



# LYCOS®

## **Second Quarter Business and Financial Investor Conference Call**

**Event Date / Time** : 30<sup>th</sup> October 2014, 02:00 PM IST

**Event Duration** : 47 min 43 sec

**Corporate Participants** : **M. Suresh Reddy**  
Chairman & Chief Executive Officer

**Amreek Singh Sandhu**  
Chief Financial Officer

## *Presentation Session*

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**Moderator:** Good afternoon ladies and gentlemen. My name is Phoebe and I will be the moderator for this conference. Welcome to the Lycos investor conference call. The duration of this call will be 45 minutes. 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 Phoebe. Good afternoon everyone. And thank you for being with us to discuss Lycos financial results for the quarter ending September. Today, we have here with us Mr. Suresh Reddy, our Chairman and Managing Director as well as Mr. Amreek Singh Sandhu, our Chief Financial Officer. Mr. Reddy will give us an update on business front and Mr. Amreek will give us on the financial highlights. Before I hand over to Mr. Amreek, I would like to mention that during the conference call, except for the historical information and the discussion contained herein, the statements made can constitute forward looking statements. These statements include description regarding the intent, belief or current expectations 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 involves 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 operational experience in recent years. The risk and uncertainties relating to these statements include, but not limited to regarding the fluctuations in earnings, the company's ability to manage growth, competition, Government policies, regulations and etc. The company does not undertake to revise any forward looking



statements that may be made from time to time on behalf of the company. Now, I would like to introduce Mr. Amreek Singh Sandhu to take this forward, this conference forward and give the financial highlights. Thank you sir.

**Amreek Singh Sandhu:** Thank you Rajesh. Good afternoon to everybody. And thank you for joining us on this call. We appreciate your continued trust in our company. I will just give you a brief idea about the performance of the company for the quarter ended 30<sup>th</sup> September 2014.

The figures are rounded off in this statement. The revenue for the quarter two, financial year 2014-2015 was Rs.460 crores, with an increase of 1% on quarter to quarter basis and 14% on year to year basis, same period. EBITDA for the quarter two 2014-2015 was 141 crores, an increase of 3% on quarter to quarter basis and an increase of 60% on year to year basis. PAT for the quarter two, financial year 2014 was 82 crores, a decrease of 1% on quarter to quarter basis and an increase of 43% on year to year basis. Revenue for digital marketing segment for quarter two, for the financial year 2014-2015 was Rs.345 crores, an increase of 1% on quarter to quarter basis and an increase of 22% on year to year basis. PBT for the digital marketing division segment for quarter two was Rs.123 crores, with an increase of 3% on quarter to quarter basis and an increase of 95% on year to year basis. Revenue from software segment for quarter two, financial year 2014-2015 was 116 crores. It is flat and there is not much increase, it is hardly 1% on quarter to quarter and that is there is a decrease of 4% on year to year basis. Now, I request our Chairman and MD, Mr. Suresh Reddy to take this conference forward with you on updating of the company



business. And we can have a question and answer after the end of update. I request the Chairman and Managing Director to take over from here. Thank you very much.

***Suresh Reddy:***

Thank you Mr. Sandhu. First of all thank you all for being on the call today. It is always a pleasure to be talking to the people who trust you and back you. And so I personally really enjoy these calls and getting used to having these calls quarterly basis. And I also chat with some of the people on Facebook, so if you want to connect with me on Facebook, just let me know. And when possible and when feasible, I do chat or respond to your messages. It is pretty interesting and cool that we can move into the digital age and start doing this more often and be more connected to all of you.

With that, I want to start off, talking about three main areas. Number one, we want to talk about the big change this quarter, the name change. We changed to Lycos. Yes, now we are Lycos. Lycos Internet Limited is the entity name in terms of the legal entity name. But, we will brand the entire business around Lycos globally. It can have same names within various countries as we go forward. We have adopted a strategy of taking the media assets and naming it as Lycos media division and put the rest of the business, the digital advertising business still under the name of Ybrant Digital for continuity's sake. As we go forward, at a later point we will evaluate changing that to a different name and some of the names that are floating around there are 'Lycos advertising' for example. Just wanted to give you a quick snapshot on that and that is a significant development.



The key thing here is, Lycos is a very well-known global brand. So, we wanted to take advantage of that as a company, as a business; number one, to generate more business; number two, to get high recognition across the world. So, it is a very significant move for the company. People may say it is a bold move. Yes, it is a bold move and one has to take some of the bold moves to leave the past and move into the future. But, interestingly we are taking some of the good things of the past and moving into the future. While the intent here is not to go and recreate a search engine, to compete with a Google or a Facebook or a Yahoo, but the idea here is to create a brand new Lycos, with the same underlying philosophy.

The philosophy being to simplify one's Internet browsing and Internet using behavior, to make things easy for one to use Internet, as simple as that. So, how do we do that? What can we do? And what are the different products that can come under that? That has been the logic behind how we have been working for the past one year and building out that new product set. And now, I think the time has come for us to make that shift and make the whole company under that name, brand everything around Lycos, so that everybody in the group gets benefited out of the new name. That is the logic. We are spending a lot of time on really going to the core of the brand. I am personally working with some agencies to help us with getting deep dive into how we rebrand into a way, where you can start, we get much more global recognition going forward. That is the big effort, which you will start seeing going forward. It is not an expensive brand. It is an exercise that requires lot of planning and execution. You will see a lot of these as you go forward. Just wanted to give you an update on that.



That aside coming to the next step, the results. Personally I am extremely proud, very, very proud of the team. We have delivered the numbers way ahead, way beyond of what even I expected. I am really happy, because like I told you last time, this is the second quarter. Usually quarter one, quarter three are very good and quarter two and four are the slower quarters. But, some of the things that contributed to this are the growth of video has been one of the big contributors. Our active participation in some of the large video platforms that have come up today, like BrightRoll, like a Tremor Media, like a SpotXchange, like Adap.Tv, like a Live Rail, we are actively involved in all these different exchanges today. In fact this quarter we signed up with one programmatic video advertising player called the Yashi, which is primarily targeting English-speaking countries. There is humongous euphoria if you may, about going out there and reaching out. Advertisers are in the euphoria, yes, there are more users using video, let us try and reach them more actively. And hence you see this spurt of all these different activities for example. Live Rail was bought out by Facebook and there was news about BrightRoll recently about Yahoo being interested in them, in the public domain. And we are actively connected to all these players for the last few years now and just now we are beginning to see how they are beginning to grow.

I briefly touched upon programmatic buying in my last call. Which is in essence, I don't want to go too technical, but fundamentally its the buying and selling of media for advertising. If you go back to how bonds were bought and sold, it is very similar. People would pick up a phone call and say, okay, I have this media, how much can you pay for this and then on the other side you will say, I will pay so much and you negotiate and close. That is how it started in the past. Gradually it



got into automated exchanges and then it started getting into real time bidding. This was the flavor of the season if you may, maybe around three years ago. Real time bidding, a lot of players came out on the real time bidding platform and we have been working with most of these. There are two types of real time bidding platforms. One is the demand side and the other is called the supply side, where the key players like RocketFuel and these guys are pretty active on this side. And then you have Rubicon, PubMatic and such on the other side. But, this has been there for a while. What is different about programmatic buying is that even on real time bidding you could bid on the real time manually. But, thru programmatic buying what you are able to do is, after one figures out the patterns of consumer usage on a website and accordingly write a program. So, now you are elevating this whole game to the next level. That has really excited the entire space. And you will hear a lot of people talking about programmatic buying, some right and some wrong. But, the core of it is this.

I just want to educate you on this and I know it is a new concept. But, you will hear more and more of this. But, fundamentally today lot of people are talking, when they say when they are talking about video advertising, they are lot of times freely using programmatic buying. I just wanted to bring that out. And in fact we have organized ourselves internally to have a separate division focused upon programmatic buying. It is a mix of programmers, mix of traffic management professionals and sales guys. And they work together on it. The beauty here is that it reduces the amount of staff you require to do more business. It makes it even more efficient. So, you will probably see some of the effects of it as we go forward, as we go deeper and deeper into programmatic buying. And I can



confidently say we are one of the leading players in programmatic buying in the world today. And we are very proud of that whole growth.

And in fact there was BrightRoll Video Summit which was also on the same lines. There was one at the end of September in New York and the second happened in just I think in Canada on 29<sup>th</sup>, which is last night actually. And both these places we have sponsored. We are one of the main sponsors there. I think one of the four sponsors or so. And then we spoke at the event. We met with the key players there. And it has got us a lot of insights directly from the advertisers on what they are looking at and how we can implement the programmatic buying ability and so that has been pretty enlightening. And it is very important for us to be there and important for us to participate in this. And the beauty here is we have kind of all grown together, so it really helps that. It doesn't matter whether BrightRoll is on its own or they become part of the Yahoo. They have become a central exchange of sorts for all the buy, sell that is happening on video advertising. And interestingly they are not limiting themselves only to digital video; they are actually also doing partially on TV as well. So, it is first time you will see a little overlap between the digital and the conventional TV.

Next thing is, I just want to come directly to some of the key wins that we have had this quarter. You will find that two direct customers, one is, eBay, I am sure most of you have heard of eBay. It is a large ecommerce or a platform where people do buying and selling of regular products, which is pretty one of the largest brands in the world today and then similar one we have signed up with, is Mobileye. What we actually do for them is we basically help them with online marketing strategy,



media planning. Of course they have, most of them have their own strategy, but we also do, there is no in between agency. The beauty here is that we are working with the direct customers. So, there we are actually growing closer and closer to where the money is and it should improve our efficiency, it should improve our margins. This is a step in the right direction and we are very proud about getting these agreements in place this quarter and similar relationship with Mobileye as well. In fact we work on campaign optimization, indicators on how to drive further sales. So, we work very closely on helping them create more business, which is what we are good at doing.

The number two thing is on the other side, we have publishers. So, we have signed up with some very interesting and prominent publishers as well. We have signed up with MyFoxTV, this is connected to the Fox TV, but they have an entertainment US website that is called MyFoxTV. And then we have also signed up with one of the top news magazines called 'Daily News' to represent them. And similarly we have signed up with 'NY Post' one of the top US portals. These guys, we are working directly there again and it is fantastic. We don't have to go through any exchange and that brings further margins to us. To give you what has happened in terms of why we are able to move some of these things better is, we have reorganized internally where the programmatic guys are doing the programmatic stuff and suddenly the traffic management guys who were managing, rather the publisher side or advertiser side are freeing up and hence you are seeing better wins here. We are very pleased about efficiency improvements here.



And we have also signed up with a Latin American media house, which pretty much operates websites across Latin America called Medula Networks. And that is another big win I wanted to bring to your notice today. Next thing is, we have also signed up with AOL's marketplace. While we work already with most of the marketplaces today, we have also, now we have signed up with AdTech exchange, which is AOL's marketplace. So, now we are able to sell more traffic and so that gives us a new revenue source. And we will start seeing the benefit of this more in quarter four. Now, we are hoping to see a bigger benefit of that in quarter four and quarter three. Those are the three wins that I wanted to share with you today.

In terms of business and in terms of product, I want to give a quick product update. We are chugging along. We are doing good on working through and fixing the backend of our Lycos TV product, which I talked to you last time. We have added another channel and we are working on the backend on adding more channels. Hopefully you should start seeing some of them getting deployed as we are able to sign agreements. We have just added a social gaming channel there as well. So, previously we had news, entertainment, we have gaming channel through SocialTron and which basically is very popular in the US, where people watch two players, two celebrities play a videogame and it is a thing called Twitch. We are taking the feed from there as well and it is being added to Lycos TV. That is the significant addition, but we are adding more as we go and we will be able to talk about it.

Similarly on Lycos Shopping we are working through some of the things here and there and in fact our partner has just launched a coin called Ziftr Coin. So, we are



trying to figure out how we can collaborate on that on the crypto side, while we have our own strategy. But, this is another piece that is an interesting development. So, we have to see how it all blends in together. So, we will be able to talk more about it as we go. That is the product update.

And of course we are continuing to work on the mobile solutions. We are ready on the Android side. We are still having some hiccups on the Apple iPhone operating system. So, we will need a few more weeks before we are able to launch these solutions. I am sure you will all be very pleased with these solutions. I know some of you (Retail Investors) are already using products like Whatsup, where you can have fifty-sixty people, you can talk to each other and actually actively discuss about the Lycos / Ybrant with all the investors. It is very interesting. And I think we are probably the test case in this whole Indian stock publically listed companies to have first of a kind, in my view. And I think the world is moving digitally and we are seeing it in all walks of life. I love that. Hopefully this will help give you our own platform where you can go use that as well. So, we will see how quickly we can get that out, so that you can start doing data testing for us.

And then the next part, which I want to talk about on the Internet of things side, we are making progress. I think it will take few more months before we have our first product out, because there are nuances that have to be worked out. And there was a question that was sent that was, they were asking about when are you going to see the J curve kick in. We haven't started seeing the J curve revenue kick in yet. Whatever you are seeing is still the straight-line growth that I was talking



about. Once one of these products starts to click, we will know when the J curve comes in, trust me.

Finally, I just want to give a quick update on the technology side as well, not to take too long. We have, we have done a few things on our OneTag solution will be renamed to Compass. And then we have added a few other things, where now the account managers are able to manage all the publisher traffic at one place for internal use as well. And it is not just limiting to choosing all these different sources of revenue, but now we are bringing it to improve the efficiencies of our own account managers who manage this traffic. That is especially true for managing between multiple platforms, multiple exchanges, multiple ad servers and other revenue sources that flow in.

New initiatives, of course sequential targeting, obviously we have followed what Facebook has done right behind them because we want to keep up and be in touch with that. I think there was a question on that today. We haven't done anything new, but we are able to go in there and work it for a higher level of granularity, again it comes back to granularity, which has been our consistent way, where we add value to the Facebook marketing side of business. Like I talked about it in the last quarter and the concall and we have actually implemented that.

Coming to the other key initiatives that we are looking at, there is one on business intelligence. It is a very interesting initiative started again from within the sales organization of the group coming to the technology side. And this should save a lot of time for people to quickly analyze and move multiple data sources. It is a



smarter way again, all these are targeted towards three things, one is automating what we are doing, two is improving, a better matching between our advertisers and publishers and three is improving our margins in terms of efficiency. We have used the Google eco system to create this. And it is in the first stage yet. We will start deploying it as we go forward.

And a similar thing on the yield optimization and I am sorry to get very technical, but these are all somethings we are very proud of, internally developed, our own in-house technologies and this is again a great enhancement, especially looking at programmatic arenas, where it is an advanced solutions, where you can go in there and improve yield for how much money advertisers are spending.

I will leave it at that and coming back to the rest of the update, there has been an appointment that we have made. Ed Noel, who used to be the Chief Revenue Officer when we acquired Lycos. Later, he moved on and then we were able to bring him back on board. We test drove his abilities for six months as a consultant to understand what he can or not do. And officially now we have brought him on board to take over and run the group. So, that is a significant appointment that has happened last quarter. Ed manages the Lycos Media division. That is about it; all I have from my side. And I will open up for any 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. Before we start the question and answer session, in the interest of all the investors, we request each caller to ask only one question to the management. In the event of any follow up questions, please email them to [ir@ybrantdigital.com](mailto:ir@ybrantdigital.com). I repeat [ir@ybrantdigital.com](mailto:ir@ybrantdigital.com).

Our first question comes from Mr. Imran Ghani from Individual Investor. Please go ahead.

**Imran Ghani:** Good afternoon everybody.

**Suresh Reddy:** Yeah, go ahead Imran.

**Imran Ghani:** I have been limited to one question, but I need permission for two questions please.

**Suresh Reddy:** Go ahead.

**Imran Ghani:** One thing is that the results which we are reporting to the channel, news channels, newspapers and others are showing standalone results only. And the Business Standard has shown drop in margin of 99.98% and that is giving a wrong signal to the market. Can't we give them the consolidated results and they publish that? Even the BSE shows standalone results only. What correction can we do in that?

**Suresh Reddy:** Basically, Imran the point here is that, we have control over what we do and what we publish. We understand that. We publish our results and which is what we do.



And what people publish outside, we don't have control and we can only follow up, which is what we are doing. In fact we are also very upset about the way we are being reported in some places. We have been fighting lot of places where some places are still using LGS Global as a stock ticker. And it is very odd. But our team is actively pursuing, following up through phone calls, emails in trying to fix it. But, I have no control over Business Standard, I don't run it. That is all I can tell you. But, we are very clearly aware and we are very happy when you bring it to our notice. If we have missed, please feel free to let us know and we will go after them and try to get fixed. Absolutely point taken.

***Imran Ghani:***

Sure, Because, I think I will discuss with you one to one after the concall on what to do and how to go about it maybe.

***Suresh Reddy:***

Sure. We will be happy to take advice.

***Imran Ghani:***

Very, very little question that this agreement or contract with eBay and Mobileye, this is for how much, what is the period like for, this is for what duration?

***Suresh Reddy:***

It is a one year contract, which is renewable as we go, that is how typically most of these contracts are. And secondly, this is to represent them and like I was mentioning on the earlier conversation, basically we represent them and we help them in all possible ways. We will become their digital agency of sorts, whether it is in identifying target customers, optimizing the campaign, managing reports.



**Imran Ghani:** Thanks. And please accept you and your entire team at Lycos, heartiest congratulations for delivering fabulous numbers that is beyond imagination to be honest. And now the next caller can be taken. I will listen to all.

**Suresh Reddy:** Thank you Imran. .

**Moderator:** Thank you sir. Our next question comes from Mr. Ashutosh Raja from Quant Capital. Please go ahead.

**Ashutosh Raja:** Hello, Ashutosh from Quant.

**Suresh Reddy:** Yes sir, go ahead.

**Ashutosh Raja:** So, apart from the results I would also like to congratulate for your audacious goals actually as Internet of Things and everything else is concerned.

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

**Ashutosh Raja:** My question was, I wanted to understand concentration of the business with respect to geography, what percentage is video, programmatic versus discretionary and is there is any publisher or advertising concentration. So, basically is Facebook your biggest publisher, publisher here? So, I wanted to understand concentration on all these dimensions. Start with geography and then publisher and then maybe.....



**Suresh Reddy:**

Sure. It is a very multidimensional question sir. It is hard to approach, but we will try to give you the breakup. I will give you the high level view of things and we will send you an email. I think we have your email address and we will send it to you. But, at this point I will just give you a high level overview of how we are addressing it. The point here is that the nature of the beast, how this business works is, it is very interestingly driven by advertisers on one side and technologists on the other side. Sometimes advertisers drive technology and sometimes technologists drive advertisers. So, it can go either way. And then sometimes advertisers love that and they start pushing more. And suddenly we have an even spread between a lot of different solutions that we have. We can move very quickly from one to another and that is only possible to somebody who is offering end to end solutions. You can't do it if you are focused only on search or you are focused only on video. So, that is where we have a unique advantage. That being said, the idea here is in terms of the media, the form of media we are not worried. We are more interested on customer concentration, because the same customer may spend money through video, through search, through display ad and through mobile, it doesn't matter to us, as long as you are spending with us. We give a bouquet of solutions and we don't force anybody to go with one or another, so that we can keep our numbers together. Those are driven by market. Now, in terms of customer concentration, I will come to you. And now again coming back on how the globe works, we are very much in line with how the market is. 50 odd percent comes from the US. And then there is a big concentration, there is a big fight between Latin America and Europe all the time nowadays, because Europe used to be number two, but now these two are beginning to fight each other and then the rest of the world. So, between these two, this is about 15%-20% and then the rest



of the world, they are also beginning to grow. And we are hoping to see Asia Pacific to start really growing and we feel we are little short changed there. We haven't really deployed larger team there especially in China. India, yes, we can, that is not a big thing, we can quickly put that together. So, we actually had an office in China and we had to pull back because we were unable to penetrate. We are looking at other ways, other relationships to, because to be actively present, because that is a very important market as well. While we have an office in Australia which covers the region, we do Singapore, Indonesia, Thailand, and more regions through our Australian office. So, the geographic distribution is fairly spread except these few pockets and then Far East again is an area where we want to go fill up. But, there is no concentration in terms of customers, there is no one publisher who dominates and there is no one advertiser who dominates. I can tell you very honestly and that is how this is set up. But, sometimes there may be a few quarters where for example, this quarter may have a little more video than the previous quarter. We are fine with that, because we are happy wherever it is flowing through. But, the customers are now the same set, wherever they are coming from they are just doing more spend through video. So, we are happy with that.

***Ashutosh Raja:***

And programmatic versus discretionary?

***Suresh Reddy:***

Programmatic. The key here is that the programmatic has various angles to it. There are players who are programmatic who would be arbitraging. The buy, as I go into an exchange, I just get to log in and we are buying and selling, which is simple and easy, but there is not much margin there. So, you don't need to have a



large presence and you don't need to have a lot of things to be able to do that. And then there are players who have technology to improve upon what is being offered there and do smartly. And then there are players who bring relationships to the table as well. So, these exchanges, they treat different players with a different approach. And we come in pretty much premier in most of these exchanges, because we bring relationships, we bring technology and then we bring hands on people sitting here and filling it. But, as it shifts, but then we will not lose our focus on, okay it is problematic, we will bring in the money, let's drop the entire buying team and selling team, Because that is dangerous, because if tomorrow something goes wrong with the platform, you are stuck with completely on the programmatic and then you are stuck with zero revenue and that is not right. So, it is a dynamic situation and we are very careful on that.

***Ashutosh Raja:***

Okay. Sir, you mentioned IOT; you have mentioned Bitcoin etc. in your annual report as well. Are you focusing on smart TVs and the digital advertising growing there as compared to IOT? So, for example what are you doing on IOT? I don't understand from digital advertising point of view, how is the IOT relevant?

***Suresh Reddy:***

IOT, I don't want to talk much about it. We will talk about it after we launch the first product. I am sorry, because it is more from a competitive interest that we are kind of working under the radar at this point. Fundamentally, like I said there is a huge paradigm shift and we are at the verge of seeing an entire shift across the users on the Internet and there is no missing that. So, we are positioning ourselves to be a key player in this new blue ocean that is opening up. So, that is all I can tell right now.



**Ashutosh Raja:** Okay, once again congratulations sir. Thank you for answering my questions.

**Moderator:** Thank you sir. Our next question comes from Mr. Patrick Mathias from Individual Investors. Please go ahead.

**Patrick Mathias:** Good afternoon to all of you. This is Patrick Mathias from Mumbai. I am part of the Whatsapp group and also part of the MMB board under the acronym of bullbuffet. I have connected to you Mr. Reddy and thank you for accepting my invite on Facebook.

**Suresh Reddy:** Thank you Patrick. Thank you for reaching out. It is always fun to connect.

**Patrick Mathias:** First of all on behalf of the Whatsapp group, I would like to congratulate both you as well as the entire team at Lycos for delivering such fantastic results and making all the shareholders feel happy, although most of them were reported wrong by the channel unfortunately.

**Suresh Reddy:** Thank you very much Mr. Mathias.

**Patrick Mathias:** So, I had actually sent five questions by email, but I will ask only one among them in the interest of giving an opportunity for others to ask. I will request that those give questions are answered by email or any other form. The question that I will choose out of those five are, in terms of the net receivables, we have seen that quarter on quarter, the net receivables have not been reducing as brilliantly as we



are getting the top line and the bottom line figures. And what I would like to ask is how old are these receivables? How old is the oldest one? And is there a likely chance that some of these receivables will get into bad debt and if so, what is the percentage of this risk that we carry in the net receivables?

**Suresh Reddy:** Okay. I can answer one part of it and then I don't know the exact age of what is those receivables and I am not having.

**Amreek Singh Sandhu:** I can answer Suresh.

**Suresh Reddy:** Yes, please.

**Amreek Singh Sandhu:** The aging of debtors, I will just brief sir that last year there were almost six months debtors were there. It was 786 crores against turnover of 1600 crores. This year we are, annualized turnover will be approximately 1832 and debtors are 725 crores, which has come down to 144 days from 172 days. There is improvement almost of one month in this first half of the year and that is a great achievement our team has done to collecting more and more money. And that is the aging of debtors.

**Suresh Reddy:** Okay. I will talk about the business of things. Fundamentally sir, the way our business works right now is as the digital network or digital agency that we are, we work with publishers where we pay them every thirty days. And we get paid by agencies or advertisers in three to four months and that has been the norm in the industry. It is nothing that we have invented and that has been the norm in the industry for the last fourteen years that we are seeing. And the bottom line here is,



there is this, I was discussing this very thing with internally with my team as well, what we were talking about is, it is like who is calling the shots? Why is there a delay? Why are these people not paying on time? What is the reason for us setting terms to some of these very large advertisers? And it comes down to a fairly simple thing that it flows through the agencies, then agencies comes to us, so there is multiple layers that have to flow through. So, there are two ways to address this to reduce it. One is, we start working more and more with direct advertisers, but we will not take away the importance of agencies in this food chain. It is very important to completely respect the presence of an ad agency between us and the advertiser, because they handle the entire (not clear) and they bring a lot of creative element to the table. We have to absolutely acknowledge that. And the second part is of course, how, what we are able to bring to the table with better performance, with better media, with better things that we can bring to table, we should be able to start asking for better terms. It is basically moving from one of the people on the table, closer and closer to the head of the table. So, that is the logic. One of the reasons which actually make sense from perspective of changing the name from Ybrant to Lycos was also this. It actually positions us stronger, when our brand becomes stronger and we will be able to work with better terms with somebody who is doing that. And that would directly lead towards improving the age of the receivables. These are all very connected in a very interesting way, because at the end of the day, you have to....then the beautiful thing is we do a lot of work with respect to who we sign up with and we are very careful and so our collection rate has been extremely high. We have had as high as 99.5% ability to collect from the receivables. When I am talking about the digital business, yes, we did have other issues when coming to the service side, but I don't foresee any major issues. This



is just the nature of the business we are in. And we will continue to see this for some more quarters to come for sure. I just want to set the expectations right.

**Patrick Mathias:** So, this does not include any old bad debts from LGS Global or any other issue related receivables from LGS Global?

**Suresh Reddy:** We have taken all those off. In one shot we took it off. It is done.

**Patrick Mathias:** Okay. Thank you.

**Suresh Reddy:** Thank you.

**Moderator:** Thank you sir. Our last question comes from Mr. Manish Jain from MJ Capital Advisors. Please go ahead sir.

**Suresh Reddy:** Hello. Please go ahead Mr. Jain.

**Manish Jain:** Yeah, congratulations Mr. Reddy for first of all on this fantastic set of numbers.

**Suresh Reddy:** Thank you sir.

**Manish Jain:** I have also sent an email which comprises primarily the four questions with me. But, I would like to take one question out of that. This is the point of margins on the digital media business. Your margins have shown a tremendous jump in this current financial year. It has moved from 23% last year to 37% in the first half.



So, I would like to just understand two things that what are the various steps which have attributed to this sharp increase? And secondly at what percentage level these margins will stabilize in future?

***Suresh Reddy:***

That is an excellent question. Good question, but hard, answer to give to be honest. But, I will make an attempt at that. Yes, we are there about 23% and I think you have your numbers right; it is probably 37% this quarter. Our business constitutes of various components when we run our revenues. One is, what we call run off the network, where people pay regular standard rates that is run across various locations, end of the day it is one location, but there is no major targeting. So, those are not highly fetching. You have a standard percentage of operating level, you will have margin of about 35%-40% and it depends up on advertiser and then of course you take your operating expenses. When it comes to EBITDA, it comes closer to 19%-20%. That is one component. The second component is where we have premium buys, where let's say an ICICI decides to go target NRIs living in Turkey or in England and they want to get these NRIs to come and participate in some sort of a investment program or whatever and they are trying to sell one of their products. So, that is very targeted, very focused, so we have ability, there is a larger margin for us. Sometimes we charge, we get paid very highly and then we end up paying much lower. Sometimes it is almost twice, thrice depending upon how things play out. Because of our ability to source and go really closed in on some of these locations, we are able to get better margins. That is all I can say. So, it is very closely done. In the beginning of the conversation I talked about technologies, how they will help customers and why we continue to constantly come up with better ways of doing things, because the smarter we get, the end



game here is, if let's say you decide, you, Mr. Manish Jain decide to buy a new bicycle and I give you an offer of three places to go buy a bicycle, that is the ultimate success. But, for me to do that, it is a long way. But, we can get closer and closer and closer to that through knowing more about you, through knowing more about the kind of grouping that we can put you under and kind of social group you are in. There are lots of ways one can target. As we get closer and closer and we are able to seek that interest from you, then we give you the product. One, we are not bothering you with things that you are not interested in and two, we are able to directly connect you with the advertiser for which we can get the higher pay out from the **advertiser** and for which obviously in the food chain everybody gets benefited. So, that is how this thing gets distributed. So, it is hard for me to say that I can keep 37% as we go along also, because this mix is the key. So, the way we approach it, we are always trying to improve efficiencies which result in better margins and then there are other market parameters that makes you go up and down. So, that is something that you have to play. And we are trying to keep in that ballpark about 30-35, as much as we can. And it may go up and down. So, I don't want the next quarter or the quarter after that you say, yeah, you have dropped on your margins. What is most important to us is how much you are saving at the end of the day and how much business have you done and how much have you saved and what does it contribute to the PAT. That is how we approach this whole game in that sense.

**Manish Jain:** Okay. Thanks Mr. Reddy.

**Suresh Reddy:** Thank you Mr. Jain. Thank you.



***Moderator:***

Thank you sir, and we have come to the end of this call. Sir, thank you very much. 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 pleasant day.

***Suresh Reddy:***

Thank you.

***Moderator:***

Thank you sir.

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***Note:***

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

