



Third Quarter FY 2015-2016

Conference Call of LYCOS Internet Limited

Transcript

February 10, 2016 15:30 IST

Duration : 60 Mins 27 Secs

Presentation Session

Moderator: Good afternoon ladies and gentlemen. My name is Honeyla and I will be the operator for this conference call. Welcome to the LYCOS investor conference call. The duration of 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, a question and answer session will be conducted for the participants. I would now like to handover the floor to Mr. Rajesh, who handles the investor relations. Thank you and over to you sir.

Rajesh K: Thank you Honeyla. Hello everyone. I welcome all of you today to our third quarter results. Today we have with us our Chairman and Managing Director, Mr. Suresh, along with our CFO, Mr. Y. Srinivasa Rao. Today we will start the call with Mr. Suresh, who will give us an update on the recent news item of the acquisition. Before I hand over to Mr. Suresh, I would like to mention that during the conference call, Certain Statements in this call 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, I would like to forward this call to Mr. Suresh. And thank you and over to you sir.

Suresh Reddy: Thank you Rajesh. First of all, good afternoon to all of you; thank you for dialing in to listen in to an update from LYCOS. It is a wonderful afternoon in Hyderabad. We are all very excited about couple of things. I am sure you know, we have sent out two press releases late last week and then early this week. We have been excited about the development. And that is the reason I wanted to have slightly different format in today's call, where we want to talk about the new acquisition. So, first I wanted to talk about the new acquisition in little detail and a small audio play from that. Post that we will come to the results and then I will come back again with the business update. And then we will open up for questions. That is how I plan to play this.

So, fundamentally we are very happy to announce, your company has expressed the desire to acquire. That acquisition process, there is still some time, but we have expressed the intent to acquire to the board. The board has approved. The acquisition target is a company called, TriTelA GmbH, out of Austria. Its owns various assets, fundamentally one asset which is mysms, which is a messenger, considered among the top few messengers in the world, similar to a WhatsApp or other similar messengers. But, this has a primary focus more towards a cloud based connectivity, SMS and messaging. And you will hear a little bit about that.

The second, the other two are more technology platforms. There is something called SPH Wien, which is more of a content development platform, which will help us grow the content management and analytics of the business. And the third one is called Kika Social, which is more to do with social listening and insight development, which is a very big part of what we do anyway. It is going to be a consolidated part of all three. But, what most is exciting and what consumer is facing is the product called mysms with that I will just play this for you guys. And you can find it on YouTube, there is nothing new. But, I think it will just set the right mood for this discussion. I will just start with the audio.

Audio Playback: **mysms** – Text anywhere, anytime and on any device. Do you still only text from your phone? Texting can be easier, faster and much more convenient with a larger keyboard. Why don't you use your computer or tablet that you have right at hand anyway? With mysms you can send and receive texts on any device, like on your smart phone. Your messages are saved in the cloud and always in sync. mysms is at your side throughout the whole day. It makes your life easier starting in the morning, when you check your smart phone for new messages. After arriving at work, you probably spend most of your time in front of a screen. When receiving a message, directly answer from your computer. Finally at home, you're relaxing in front of the TV and noticed you left your phone in your car, simply text on your tablet. mysms is always with you and enhances your everyday life. But not only in good times! Even if you flush your smart phone down the toilet, mysms syncs your messages back to your new phone. There's still a lot more to discover. Try mysms now.

Suresh Reddy: Thank you. That is a quick overview on the product itself. And I will talk about it also as we go. This is a good starting audio for you. Fundamentally, mysms is a product that will reside on your phone as well as your laptop. And personally I have been a user of this product for two years. And I really love the product, because as I am working on my laptop and if somebody is trying to send me a text, I don't have to keep going back and forth between my laptop and my phone. I can access this through the browser and I can see that right there. It is a very wonderful, very easy product to use. And the quality of the synchronization is very nice. It is one of the reasons we felt that this is a great product, which will enhance what we are trying to do at LYCOS in a very large way.

So, with that I will get into little bit about the numbers of what it does. This product has about 3 million users globally. Daily downloads, they receive about 3000 downloads every day from various platforms,

including Android and iOS. And every day there are 1300 people who register for this product. And premium subscribers are 6200 and it is growing. This product is free. No ads it in right now. And premium subscribers pay 10 dollars per annum. And that is just the small part of the revenue that comes from that.

In terms of the user base, it is distributed across the world. 45% of the users on this product are from the USA. 13% from Germany, 5% from the UK, Canada is 3.4%, Russia is 2% and I think Austria is also in the range of 10%, I don't have the exact number on that and rest of the world is another 20 odd percent.

And some of the key things that they have done very well is they have tied with some of the online cloud storage platforms, like Evernote, Google Drive. And actually with HP they have partnership since October 2014; every HP based products will have mysms free installed. So, that is actually increasing the number of users as well. And another very interesting point is that this is going to be the default SMS application on that. So, it should be very, very powerful for us.

Basically this is a multi device, cloud based connectivity and solution. What it does is, it doesn't matter where you access your instant messages or your SMSs, you can access it directly from your phone, from your laptop, from your TV, from your tablet. Wherever this product is, you can play and use. And that is the key power of this solution. It also works on Windows, iOS & Android. It works in terms of the content. They have SMSs. You can transfer files, pictures, videos, emoticons. And the best part is, it synchronizes all your messages. Let's say, like the guy said in the end of the presentation, in case you lose your phone, then all your phone numbers, your contacts, and your messages are all saved on the cloud and the next computer, next phone you buy, you can immediately sync it up and it will be backed up and running. This again is very, very useful benefit of having this product. I urge people who are on the call to try this and examine it. I think you will find this very powerful.

And in terms of the operating systems and the browsers that it works on, it works on most of the browsers you can think of, Chrome, Explorer, Opera, Safari, Firefox. And it has got native apps for Windows and Mac. So, broadly this is what it does. And they will try to help us grow this. And we have priced the deal where we issue shares of 2.848 crores shares, which roughly comes to about 5.6% of the company in the consolidated company, together.

This is broadly the details of the company and the deal. Now, I want to explain why we did this, why we think this is important at this stage for this company; given the fact that we came from a pedigree of digital marketing and moving towards various numerous ways of connecting to the Internet and having multiple devices and multiple messaging that flows through a system that we want to build going forward. We believe, we were actually looking for a versatile software that can jump between devices that can jump with cloud based and efficient. This mainly ticks that particular requirement that we had. And hence we feel, today it is a person to person messenger. But, going forward it could be person to machine, machine to machine and machine to person. These are the things which we intend to enhance to make the core framework very strong. Broadly I will leave it at that.

Y. Srinivasa Rao: Thank you Mr. Suresh. Good afternoon ladies and gentlemen. It is a pleasure to speak to you all again. This quarter we had very good growth. The performance parameters have improved. Revenue for quarter three for financial year 2015-2016 was Rs.718.27 crores, an increase of 27.11% on quarter on quarter and 20.58% on year on year. EBITDA for the quarter three of financial year 2015-2016 was 199.94 crores, an increase of 9.42% on quarter on quarter and an increase of 22.35% on year on year. PAT for quarter three of financial year 2015-2016 was Rs.125.17 crores, an increase of 19.02% on quarter on quarter and an increase of 26.6% on year on year. Revenue from digital marketing segment for quarter three of financial year 2015-2016 was Rs.609.34 crores, an increase of 32.94% on

quarter on quarter and an increase of 23.58% on year on year. Profit before tax from digital marketing segment for quarter three of financial year 2015-2016 was Rs.179.31 crores, an increase of 10.46% on quarter on quarter and an increase of 25.86% on year on year. Revenue from software development segment for quarter three of financial year 2015-2016 was Rs.108.92 crores, an increase of 2.08% on quarter on quarter and an increase of 6.18% on year on year.

Now, I will come to the other areas. I believe there have been queries regarding accounts receivables. Now, I will explain in more detail in this regard. When we come to the receivables, I am happy to inform you that our receivables in digital segment have been maintained at a lower level of 100 days. On consolidated basis, our total receivables decreased from 151 days to 141 days. Out of the total receivables of Rs. 919 crores digital is Rs 534 crores, and software is Rs. 385 crores. All our digital receivables are aged less than six months. During this quarter, we achieved improvement of collection in software receivables, which has been reduced from 347 days to 324 days. We had a very good (not sure) during this quarter. Regarding bank, during this quarter, we allotted Rs.8 to Rs.10 crores for bank payments. With this brief information, then I am handing over the phone to Mr. Suresh.

Suresh Reddy :Thank you YSR. Coming to the business updates, I can touch on the main points and then I will answer questions. There is a lot on the business update side that we want to give, but this is a closest summary which we can give you at this point.

Firstly, coming to our digital advertising and ad-tech side of the business, we launched, as I updated you in the last call a product called Vid-In, which is basically a video advertising solution that we have offered both to our publishers and advertisers. This turned out to be a huge success and it became a big bread winner for us in this quarter. And the key things that really worked for us, we had a nice solution for above the fold, as they call it, which is viewability. When you run the video, the ad should be above the

fold or below the fold of the content. So, the above the fold solution has been very useful for the success of the advertising campaign that we had. And another thing that really worked for us is this custom sizes. We were able to create custom size video ads, based on where and how the ad demands.

And the big part which we cannot miss is the mobile app having video on mobile. And the formats that we worked on, which actually has become the core format, we launched a website called ybrantvideo.com.

And I think it is still being fine-tuned. Some of you might have seen already. The key solutions that we have on this video site, we have in-stream video, where we can have ads in the video stream itself. And then there is in-read video, which is reading the text and then you can insert a video ad in that. Then we also have mobile video and overlay. If you have movie running, then you can overlay an ad on top. So, these are the three products that have worked very well for us this quarter.

And some of the, a big item sales and customer representatives from our side went to the ad-tech in New York this quarter. And this was extremely successful for us. We were able to meet a lot of new publishers. It was great media for buying side and we were able to work with some of the largest programmatic platforms. I am very happy to announce the top ten programmatic platforms actually we have a direct relationship with them. They are Adap.tv, MOAT, SpotXchange, Edopia, TubeMogul, BrightRoll, I have been talking about it in the past, core relationship of ours, LiveRail from Facebook, Tremor Media, Videology and Q1Media. So, these have been great additions this quarter. This has actually stabilized and put us on a very strong position and strong footing, which is the reason we were able to produce the results that we were expecting to produce. And the biggest supply today is now programmatic. This is the way the industry is moving. This is the overall the video side of things.

And then we continue to do equal business in search and regular display ads. But, as I mentioned in the past, video is gradually taking larger and larger share in the revenue mix. I expect mobile video to start

taking a little more than others. Then coming to the technology and enhancements, we have done this quarter. And on the business intelligence side, we were able to do yield optimization for different types and sizes of video players, meaning which video player works best for best results. So, that is something that we have incorporated into our solutions this quarter. And it has been a big hit with our advertisers. We have also added a new dashboard, which is much simpler for the media buying side and publisher side.

And then on the automated tools, we have launched an alerting tool, basically for larger clients. Let's say they have a certain prize they would like to buy the advertising solution front and then they put an alert in there. And the moment it reaches that price, it will send an alert and then you can actually go there and buy it. That product also has got good response back and that is an enhancement on our business income side, on the automated tools. There are others like that on the compass product that we have. This is broadly what we have done on the advertising solutions side.

Coming to our LYCOS media, where we have done various things to enhance our solutions and start doing more business. Some of the new additions that have come through this time, we have added new solutions called yellowpages.lycos.com, where you can actually go and search, as you are searching through the yellow pages. So, that is beginning to gain traction and we expect to see more through that.

And then on the media side also we have enhanced an ad relationship with BrightRoll. We have an existing relation on the advertising side and that has been extended now to the LYCOS media side.

And two main relationships which is Yahoo and Google, we have further strengthened them this quarter. Global ads, contracts, have been renewed now for another twelve months with Yahoo and we are very closely watching all the developments there. And we are very, very thrilled that that would be a big revenue fetcher for us going forward. And number two, we have also strengthened our relationship with

Google, where we have basically done some additional work with DoubleClick, where we have actually created an ad service platform. Jointly we have launched an ad service platform that should enhance additional revenue back to the media side of the business. Broadly these are the two big updates from the revenue generating side.

And then Lycos Life, we still we haven't really launched the marketing campaign yet. But, we have done a lot of work, lot of ground work, like they say, beneath the surface, lot of work that has been going on. Fundamentally what we have been working on is to get the messaging right. So, we are experimenting with couple of messages. You might have seen it in the Facebook page. One that has got a lot of traction is, goes like this, it says, Relax, Life will take care! as in Life of LYCOS Life. So, we are telling the customer that you can relax, and you can do whatever you are doing in your life and you don't have to stress out and this Lycos Life will take care and this brand will take care. That is more from the branding perspective. And from the perspective of the product messaging that is again going in the background. And so, once these two are finalized, we are hoping to launch this, this quarter, but there was too much going on and we could not push it out in this quarter. And the coming quarter I think we should be in a better position to move forward on this. And we discussed, as we discussed in the previous call, we want to do a test campaign. We are hoping to do that in a large metro, where we do a 360 degree campaign, including your hoardings, bus shelters, TV slots, print and of course digital, all in combination. That is the broad update and I will be happy to take any questions from here on.

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. Patrick. Please go ahead sir.

Patrick: On the receivables side, I had asked for more details, on the software receivables, on the software entity receivables. And basically the question was who are the top five receivables by value and customer name? What are the receivables that have aged, most especially beyond a year, given that the average is around 324 days? And what are the receivables and what action have you taken to recover receivables which are above one year? Have you taken any legal action for recovery or any other action that is being picked for such receivables, including declaring some of those as non-performing receivables or write offs? That is question number one. And related to that, since none of the questions have been addressed, my another three question that I wanted to ask was that from a balance sheet standpoint and an accounting standpoint, is there a plan to adopt the GAAP standard of accounting practices? And if so, by when?

Suresh Reddy : Thank You. First and foremost, you wanted a list of top five customers and top five by value, we can give you broad parameters. I don't think it is a good idea to put the names out there in the public domain. So, that is the reason I am unable to give you the names over a conference call. That is the reason we will not be able to do. But, we will send you actually the top five values through mail or we can put it up as an update that these are the top five things. But, we will not be able to give you the names. That is not proper to our clients. Number two, is your question regarding what are we doing regarding receivables that have gone past one year. We believe that these are still recoverable. Yes, they

have taken time. And we know that some of these are related to agencies and organization which take time in paying. But, we have always received money through them. And we still keep them in the books and we seriously believe that they are recoverable. There is no issue on that front. And we are pushing obviously. And there is an entire team that is going after and trying to collect from these people. But we do understand that it is the nature of some of the relationships that some take time and some don't. So, but that is the way it is right now. And coming to the balance sheet. We do follow Indian GAAP right now. But, you are talking about the international standard. Maybe YSR can throw some light on the new standards that the Company Law requires for all of us to adapt going forward.

Y. Srinivasa Rao: Today we are following the Indian GAAP and the accounting standards issued by the Institute of Chartered Accountants of India and Ministry Of Company Affairs. Now, there is a change in the law. From 1st April 2016 onwards, we need to follow the International Financial Reporting Standards. We are planning to implement IFRS with effect from 1st April 2016. We have already geared up our team. We have started training programs for our finance team and accounts team. We are well in the place.

Suresh Reddy: IFRS is the new standard that will be adopted starting next quarter. We are looking at the next quarter.

Y. Srinivasa Rao: Yeah from the next quarter onwards.

Suresh Reddy : Next financial year and you will see some shift, some changes, based on what is the difference in the way both these standards work and we will update you exactly how that will that will take effect once we do that. So that we are very well equipped to handle that. We can go to the next question now.

Moderator: Thank you sir. The next question is from Mr. Gaurav Gupta, please go ahead.

Gaurav Gupta: Thank you for taking my call and congrats to the LYCOS team for presenting such good numbers. My question is with respect to again the financial statements that has been represented in the annual report 2015. Over there in cash flow statement there is no mention of what amount as tax is being paid. So if you can just help me out with that first question and the second question will be with respect to debt as on date means 31st December 2015. How much debt is being repaid in the third quarter and what is the outstanding amount as in third quarter. In the cash flow statement that is published in the annual report 2015, in cash flow from operating activities there is no mention of what all tax has been paid.

Y. Srinivasa Rao: Actually as per the standard formats given by the institutes of chartered accountants of India, which are being followed, there are two formats either of them we can follow. As per in the cash flow statement, the paid is included in the short-term provision. If you see the page number 93 of our annual report, you can find that's Rs 132.45 crores is shown as decrease in the short-term provision. Out of that more than Rs 115.87 crores is relating to the tax payment

Suresh Reddy : And then he had two other points. One is tax as on date and total loan payment we have done so far. What is the outstanding that is left in terms of the loan upto third quarter.

Y. Srinivasa Rao: During this quarter we have paid to the bank about Rs. 10 crores compared to the previous quarter. Our outstanding loan is as of now about Rs. 78 crores.

Gaurav Gupta: And tax as of date for the three quarters, do we have that number handy?

Y. Srinivasa Rao: Actually we have paid about Rs 140 crores till for three quarters.

Moderator: The next question is from Mr. Pawan. Please go ahead.

Pawan: Good afternoon, congratulations on the fantastic results. I have a couple of questions one on maybe someone who is your competition....which we hear a lot in the startup world called Inmobi

Company. When I look at that company and try to understand what they do and then I look at what LYCOS does, I don't see much of a difference and I think LYCOS does a little better in terms of overall digital marketing world is concerned. So I want to know....I want to understand from you what are the main differences between LYCOS and Inmobi.

Suresh Reddy: Okay. I will address that. First of all thank you for saying that we are doing a better job than Inmobi. That being said, basically, Inmobi is a competitor as well as a collaborator. We work with them in a lot of mobile campaigns. There are a lot of campaigns we do together across the world knowingly or unknowingly they are close to both the net works. Inmobi, my understanding of it is, it is primarily a mobile only advertising solution whereas LYCOS has a much larger scope where they have smaller scope. We believe from the perspective of what value we can bring to the client, when we go and meet a client, and I am talking about an advertiser as against a business or advertising agency, they are not going to come and say just do a mobile or just do a video, they are looking at how they can sell the product better. So from that perspective, we go in there and we say, let's say you are selling air tickets or you are selling homes or you are selling fridges or you are selling phones and your marketing person knows what your message is, what your brand stands for and then if they talk to their agency, together they come up with a creative and then they say okay here it is....I don't know anything about print, so there is an expert who comes and does the print and then there is somebody who comes and does TV, and then there is somebody who does the outdoor hoarding. They come to us for the entire digital solution, when they go to Inmobi, then they take a digital solution and break it further. They say okay we are doing search, we should give it to XYZ, for doing video outside of mobile then we should do it with somebody else and only mobile they go to Inmobi. So there is a big difference in how this is broken up.

Broadly speaking, I can summarize it, the difference between us and them is they are in mobile advertising space we are in digital market which includes mobile and all other forms of devices. There are four forms of devices in digital media, we do all four. That's the first difference. The next thing is they are a private company and we listed company and all our numbers out there. They are funded....they have raised so far I believe about 200 million dollars, we have raised also about 100 million dollars. Their view is to build business in terms of trying to go and win publishers as such. Ours is an organic growth. We have been in business for 17 years. We understand the ins and outs of the digital marketing space. So they have to build their relationship with the publishers so they use their funding for that. We have used our funding primarily for acquisitions. These are the broad strokes of differences that I can see and obviously the bid difference as an investor we are seeing is the valuations, discussions that are going on in the market. Our valuations are always on the ticker their valuations is not in the news. So we will have to see the next fund raise to know their valuations. So that's the difference.

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

Sanjay Kaul: Good afternoon Mr. Suresh.

Suresh Reddy : Good afternoon sir, how are you?

Sanjay Kaul: I am fine. I don't have a question; I just wanted to compliment you. We have seen a definite shift now. We have seen the results in the Economic Times also this time around and I was pleasantly surprised to see on the front page of Economic Times again the story of your acquisition. It is a very good definite shift towards investor's thing and I hope you keep it going and excellent set of results.

Suresh Reddy: Yes sir, thank you very much. I appreciate your concern and your compliment. Thank you very much.

Moderator: Thank you sir. The next question comes from Raymond Paul. Please go ahead.

Raymond Paul: Good afternoon Suresh. Excellent set of numbers on behalf of all the investors. I have three questions and I will try to make them as quick as possible because I am sure you will be able to answer all of them. The first is related to the Cayman entity formation. Just wanted to understand where we stand on the Cayman entity formation and whether the entity has been formed and if at all not formed, when do you think it will be institutionalized and when would you get your organization structure to reflect it, is there any chance of the organization structure coming into play from the ensuing financial year and I am also thinking that the entity formation will also save money in taxes for the company. My estimate is something between 60 to 100 crores. I want you to ratify the statement. That is my question number one. Once you have done with that, since so much of fuss has been made about ad-blocking particularly in the US media with respect to Apple pushing ad blocking, how much of a threat is it for us? My last question is again with respect to valuation with criteo. Once you answer the first two, I will come back with the third question.

Suresh Reddy : Okay great. Your first question regarding Cayman, we are working on....okay there are two aspects to it. One is using Cayman as a consolidating entity to consolidate various pieces that go into it. The second part is the taxation. So I don't want to mix both of them. So we have two different parts that are working here. On the taxation part we are looking....we are talking to KPMG as our advisor to help us on how to best manage the taxation to improve and pay whatever is absolutely required by all the governments but the most efficient way of running taxes. That is number one. The Cayman entity we looked at it from a consolidation perspective and also tax benefits and other things that go into it. But there are other challenges that we are getting into in terms of using Cayman to go and use that as an entity to list in other markets. What we are also looking at another activity there is, if we could

consolidate this in the US itself, then we could use the US markets. So the idea here is to use US markets or the European markets to be able to get better valuation for the company. So that's the core of it, the second part is the taxes. So these are the two things which are the work in progress. You will see results hopefully in six to nine months. We will have better clarity, there have been delays and we do admit there have been delays more than we expected, so that's the first part. The second part with respect to ad blocking, there is a challenge, not just that, there have been other challenges in the market at a very ground level in terms of how the ad market has been shifting. Some of them are good for us. It all depends on how the player plays the game. So some of the people who are playing not so fair, are actually eliminated in this round that happened in the last quarter. But it also impacted our quarter, but fortunately the new product the Vid-in product brought in a lot more revenue for us and it more than compensated for the shift in the market dynamics itself and we were able to successfully manage that. So with the whole thing coming in and the whole technology being upto date in handling that, we have always been forward looking in building products and building our solutions to handle that upfront. Coming to your fourth question, how does blocking affect? Yes, blocking will affect to a certain extent but when you are going in to apps, when you are going into....it is not just a browser based ad anymore. The ads are going in various forms into the system for example let's say you login to Facebook, within the Facebook environment you can run an ad. Like that every publisher has their own way of running ads within the environment. So it is very hard for anyone supplier of a device to say okay I am going to block all that. There are ways to make it a part of native content, so in fact native advertising and native content-based advertising is something that's picked up to handle this very issue. So it is all migrating towards a more efficient and a stronger way of advertising. We are not concerned but we are on top of

how the market is shifting. These are the two things and Criteo I don't think I should comment much on it, but if you insist, then I will have to get into it.

Moderator: Sir the next question is from Shanmuganatha please go ahead.

Shanmuganatha: I had a few questions, first was related to the acquisitions you made. Any particular reason why you made an on-stock transaction instead of paying for it by cash? The next question was on the dividends, I presume this is a standard question, I hope we can expect some dividends going forward this year?

Suresh Reddy : First question regarding on all-stock deal, it is obviously each deal for itself and then we are looking at the value we are gaining, how both parties will benefit as you go forward, so each deal, each transaction yields for its own and we have refrained from doing acquisitions for the last five years for this very reason because we don't want to dilute the value of the business and hence we have always stayed out but this particular acquisition we believe brings a lot more value than the dilution that is happening. So we are very excited about what is the value it brings to the business. I am looking in the future how business is going to be playing out and how this particular framework is going to help. From that perspective this is a huge help and from the seller's perspective I can say it is a very interesting thing for them because they are expecting this stock to go up and hence they would be benefiting from the outside. So it is a win-win for both parties so we went with that. The second question was about dividend. Like I mentioned in the past, the board's take on this is till we pay off the entire outstanding Indian debt, whether we do it from our profits or we do it from the working capital or the loan that we take at different location we are able to use that, then one of the places where once we get rid of the Indian debt, is when we are starting to look at the dividend. But it is looking very positive and I think we

are happy with the results and the last three quarters have been fantastic. We are very optimistic about that, sooner than later.

Shanmuganatha: I read in your annual report that you are actually capitalizing your R&D expenses or your product development expenses. To the best of my knowledge, US GAAP standards allow that and a lot of Indian software companies also don't follow that, I mean they write it off that particular year itself, especially given the fact that we don't know how long the product is going to be used and the life cycles are getting shorter and shorter. If you have adopted that standard, how much lower would your earnings be this year? I won't be able to tell you that number top of my head but obviously we believe that my accounting policy believes that, that is the way to do it because we have done it over the years. We have been in business, like I said more than 15 years and this has worked for us and we have been able to raise private equity with the same policy across hence we believe this is the way to do it and I don't see any reason to change that at this point. Obviously it is legal. I am not saying it is not correct and all that. But somewhere don't you think you are misrepresenting your earnings? Are you not overstating your earnings?

Suresh Reddy : See there are two aspects to how you use the funds. One is you are building assets; asset is something that produces revenue, that produces profits. So hence building a product into the future is giving us future revenues and we are able to sustain the ups and downs of the market. Hence it's been used in the right way and clearly that is profit. This is software that is built for the company. We are a product company so there is a big difference between people you are comparing us with which are basically software services businesses which are doing software services and they are just changing templates and that's not the same. We are clearly a product company and that's the only way it will be done.

Shanmuganatha: Okay fair enough. Thank you and all the best going forward.

Moderator: Thank you sir. The next question is from Mr. Ankur Munjal. Please go ahead.

Ankur Munjal: Congratulations once again. Excellent set of numbers. My question is, can you throw some light on the Lycos and Apollo deal, how is it shaping up? I saw on the PR that one client is already on board. Can you please throw some light on how this is shaping up?

Suresh Reddy : Yeah it is a wonderful relationship, it is very cordial and it has been working extremely well. The site is already up. It is called Apollo Apply India and Apply Mart and they are up and running and we are very glad with the progress in terms of the basic branding approach and pricing model is in place. We have our first client. We are working towards getting them on board and doing things for them. There is one more in the pipeline that is very, very exciting and we are hoping that will start to shape up in the next quarter. It is perfectly going as per plan. No issues at all and both companies are looking forward to building that into a big business. The approach there is to go after businesses coming from outside and trying to sell products into India, that's the first charter and I think it is on track.

Ankur Munjal: Alright that's it, thank you so much and wish you all the best.

Moderator: Thank you sir. The next question is from Mr. Sujan K., please go ahead.

Sujan K.: Good afternoon Suresh.

Suresh Reddy : Good afternoon Sujan, how are you?

Sujan K.: Fine sir. Can you please throw some information on Lycos-Daum deal? Like Lycos and previous one, what is the issue there and when can we expect the second payment?

Suresh Reddy : I know there's a lot of questions on this particular thing. I want to give a little bit more background to this deal. This deal happened between Ybrant and Lycos way before we merged with LGS and way before we became a public company. So that's something you have to keep in mind. This is a

transaction that happened in 2010. Ybrant merged into this in 2012 and later. So that's the first thing. The transaction was as follows; the total money that needed to be paid was 36 millions of which 20 million was paid and 16 million was due. For the total 100% of the stock, 55% of the stock was transferred to Ybrant...54% I would say and then 46% is in an escrow account but it is still owned by us. It is actually pledged back towards the second payment. However, the issue happened where we were expecting the total EBITDA for the year to be six million dollars and for nine months they had done 4-1/2 million dollars. So the quarter we took over, they did 4-1/2 more and they did 9 million. There was a discussion and difference of perspectives on what should be the final payment. That is the core discussion that is going on between Ybrant, now LYCOS and Daum. So that has been going on since 2011. The good news is it has gone through various stages of discussion, various other forms of people who are trying to help sort this discussion out. We are reaching some sort of settlement fairly soon. Some sort of way to reach a common ground. I don't expect this to go beyond another three months and I think three months to max six months and nothing more than that. The reason we are holding back is, we don't want to be paying a lot more than what we should. If you look at our balance sheet, we have a reserve for this sixteen million in our balance sheet. So it is clearly marked and everybody knows this as part of the balance sheet today.

Moderator: The next question is from Mr. Ramesh, please go ahead.

Ramesh: Good afternoon Mr. Suresh. I had a couple of questions; first was on the debt repayment, it was touched on a little bit earlier. The debt level at the end of FY15 was 96 crores, whereas in the end of Q3 about 78 crores, so a reduction of about 18 crores. If I remember correctly, in one of our earlier concalls you had mentioned that the targets for repaying this entire bit was either end of FY16 or latest by Q1 of FY17. So I want to know because there is debt reduction from FY15 to Q3 is a bit low. Are they still on

schedule to clear that debt by end of the financial year or latest by next quarter? That is my first question. Second was regarding LYCOS Life, if you can give us some idea of what the progress has been, initially we have done a lot of things but in terms of numbers if you can share some data it will be helpful.

Suresh Reddy: Okay sure. The first question regarding debt reduction, the goal is to pay the entire debt off in this financial year. Obviously like you rightly said, we have not done lot to that effect, we have made quite a bit of progress. We hope to do a lot more this quarter because some of the things, we wanted to keep the reserve ready for unexpected ups and downs in a quarter which we usually do well in December, hence we did not use up that money, hence we kept it aside but this quarter I think we should be able to use some of the reserve money to be able to pay the debt. In terms of....it is looking like maybe August before which it will all be paid on and that has not changed which is what I have talked to in the past. So that's regarding the debt. And the second part is regarding LYCOS Life, I would like to keep the suspense on in terms of what it is going to look like and how we are going to bring out. All I can tell you is there is a lot of work that's being done, we are excited about where it is going, we have all the right people working on it. The thinking process is right; the idea here is to capture the imagination of the consumer and we will do it in ways and means that will surprise the market. That's all I can say right now. 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 every one.

Note:

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