matrimony.com

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National Stock Exchange of India Ltd Exchange Plaza, 5th Floor Plot No: C/1, G Block Bandra Kurla Complex, Bandra (E) Mumbai – 400 051	Corporate Relationship Department BSE Ltd., Phiroze Jeejheebhoy Towers Dalal Street, Mumbai – 400 001

Dear Sir/Madam,

Sub: Call transcript of Investor/Analyst conference call under regulation 30(6) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

Ref: BSE Scrip code: 540704 / NSE Symbol: MATRIMONY

Pursuant to Regulation 30(6) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the call transcript of Investor/Analyst Conference call with the Company held on 05th February 2020 is attached herewith.

The aforesaid information is also being hosted on the website of the Company viz., www.matrimony.com.

Submitted for your information and records.

Thanking you

Yours faithfully,

For **Matrimony.com Limited**

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“Matrimony.com Limited Q3 FY 2020 Results Conference Call”

Feburary 05, 2020

MANAGEMENT:	**MR. MURUGAVEL JANAKIRAMAN - PROMOTER & MANAGING DIRECTOR, MATRIMONY.COM LIMITED**
	MR. SUSHANTH PAI - CHIEF FINANCIAL OFFICER, MATRIMONY.COM LIMITED
MODERATOR:	**MR. KULDEEP KOUL - ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Matrimony.com Limited Q3 FY2020 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kuldeep Koul from ICICI Securities. Thank you and over to you!

Kuldeep Koul: Thanks everyone for being on the call today. We have with us the senior leadership of Matrimony.com, Mr. Murugavel Janakiraman, Promoter & Managing Director and Mr. Sushanth Pai, Chief Financial Officer. We will begin the call with prepared remarks given by Mr. Murugavel Janakiraman, post which we will open up the call for Q&A. Over to you Mr. Murugavel.

Murugavel J: Thank you Kuldeep. Good Evening. On a consolidated basis we achieved Rs.90 Crores of revenue in Q3, which is a decline of 2.4% quarter-on-quarter and growth of 5.6% year-on-year.

Key highlights for the matchmaking business are as follows. In Q3, billing was at Rs.89.5 Crores, a growth of 5.7% quarter-on-quarter and 8.7% year-on-year. Revenue at Rs.87.8 Crores, a decline of 0.9% quarter-on-quarter and a growth of 6.3% year-on-year, 4.38 million active profile as of December 31, 2019, we added 1.2 million profiles in the quarter denoting a growth of 29.1% year-on-year. Paid Subscription of 1,73,538 added during the quarter. The average transaction value for the matchmaking business increased by 3.8% quarter-on-quarter and 9.7% year-on-year. We continue to track the impact we create for the customers. We are happy to state we have created about 22,800 success stories in Q3.

Now coming to the marriage services business, the key highlights for Q3 are as follows: billing at Rs.2.4 Crores showed a decline of 29.8% quarter-on-quarter. As explained in our previous quarter's call, we have scaled down the photography business in the current model by not taking additional orders and it impacted to the billing and revenue. As indicated earlier we are working on a revised market place model for photography, which will take effect next quarter. Revenue at Rs.2.2 Crores a decline of 39.6% quarter-on-quarter. The losses are at Rs.4.6 Crores in Q3. This loss will come down next quarter due to scaling down of photography business and will be streamlined from Q1 onwards.

On the growth outlook for Q4, billing momentum of our matchmaking has increased in Q3 and we expect the growth momentum to continue in Q4 as well. Therefore, we expect revenue for matchmaking to bounce back on a quarter-on-quarter basis. This also helps us to set a good growth foundation for FY 21. We expect revenue of marriage service to show a slight decline in Q4 due to scaling down of photography business. I am also happy to inform that we achieved 26.1% stake in Astro-Vision, the promoter of ClickAstro. The 26.1% stake is significantly through the fresh infusion of capital in Astro-Vision. The transaction is subject to customary closing conditions and regulatory approvals.

Astro-Vision since its inception in 1984, has been the pioneer in promoting Vedic based astrology solutions by providing astrology content and astrology software in more than 10 Indian languages and has generated more than 110 million horoscopes till date. Today this software is considered the de facto standard in the field of Indian astrology. The spiritual religious market activity estimated to be a multi-billion dollar market in India of which horoscope is an important component. The growth in technology has significantly increased the traction for astrology and astrology continues to play a significant role in Indian marriages. Matrimony.com and other leading matrimony service providers have been using astrology services offered by Astro-Vision for many years. With the strategic investment we see further synergies in enhancing our value-add to our customers and also accelerate the growth of Astro-Vision. Let me now pass on to Sushanth to comment on the key profitability highlights. Over to you Sushanth.

Sushanth Pai: Thanks, Muruga. Our EBITDA margins for the matchmaking business in Q3 is at 21.2% as compared to 23.9% in Q2. Marketing expenses are at Rs.26.7 Crores as compared to Rs.25.5 Crores in Q2. The decline in margins is mainly due to increased marketing expenses as stated now and also increase in certain employee cost due to increments, which were given in the quarter. On a consolidated basis our EBITDA margins in Q3 are at 12.3% as compared to 15.5% in Q2. The tax rate is about 12% in Q3 due to certain tax adjustments that were carried out during the return filing. Overall YTD tax rate is at 24%. Q3 PAT is at 5.6 Crores, PAT margin is at 6.2% as compared to 8.5% in Q2.

On the outlook for Q4 margins, the EBITDA margins is expected to be in a similar range as what we achieved in Q3 and this will improve from Q1 onwards of FY 2021. Also, on the basis of what Muruga described on the increased momentum on the matchmaking business, which we had in Q3 will translate into better revenue. The marriage services loss will come down in Q4.

I would like to end with a customary safe harbour statement. Certain statements during this call could be forward-looking statements on our business. These involve a number of risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements. We do not undertake to update any such forward-looking statements that may be made from time-to-time by or on behalf of the company unless it is required by law. With this I open the floor for Q&A and pass it on to Kuldeep.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Archit Singhal from Safe Enterprises. Please go ahead.

Archit Singhal: Firstly, if you can comment on growth for the industry versus Matrimony, we are trying to understand the market share and secondly if you can comment on growth for various regions North and South?

Murugavel J: Only for the number three player the growth information is by and large public, but we do not know the information about the number two player and the other players so it is difficult to comment on what is the industry growth percentage, but in our view it may be around close to double digit growth or a little over double digit growth, all put together, that is my view, but having said that we do not know the exact information about all the players. So, it is difficult to comment on that one. In terms of the growth breakup between North and South we are not sharing the region wise growth information just for competitive reasons, we just want to state only the overall growth percentage.

Archit Singhal: Matrimony for the last few quarters has been seeing a single digit kind of a growth and given there is a huge opportunity for online matchmaking and you just mentioned that industry might be growing at double digit, so just trying to understand from when can Matrimony grow in double digit, what are the factors which can lead to higher growth compared to current levels?

Murugavel J: Look at Q3, growth has bounced back to 9%. We expect the growth momentum to continue and we believe that we can get into the double digit growth sooner than later, we have to wait and see, but the good thing that we have set right some of the fundamental process changes, which I spoke probably in the last quarter or so and we are gearing up for growth that started to reflect in Q3. We expect the momentum to continue and we believe that Q4 will be a good quarter. We also believe that we can get double digit growth sooner than later..

Archit Singhal: In such a scenario where growth is revised, fair to understand that EBITDA margin at consolidated level will again go to 15% for FY 2021?

Murugavel J: It will improve because when we are looking at Q4 growth that will translate revenue from Q1 onwards. As Sushanth mentioned we expect the EBITDA margin to improve much better from Q1 of FY 2021 onwards. Even with further increase in marketing budget the EBITDA margin will be much better.

Archit Singhal: What is the cash on books as of December?

Sushanth Pai: We have about 239 Crores of cash on books.

Archit Singhal: Thank you.

Moderator: Thank you. The next question is from the line of Kuldeep Koul from ICICI Securities. Please go ahead.

Kuldeep Koul: Question on volume, so you have been sort of stagnating around this 1,70,000 to 1,80,000 number for the last two quarters, which is lower than what we have seen for you guys in FY2019 and what we have seen is that even though you are spending money on advertising and you are having profile acquisition, but the conversions are actually being inferior, so two questions, first is that one would have expected that since south India is two thirds of your market and the competitive intensity is leaner there at least in southern parts of India growth and volume should have been there so that is point number one, why are we are not seeing sort of volume improving as far as south India is concerned where competitive intensity is smaller and second is that what is the imperative to spend so much on advertising and marketing this quarter again relative to what we spent in Q2, if a large part of that spend is happening on online channels and what you are acquiring is people who are not willing to pay and what we need is female profile acquisition where the conversions are generally higher, so how do you justify spending increasingly higher amounts of money on the advertisement?

Murugavel J: Thanks Kuldeep. By the way we are not sharing the breakup of volume between North, South and East, but definitely South is one of the larger markets for us. We expect the volume growth will improve from Q4 onwards because as I said, we have set a lot of fundamental things, what price we have to sell to different regions, we have done a lot of optimization in segmentation that resulted in increase in ARPU because it is important that we do not want to sell at a lower price for the customer whom we think can pay well. So that definitely resulted in ARPU increase, but Q4 onwards we also expect the volume growth also to happen year-on-year. In terms of marketing spend, the marketing spend is largely offline and most of the money is spent on TV advertisements. Today the reason the marketing spend is high is thanks to the increased competitor activities, we being leaders have to ensure that we have a strong presence and visibility in various markets. So high marketing spend is required because today the competitive activity has definitely increased and the marketing spend from the competitors have gone up. It is important that we being the leader have the visibility and presence to effectively have our brand equity maintained at various markets. We expect that the high level of marketing to continue till we see the competitive intensity coming down.

Kuldeep Koul: Fair enough, it is just that around three, four quarters back the annualized run rate expectation on advertising and marketing was Rs.100 Crores and we are already 10% higher than that, so I am wondering because your competitors also seem to have deep pockets, so how long we can go ahead with this spends when it is not translating into better volume acquisition and/or better billing?

Murugavel J: We expect a volume to grow from Q1 onwards, now we started to see a growth in Q3 we expect good growth in Q4 as well. EBITDA margin will start improving from Q1 of next year because other than marketing, other costs will remain stable. I hope that the growth momentum continues again starting FY 2021. I think things will get better from Q1 of next year onwards.

Kuldeep Koul: Fair enough. That is helpful and what is 5.7% improvement in sequential billings was that broad based across markets or was that driven by one specific market?

Murugavel J: Across the market.

Kuldeep Koul: Last time you spoke about these refined initiatives that you are taking by bringing in analytics, AI, which the telesales guys will use to target subscribers better and drive more efficient conversions. I was wondering where we are in that process and have there been any sort of green shoots in terms of the approach that you have taken?

Murugavel J: We have been leveraging AI across the functions, be it on the products, be it on the sales and other areas. Yes, we are able to use some of the insights or expertise in the sales as well. We will definitely see improvement in efficiency and we believe that it will also help us in optimizing some resources or help us run operations effectively. We will definitely see some improvements on those areas.

Moderator: Thank you. The next question is from the line of Pranav Shatriya from Edelweiss. Please go ahead.

Pranav Shatriya: Just some colour on how do you see marriage services panning out over the next two, three years, there has been lot of product innovation planned, some successful, some not so successful, so how do you see this expand in the medium to long term?

Murugavel J: We have matrimonymandaps.com, we have over 5000 venues whom we have relationships with, we expect matrimonymandaps will become India's largest venue discovery and booking platform. At this point we are focusing on acquiring venues, we have more than 5500 venues as part of our platform and we have matrimony bazaar, we have services across India. Both business are focusing on getting the vendors. Again most of revenue for wedding services at this point of time is largely coming from South India. We are expanding, we believe this business is scaling up and again mandaps is focused on acquiring more venues and we have started monetizing those venues as well. Again Bazaar we started monetizing at the same time, we are acquiring more vendors as well. The business is still in early stages. Photography till recently the model what we attempted to scale was the full service model. As we told in the last quarter, that full service model had its own challenge as we scaled up, we realized that it is not the model we want to work on, so we are moving to a market place model on photography. This started this quarter, again it is too early to comment on the market place of photography how it is going to work out, we believe that is the right way forward rather than owning the photography and videography. We think this is a better model to go ahead on the photography. At this point we can assume that all this business are still in the early stages and we continue to improve things, continue experimenting, but we believe that we are following the right direction with respect to be it mandap, be it bazaar and again photography is early to comment on. We believe that we could scale as we progress and the idea is that we do not want to burn too much of cash, again we have been experimenting we want to set things right. Next year also we want to ensure that we keep the losses under control. Once we are able to get that some growth strategies identified we will be able to scale up at a rapid pace. At this point of time, we will continue to experiment, continue to try new things and ensure that we are following the right direction without losing too much of money though it has immense potential and as I said, objective is to grow in a meaningful way without burning lot of cash.

Sushanth Pai: Also our objective is to see how we can contain the losses in a range bound manner, so we realized that in the photography business it was not scaling up as expected, the model was not working as expected and we took a call on that because we felt that it was not yielding the desired results and by changing it like I mentioned in the brief, the losses in the marriage services level will come down from next quarter and will remain in a range bound level. So we will also be cautious about the costs at the same time investing to create the right ecosystem in place for future growth.

Murugavel J: I want to add to it definitely we are looking at growing aggressively in the wedding services at the same time we do not want to just put money behind the problem, we want to do things in a right way, get things right, identify the growth spots and then drive the growth then we can invest to support the growth. Again a lot of work is going on and we believe that the new business model is the right model of photography, hope next year can be a better year for wedding services.

Pranav Shatriya: Do you have any target burn in mind when you spend. or you just look at the business as it comes as you see the potential you decide that you want to invest in that, how exactly that framework is shaping up?

Murugavel J: At this point of time we are keeping the loss probably around Rs.3 to 4 Crores in the quarter for wedding services. That is a range we want to update at this point of time till we see some changes.

Sushanth Pai: See typically when you look at the business we see what is required in terms of getting the business up and running so when you get the business up and running there are certain costs required. there are fixed costs, there is technology cost, you need to build the website, you need to get people so that you can create the ecosystem; however, the revenue does not come because the focus is more on creating the ecosystem. In the beginning of the year we said that typically the losses will be in a particular range for example in the range of Rs.4 Crores every quarter and that is the thing that we decided for the year. As we close this year we have figured out something is not working and something is working. Based on that we will again tweak that on a quarter-on-quarter basis so that is the way to see the investment model for marriage services.

Pranav Shatriya: Sure. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Archit Singhal from Safe Enterprises. Please go ahead.

Archit Singhal: Sir just continuing on the previous question regarding marriage services, is there any number or any targets, which you want to achieve in terms of revenue scale over the next three to five years because it has been pretty flat for the last few quarters and secondly are you open to acquire anything in organic expansion in that space specifically?

Murugavel J: Definitely we continue to evaluate opportunities, which can help us to grow better. As we progress if any interesting opportunity makes sense we will be definitely be keen to look into it and in terms of the revenue growth it has been flat because the revenue has degrown in wedding services largely because of photography. In the next couple of quarters, it will be less only because the photography has got a new model and will probably improve from the later part of the coming year probably Q3, Q4 onwards. The next few quarters because of the absence of photography revenue, which was part of the earlier quarter, revenue may be less than the previous quarters. It will get better from the end of FY 2021 onwards.

Archit Singhal: On a longer term do you have any ambition or target which you want to achieve in terms of revenue scale for the business?

Murugavel J: There is an ambition definitely, opportunity is so big, but you have to get some of our strategies and actions right to achieve those ambitions. Yes, there is ambition to achieve Rs 100 Crores in wedding services in the next couple of years or three or four years, but we have to get our act, strategies, people, process and growth spots right.

Archit Singhal: Thank you.

Moderator: The next question is from the line of Kuldeep Koul from ICICI Securities. Please go ahead.

Kuldeep Koul: I just want to understand the pricing philosophy a little bit better as far as North and West markets are concerned because the competitive intensity is very fierce in those markets and your competitors are discounting the sticker price by 70% to 80%. In that context the cost structures that you are running are predominantly fixed cost structures, so I am wondering that incrementally why not be aggressive in terms of offering those discounts in these markets and convert subscribers because at the end of the day that is all incremental revenue and there is an incremental flow through to that. It is not as if the market space is transparent in the sense that if you offer a discount to person A that discount will be evident to all of the profiles, which are available on the platform. So, in that context given the fixed cost nature of the platform per se and the fact that there is no transparent mechanism of pricing being visible to all participants, I am wondering why not take that incremental EBITDA?

Murugavel J: This is a fair point. As you said, it varies from market based on various segments. We do not want to get into flat 80%-90% discount to be offered to the customer. We think that we can do a better job on offering right price to the right customer, we have certain ways of doing things. We believe that is the right way to do things and may be different opinion on that is possible. It is not that we are looking at single price to the customer, our price is based on market and based on segments, so we continue to look at how to sell or get more subscribers by offering may be discount or other things we can offer to the customers to get more customers to subscribe for our services. We continue to improve on what we are doing to segments and pricing. It is ongoing thing for us and we continue to work and continue to improve on those things.

Kuldeep Kaul: Got it. Sir couple of followup questions for Sushanth just housekeeping questions. Sushanth you had mentioned last time that growth in South market was higher than company average and North and West was a little bit lower than company average as far as Q2 is concerned. I was wondering whether you can give a similar commentary on Q3 and second even on profiles a few quarters back you had given some data points in terms of profile growth in markets like Punjab, Gujarat and so on and so forth. I was wondering again if you can give a little bit of color and flavor regarding how the active profile growth is across markets?

Sushanth Pai: At that time we had given that thing because we had not seen much of traction in the North and West at that point in time, but after that the profile acquisition has been sort of much better than what it used to be a the year back, so in terms of profile acquisition I think we have seen broad-based profile acquisitions across all geographies. Which means we are not seeing anything that is negative across any geographies in terms of profile acquisition that is why I have not given specific commentary on this. On the overall growth perspective yes that fact remains that at an overall level our strong markets are growing higher than the company average and the markets in the North and West are slightly lower than the company average so that continues.

Kuldeep Kaul: Got it. That is very useful. Thank you.

Moderator: Thank you very much. As there are no further questions I will now hand the conference over to the management for closing comments.

Sushanth Pai: Thanks Neerav, thanks Kuldeep and thank you all for joining this call and we look forward to speaking with you in the coming days. If you have any further questions, you can write to us and good night. Thank you.

Moderator: Thank you very much. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

(This document has been edited for readability)

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