with what is coming out. Key thing is about how do you differentiate and the goal here is once we do the test marketing, then we go for the full-fledged launch, after the full-fledged launch in one year we want to sell million sets and whatever amount of that we can sell. So, this is the goal we are going after and there is a lot of clarity in the whole works there as well as lot of excitement and lot of teams are being put together at this point. So, and I will answer more questions, I am sure there are more questions about this area and that is the full discussion I wanted to bring forth. Ed, you can go ahead and give an update on the Lycos Media division and your trip to Yahoo partner conference.

Ed Noel: Hi everyone, we had our annual partner meeting with Yahoo last month and that was about 100 other partners all working different versions of Yahoo. We were in San Francisco for few days and we have been working with Yahoo for a decade now a strong global partner of ours. We also recently launched a media with a company called indeed.com, which is a global career search sort of and we will be launching with them before the end of the year, hopefully in a few weeks

there in order to use their services to help finance the yahoo user who they are looking for a career search services, etc. So those are the two or more major initiatives in the last quarter. We did renew with Google as well, we are actually one of the first Google partners going back pre IPO and we have a strong global partnership with them as well. So, things in the US are moving along strongly and I can see them increasing over the next two years.

Suresh Reddy: Thanks Noel. Can we go ahead and open up for questions now.

Question and Answer Session

Moderator: Yes, 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, our first question comes from Mr. Gaurav Gupta, he is an individual investor. Please go ahead, sir.

Gaurav Gupta: Hello sir, thanks for taking my call. My questions are with respect to the investments that we have made or are supposed to make, so the first question is that, how much is the expected investment that we are thinking that will go in the new venture with Apollo?

Suresh Reddy: Okay, that is a great question. This is what we are working through the business plan now. You have to remember that it is a business to business venture, this is not a B2C, we are not trying to recreate a Flipkart or a Snapdeal or an Amazon, we are providing the service that is required for somebody else to use our services. So, it is a B2B situation, so the key here is office, number two is, what we need for the key people that come onboard and the sales and marketing. These are the core expense; I don't expect that to be very large. Our initial estimate are about over the next two years, we are probably going to be spending my sense is about 20 crores, 15-20 crores max, not beyond that.

Gaurav Gupta: Okay, that's great and my second question is that since Lycos is in news more frequently nowadays, at least in last one year for various reasons, be it selling of our patented technologies over launching Lycos Life as a new domain etc. So have we seen any increase in traffic on the properties that are being held by Lycos Media due to this increase in advertisement or increase in exposure, have we seen any increase in traffic on those Lycos Media proposals?

Suresh Reddy: Yeah, I can explain, let Ed also add to it. These are two very independent things right now, I mean, you have to understand the media that covers this kind of news is primarily financial area and whatever marketing we are doing to get more traffic to our Media properties is a different ball game and what we get covered in the financial press and financial news, they are very independent, because there are a very select people who follow the stock, who are interested, who see, whereas when you are talking about the general consumer, what you require to enhance that traffic is different. That being said, I think the traffic has grown this year, because we are doing other activities. I don't attribute that increase to the media coverage we are getting in the financial press Ed, you want to add something to that from last year?

Ed Noel: I think the traffic is dependent on which services you are using the traffic for. I have seen increase in traffic related to the current marketing employed by the company to sell the wearable's on the website.

Gaurav Gupta: Okay. Yeah, my last question is that with respect to the funds allocation in our funds investment in the fixed assets, I can see that as compared to the March 2015 and September 2015, there is some increase in investment of nearly 50 crore in fixed assets as well as some depreciation of 25 crore is also added into that, so nearly Rs.75 crore is invested in fixed assets on a cash basis, so if you can just give me any brief idea that where exactly, in which domain how much is being invested because I can see that last time you have published a very detailed cash flow statement in which how much fund was invested in each and every domain it was published, this time it is not published?

Suresh Reddy: We will publish those details in the next day or two, we are working on it. We have a presentation that will come out and we will have the details of how the cash was deployed, because at a very large level, I mean, the fixed assets are distributed over various divisions, various subsidiaries that we have, so we will try to break that and give you a more detailed, we will put it up there for you and Srinivas Rao, if you want to talk, if you have something to add please do.

Y. Srinivas Rao: Broadly during this half year our EBITDA was Rs 337 crores out of which we made payments to vendors about Rs 55.9 crores to reduce the liabilities and we have repaid bank about Rs 22 crores and also our bank balance has increased by Rs 32 crores, we have businesses different parts of the world working in different territories and also we have paid tax to the respective local government about Rs 95 crores and we invested some amount for the product development. In the starting of the call we explained how the product development and all. Other

expenditure is tracked. In the same line we invested about Rs 79 crores during this quarter for the product developments and R&D and for creating intellectual property, all those things.

Gaurav Gupta: Okay.

Suresh Reddy: We will publish the details so that you guys can see the details.

Gaurav Gupta: Okay thanks a lot, thanks for taking my question.

Moderator: Thank you sir. Our next question comes from Mr. Moorthy Ram who is also an individual investor. Please go ahead sir.

Moorthy Ram: Thanks for giving the wonderful opportunity. Good afternoon Suresh sir. I would like to congratulate on various parameters like good set of numbers and shareholder friendly approach and transparency of the management. My first question is regarding the increased number of pledging of shares as per the latest quarterly results.

Suresh Reddy: This is not related to the company, this is what....these are things that are done outside by shareholding promoters of the company and it has nothing to do with the company.

Moorthy Ram: Thanks sir, I understand this sir. Then second regarding the utilization of the reserves and surplus you are having, which is nearly I found 1600 crores if I am right?

Suresh Reddy: Okay.

Moorthy Ram: Currently our debt stands at 88 crores sir.

Suresh Reddy: Right.

Moorthy Ram: We are paying huge amount of interest to the Indian banks also, whether we can close the debt very soon sir, maybe in one or two months using the reserves and surpluses sir?

Suresh Reddy: Yes, yes. The idea here is we are pushing hard to the board which has taken a serious view because of the interest we are paying and all the hassle we are going through because the fund flow hasn't been easy from various subsidiaries into India and vice versa. So we are also

in the same mind set of getting rid of the debt as quickly as possible as Mr. YSR my CFO said. Our goal is to completely retire the debt. To become a debt-free company by October 2016 worst case. So this is our number one goal in terms of financially what we plan to do.

Moorthy Ram: Okay sir. Another question regarding the appointment of Mr. Mauldin in our Board who is the father of internet, we can use his knowledge power, whether we are having any chance to enter into robotics because he is an active competitor in robotics I think.

Suresh Reddy: Yeah, We have to remember he has had his own period where he innovated, he created beautiful things. He is having a good time with his life. Our request is, he has not come in as an employee, you have to remember that he is only an independent director. We are only looking to him for advice and guidance and he is very happy to provide any guidance. He is like a caretaker of the company presently. Yeah he is like a father figure for us in a lot of technology areas because we believe to get the competitive edge, we need to have strong technology guidance and I think somebody like him would really give us a big competitive edge.

Moorthy Ram: Okay sir, very nice speaking with you sir. Have a great day and a great year ahead also sir.

Suresh Reddy: Thank you.

Moorthy Ram: Thanks a lot.

Moderator: Sir we have the next question from Mr. Raymond Paul who is an individual investor. Please go ahead sir. Sir there is no response, we will take in the next question, it comes from Mr. Pawan, he is a retail investor. Please go ahead sir.

Pawan: Hi thanks for the opportunity for speaking to you. So my question is on the Lycos Life product. If I just want to break down the question into three parts, I want to know what the revenue is from launched a few months back, Lycos Life products. So I want to know the revenue from Lycos Life products till now and what are the future products pipeline in this and in which countries we are seeing more traction for Lycos life products and how are we positioning it when compared to say Apple and Samsung ?

Suresh Reddy: These are my favorite questions, so thank you for asking. The key here is, first one what is the revenue? Number one is this is a beta launch and we have not done any marketing. It is all to CR that has covered us, we are handing it off to a lot of journalist, we are handing it off to a lot of experts, lot of influentials in the market. Great feedback, a lot of articles have been written, a lot of people have given us feedback on fixing things, adding features. So this is in the process of beta updation. Now we want to do an official launch, this is what I talked about. This will be done in two stages. First stage we will do a test market, second stage we will do a full-fledged marketing effort. The test market is we have identified in India one metropolitan city. We will take a part of that and we will meet the marketing strategy and like you rightly said positioning. So it is all about positioning and the right message getting through. So if we get that right, then we are ready to scale across which is what we are trying to do right now. Once we figure that out we will start launching and pushing in India as well as US immediately and then go into other markets. The goal there is to do a million unit scale post the full fledged marketing push that we will do.

Pawan: What is the timeline that we are looking at for the launch in India?

Suresh Reddy: We wanted to give it some time, I think we already gave it almost now four, five months to get all the feedback and do all the tweaks and changes and stabilize and all that stuff. Now we feel very stable and sound about it. We have brought in the expert, in terms of how do we get the marketing message right. We have expertise as a marketing company on performance. But the first part is the positioning and the message has to be there which is where we don't have the expertise. So we are hiring outside help to come and help us. So my guess is it will happen in maybe two months, and then we will do a launch in a test market. We will have that running for about three months to six months and as the results start to come and as we feel confident, during that period, whenever we feel right, we will do a full launch.

Pawan: Hopefully we will see a lot of ads like....

Suresh Reddy: First you will see ads only in one region and we will let you know which region that will be, but we will be looking at one metropolitan city Then we will start looking across the country.

Pawan: Thank you for this. My other question is sort of a different question, why is there the dog photo in the company logo?

Suresh Reddy: Why is there a dog photo....?

Pawan: The company logo is a dog photo so....?

Suresh Reddy: Oh yeah, this is a historic reason, you can look it up. Basically Lycos when it was first launched, it was first search based upon context. So the idea was when they launched it, they came up with the logo; "go get it" so it is throwing something of theirs and the dog will go and fetch it. So with that concept the logo of dog came in and that stuck. So globally it is well recognized with a certain set of community that Lycos has this dog. So we felt that we wanted to retain that and not lose that.

Pawan: Thank you very much.

Moderator: Thank you sir. Sir we have the next question from Mr. Raj Kantawala from Equiris. Please go ahead sir.

Raj Kantawala: Congratulations on a good set of numbers. A quick book keeping question, could you please give us the breakup on the receivables, how much are less than six months, six months to 12 months and above 12 months?

Suresh Reddy: My CFO will be able to do it. Mr. Srinivas sir can you help us out?

Y. Srinivas Rao: Actually our receivables as on 30th September 2015 was Rs 878 crs out of which Rs 468 crores is from digital segment. In digital segment the number of days receivables are 100 days, so all the receivables are around three to four months. And the remaining amount is from the software segment where the receivables days are a bit longer. We have been putting our efforts to realize the whole outstanding and slowly we are realizing. Hopefully by March, we will reduce and realize substantial amount from this segment also.

Raj Kantawala: Okay sir and another question on the bad debt we are talking about retiring it. If I remember the debt on our books as on 30th September it comes out to be around 71 crores plus some part of other current liabilities on the consol level, so the cash is already around 88 crores so why do we need to offset our debt first?

Y. Srinivas Rao: Actually we are working with 24 offices and several countries which are working in different markets in different territories. So this money is spreading over across the globe in

different subsidiaries that is being used for the day to day working capital and their business requirement. So the debt is in India. That money is required to run the subsidiaries operations efficiently. So anyhow we are taking steps and we are planning to pay off the total there by 31st March of 2016.

Suresh Reddy: Can I add to this a little bit? I think the question is valid here on one side you are seeing cash and on the other side you are seeing debt and it is not making sense but you have to see the big picture. The debt we are talking about is the Indian debt which we inherited about 150 crores or so when we merged with LGS and of which we had cut down over the last year and the last six months as well and that is India based. And the money that is showing in the cash is all these different locations that we have. So if we take all the money and pay the debt, then we can't run the operations. Operations have to run without impacting the efficiency of the operations, without impacting the ability to earn, we have to warily cut down this....So it is a very careful way of doing it plus there are restrictions on how much money can be transferred to India it has challenges as well. So we are working through that because the debt is all in India and the money is outside and that's why you are seeing all this....

Raj Kantawala: Okay sir. So these are the reasons which are using up or consuming maximum proportion of our debt.

Suresh Reddy: Only in India we have debt, we don't have any other debt. We have all the debt in India, you can call it working capital you can call it whatever, but this is something that came to us and we wrote off an amount right after the merger and so hence this was sitting on the books and it will continue to sit on this. This is not really rolling the way it should in a typical working capital set up. Hence our first objective is to get this off then we have a much cleaner running, smoother operating system to offer. So we don't have debt anywhere else except India. There are some working capital rotations that are happening, but the debt that is sitting on our heads is India based and that needs to get cleared up.

Raj Kantawala: Understood, in fact if we go by our segment in terms of banners or video or email marketing, which of the segments do you think would be the biggest driver for us in the medium to long-term?

Suresh Reddy: It is a very tough question to answer because what we have seen over the last say 17 years of company is that this is a very dynamically changing industry especially digital media

and digital marketing is a dynamically changing phase. If you had asked me this question in 2001, I would have told you email. I would have told you search in 2004 or 2005 and I would have told you social media by 2007, 2008 and then 2010 we are talking about video, 2012 whatever and now we are talking of video on mobile and that was the major offering. So what we need to watch, what we as a company watch is what are users doing with the media and accordingly the advertising starts to kick and accordingly our own engine will shift and ensure that we are there. So this is an art that we have learnt to master over the years and we will continue to grow without media usage, pattern changes in the market. That being said, I can give you my new window which may or may not come through going forward. My view of the window, I think so far we have been looking at internet and media through windows....four, five windows, that whole thing is going to shift. We are going to be inside the internet and that's where the internet has changed in our initiative which we are verily excited about. So that shift is going to be a major shift and will happen over the next four, five years in my view.

Raj Kantawala: Just to follow up on that sir, how to position yourself as a player in the internet of things space and who do you think are your like to like competitors in this space?

Suresh Reddy: It is too early right now. There is no major player in the market. It is very early with a lot of people trying to do a lot of things. So it is too early to say anything. So at this point, we believe that if we make a few right moves, we can come well itself so which is what we are trying to do. It is very early at this point in time.

Raj Kantawala: Okay sir then finally, are we maintaining our growth guidance of around 29% for FY2016 and what is our guidance on margin?

Suresh Reddy: We cannot give any guidance but we are absolutely on track towards what we promised in the beginning of the year, roughly around 25% to 30% growth for the year in terms of revenue.

Raj Kantawala: And sir in terms of margin?

Suresh Reddy: Margins will be around the same as we have today so that won't change much give or take.

Raj Kantawala: Okay sir, thank you so much and all the best.

Suresh Reddy: Thank you very much.

Moderator: Thank you sir. Sir our next question comes from Mr. K. Srinivas Reddy, who is an individual investor. Please go ahead sir.

K. Srinivas Reddy: Congrats Mr. Suresh Reddy and Co. for another great quarter.

Suresh Reddy: Thank you Mr. Srinivas.

K. Srinivas Reddy: My first question is relating to balance sheet regarding the debt position. In the call, I think the CFO, long term borrowing it says zero but short-term borrowing are Rs 71. Can you just explain where the that number is reflected in the balance sheet?

Suresh Reddy: Yeah. Mr. Srinivas can you just explain?

Y. Srinivas Rao: Now in the balance sheet, debt is shown under a different heads. If debt is payable after 12 months, it is shown under the long-term borrowing. Now that is reduced to zero. Whatever is payable in the next 12 months are shown under the other current liabilities. As per the company's act if you go through the balance sheet schedule, the bank liabilities are shown under three different heads. One is the liabilities payable after 12 months, the term loan whatever is there is shown under one head. The installments maturing and payable within 12 months are shown under one head and the interest and other liabilities which are past due are shown under the other head – current liabilities.

Suresh Reddy: Can we do a little sheet on that Mr. Srinivas, please share that also with him.

Y. Srinivas Rao: Yeah we will share that.

K. Srinivas Reddy: That will do Mr. Reddy And relating to the same one, Mr. Srinivas can you just clarify, in the standalone if you show it, 86.65 crores as outstanding in long term borrowing under standalone whereas in the consolidated that figure is reduced to nil. Can you please explain why it is?

Y. Srinivas Rao: Yeah I can explain this. Actually Rs 86.64 crs is outstanding as on 30th September, 2015 is on standalone basis. This amount is payable to group companies. When we consolidate all the group companies, it is squared off and the balance is nil. Hence, in the consolidated balance sheet there is no balance as on 30th September 2015.

Suresh Reddy: Inter-company debt.

K. Srinivas Reddy: Do you mean to say that short-term borrowings are not intercompany borrowings, basically it is to banks?

Suresh Reddy: Right outsiders. Some of them are banks.

K. Srinivas Reddy: okay great clarity. One more thing, trade with you, from next quarter onwards, we will have one more small column in the disclosures about how much is the outstanding for less than six months because on social media forum, the big confusion I think are the company's trade receivables..

Suresh Reddy: Yes, we did put some effort to explain that actually that's what the CFO talked about. We will also publish this so that you can see clearly what he talked about and I think that should clarify a lot of questions.

K. Srinivas Reddy: Yeah, from the next quarter, we reduced a lot of negativity I the social forum it will be good.

Suresh Reddy: Yes exactly, we will address that. Good feedback.

K. Srinivas Reddy: Okay thank you very much.

Moderator: Thank you sir. Sir we have the last question from Mr. Ronak Jain an individual investor. Please go ahead sir.

Ronak Jain: Good afternoon. Sir my first question is Lycos Apollo Netcommerce? We have started working on it or you have just now....

Suresh Reddy: We have started working on it. The entity is already set up. We had the first board meeting, we have reviewed the business plan, so the work is in progress, I think it will take three months before we start getting our first client.

Ronak Jain: Sir have you made out a plan what will the margin be like?

Suresh Reddy: We will not like to talk about it yet right now because this is something we want to work through and then do it.

Ronak Jain: My second questions is what will be your work in the JV; it will be marketing software development or anything else also?

Suresh Reddy: For Apollo Lycos? No, no it will be an end to end solution. Let us say you have a brand that is entering into India. Let us take a simple example. Any large brand. Just think of some few brands, which is based out of Switzerland that wants to start selling in India, which has never entered India. So all they have to do is sell us that product and shift the product to the location we tell them and we will ensure their set up is marketed, we will ensure the product is ordered, we will ensure the product is delivered, end delivery to the consumer. So the entire solution from marketing all the way to delivery and then even including reverse logistics if somebody returns back. So the entire solution is what we are offering. So that is where we bring the friends of both Lycos and Apollo together.

Ronak Jain: Alright. Thirdly is there any other interviews that are coming on the TV of yours?

Suresh Reddy I don't know about that. My PR people will know. We are all very busy now because we are working on a few things very frantically so we haven't gone outside and done most of that.

Ronak Jain: Its pleasure to watch you on TV, very informative.

Suresh Reddy: Thanks a lot.

Moderator: Thank you sir.

Suresh Reddy: Thanks a lot for being on the call and I hope we have answered most of your questions. If we have not, please send an email and we will respond to you via email or we will publish it to you. 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 disconnect your lines now. Thank you and have a good evening everyone.

Note:

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