

November 22, 2017

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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 17th November 2017 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**



S.Vijayanand

Company Secretary & Compliance Officer

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matrimony.com

“Matrimony.com Limited Q2 FY2018 Earnings Conference Call”

November 17, 2017

MODERATOR: MR. VISHAL DESAI - AXIS CAPITAL LIMITED

**MANAGEMENT: MR. MURUGAVEL JANAKIRAMAN - PROMOTER & MANAGING
DIRECTOR – MATRIMONY.COM LIMITED**

**MR. BALASUBRAMANIAN K - CHIEF FINANCIAL OFFICER –
MATRIMONY.COM LIMITED**

**MR. VAASEN V - VICE PRESIDENT - BUSINESS FINANCE &
TREASURY – MATRIMONY.COM LIMITED**





Moderator: Ladies and gentlemen good day and welcome to Matrimony.com Limited Q2 FY2018 Earnings Conference Call, hosted by Axis Capital 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. I would now like to hand the conference over to Mr. Vishal Desai from Axis Capital Limited. Thank you and over to you Sir!

Vishal Desai: Thanks Stanford. Very good afternoon to all the participants on this call. I welcome you to the earnings call for Matrimony.com Limited to discuss the Q2 FY2018 Earnings Performance. We have with us Mr. Murugavel Janakiraman - Promoter & Managing Director, Mr. Balasubramanian K – the CFO, Vaasen V – from the Business Finance & Treasury Department. The call typically will begin with the brief management discussion and would be followed by an interactive Q&A session. I will now hand over the floor to Mr. Murugavel. Over to you Sir!

Murugavel J: Thank you. Good evening everyone and thank you for joining us on our first investor call for the second quarter results post our listing. I also have on the call our CFO – Mr. Balasubramanian. Let me begin with the unaudited consolidated quarterly financial performance of the company post, which I will take you through the performance of each of the two segments that we operate in. We will be happy to take the questions after this presentation.

The company achieved a consolidated revenue of Rs.83.7 Crores for the quarter, a growth of 13.7% against the corresponding quarter of the previous year. The earnings before interest, tax and depreciation, EBITDA for the quarter were at Rs.20.6 Crores as against Rs.14.8 Crores for the corresponding quarter of the previous year a growth of 39.5%.

EBITDA margin for the quarter was at 24.6% against 20.1% for the corresponding quarter of the previous year. The company’s consolidated net profit for the quarter was at Rs.18.8 Crores a growth of 61.1% against the corresponding quarter of the previous year. The net profit for the quarter includes the recognition of impact of the previously unrecognized net deferred tax assets of Rs.3.25 Crores.

Overall profiles added for the quarter were 8.7 lakhs of which 61% were posted by the prospects themselves, 17% of profiles were added by parents and 22% of the profiles were added by siblings, relatives and others. Approximately 52,000 success stories have been reported to the company in the first half of the current financial year.

The growth in matchmaking revenue, coupled with high operating leverage has resulted in the improvement in margin versus the year-ago quarter. The marriage services segment is still in nascent stage and is being nurtured for the growth and scale. During the quarter the photography service has





expanded its operations to Karnataka. The IPO funds received towards the purchase of land and replacement of overdraft facility has been successfully deployed in October.

Segment results for the matchmaking: The matchmaking segment revenue for the current quarter was at Rs.79 Crores as against Rs. 70.6 Crores for the corresponding quarter of the previous year a growth of 12%. The additional tax incidence of 3% due to the implementation of GST, with effect from July 2017 has impacted the matchmaking revenue by 0.7 Crores. The matchmaking EBITDA for the quarter grew by 33.9% to reach Rs.26.7 Crores as against Rs.20 Crores for the corresponding quarter of the previous year. The matchmaking EBITDA margin for the quarter was at 33.8% as against 28.3% for the corresponding quarter of the previous year.

Marriage services: The marriage services revenue for the current quarter was at Rs.4.6 Crores as against Rs.3 Crores for the corresponding quarter of the previous year, a growth of 52.6%. EBITDA for the quarter was loss of Rs.3.8 Crores as compared to the loss of 2.3 Crores for the corresponding quarter of the previous year.

I would like to open the floor for questions that you may have. Thank you.

Moderator: Thank you very much sir. Ladies and Gentlemen we will now begin with the question and answer session. We take the first question from the line of Harit Shah from Reliance Securities. Please go ahead.

Harit Shah: Thank you for the call. Congratulations to the management on good set of numbers. Sir I had a query regarding your sales and marketing expenditure. So advertisement business expenses, so in absolute terms on a year-on-year basis it has declined. I realize that obviously your business tends to have higher operating leverage where strong revenue growth and fixed cost can lead to higher margins, but I would imagine a growing business like yours, in an absolute terms for the figure to fall is a little bit.. if you could give some perspective on that aspect it would be quite helpful?

Murugavel J: Thank you. On marketing expenses, Q2 is normally a lean quarter for us and marketing has always been a little less compared to the other quarters. Starting this quarter i.e., Q3, we are stepping up our marketing efforts and we are also looking at special emphasis on the northern market to improve our market share in that market as well. So you will see growth in marketing spend from this quarter onwards.

Harit Shah: I think I missed the EBITDA figure for your matchmaking segment, can you give us for the last year and for this – same quarter last year and for this quarter please?

Murugavel J: The matchmaking EBITDA for Q2 of last year was 28.3% and that has moved to 33.8% in Q2FY18 and in the previous quarter, i.e, Q1FY18, the margin of matchmaking was 33.1%.





- Harit Shah:** That is it from my side for now. I will come back later for a follow up. Thank you.
- Moderator:** Thank you. We take the next question from the line of Sahil Desai from Hornbill Capital. Please go ahead.
- Sahil Desai:** Can we have the numbers of EBITDA for segment both matchmaking and marriages which is for Q2, would you share the same numbers for H1 also please this year and last year.
- Balasubramanian K:** H1 EBITDA margin was 33.5% in the current financial year.
- Sahil Desai:** Sorry to interrupt, can you share the absolute number please?
- Balasubramanian K:** You are talking about absolute number – segment EBITDA was 53 Crores.
- Sahil Desai:** Matchmaking is 53 Crores for H1 and last year was?
- Balasubramanian K:** FY2017 was 38 Crores FY2018 was 53 Crores.
- Sahil Desai:** Marriage services losses can you share the same thing for H1 in this year and last year.
- Balasubramanian K:** H1 FY2017 was 6 Crores, 7.5 Crores was FY2018.
- Sahil Desai:** 7.5 Crores.
- Balasubramanian K;** Yes. Both are loss.
- Sahil Desai:** Yes, and the second is on the tax rate. The expectation was that we would be paying MAT this year on the PBT so can you give some sense of what will happen for the full year?
- Balasubramanian K:** Since we have profits from the beginning of the year itself, we have moved out of MAT situation and paying the full taxes. Considering the carry forward losses and recognition of deferred tax assets, the effective tax rate for us will be around 25% for this financial year and going forward next financial year we will have the full tax.
- Sahil Desai:** That is it from my side. Thanks.
- Moderator:** Thank you. We take the next question from the line of Darshan Shah from MultiAct. Please go ahead.





Darshan Shah: I have two bookkeeping questions. In the press release on the balance sheet side we have other financial assets of 40 Crores and other current financial assets of 38 Crores so I would like to know what this includes.

Balasubramanian K: 38 Crores is basically the cash deposits, which we have in the fixed deposits with the banks basically 3 and 12 months.

Darshan Shah: And about other financial assets of 40 Crores on the noncurrent side.

Balasubramanian K: Represents FD with Banks maturing more than 12 months.

Darshan Shah: My next question is on the borrowing side when we look at March 2017 and Q2 borrowings as on September end it has increased by 10 Crores odd number. What led to increase in this and what is the current status of that are we debt free currently or we have some debt on the book?

Balasubramanian K: There is no long-term debt in the company. It is basically the overdraft facility which we have with the HDFC bank and which has been repaid in October as part of the IPO proceeds. The finance charges what has been shown there is including the Ind-AS adjustments.

Darshan Shah: I have some more questions. I will come back in the queue.

Moderator: Thank you. We take the next question from the line of Girish Pai from Nirmal Bang. Please go ahead.

Girish Pai: Can you give some outlook on both the businesses going into the second half of FY2018 and beyond because I think during the IPO time I think you were restricted from making forward-looking statements but now that you are out of it? So what is the outlook both on revenue growth and margins for the individual businesses that you have right now?

Murugavel J: With respect to matchmaking business, we expect the good growth momentum to continue because we are adding profiles at a good pace. In Q2 the profile growth of 17%, the increase in profile results in an increase in the paid transaction and we expect the good growth momentum, better growth for the second half of this year and the good thing about the matchmaking business is that because of good operating leverage, the increase in revenue results in good EBITDA margin. With respect to the marriage services, it is a very large opportunity and is still in a very nascent stage; we expect a very high growth in marriage services. The way to look at the marriage services is to drive high growth without losing lot of money. So a combination of matchmaking and marriage services, we are looking at similar or better growth compared to what we had in the first half of this year.

Girish Pai: Would the margins in the marriage services business improve from here or will they remain at somewhat the same levels as what they are in Q2?





Murugavel J:

When we look at the marriage services we have a few businesses as part of marriage services. One is the matrimony photography. A large part of revenues is coming from matrimony photography and we are quite bullish about that business opportunity. We are currently operating now in five southern states. When we look at the photography, in a couple of states the business is at steady pace. I was talking about states like Tamil Nadu where you have launched early or even next Kerala we already in good number of events per quarter. In the business, at around 250 events per month or that kind of execution per month, the business comes to profitability. So, we are looking at taking to this number in all the states we operate in the photography business. So, in photography, some states it is close to profitability and some states it is a very early stage. Matrimony Bazaar the other venture which has seen a huge opportunity is currently being tested in Tamil Nadu. I would say that same is the case for Matrimony Mandap as well so this business is in very early stage. By operating in a single market, you want to get the business close to profitability and then we expand into other markets. So, combination of all these three ventures, the marriage services looking at healthy growth and objective is to drive the high growth without losing lot of money. Our losses in the wedding services which will be around 3 Crores per quarter and that is what we are looking at.

Girish Pai:

Lastly you had tambulya.com or something like that so which you kind of dropped. What is different between what you did in tambulya.com versus what we are doing now in marriage services, how are the services different.

Murugavel J:

Tambulya was a return gifts venture, people buy the return gifts which they give to the guests in the wedding. That was the venture of Tambulya which was both online as well as its couple of physical outlets as well. The business we operate in Matrimony Photography we provide the End-to-End photography, videography services. The Matrimony Bazaar is assisted commerce business. The people who are getting married they can avail wedding services, all the wedding services or they can pick and choose the wedding services which they want to avail through us. Example someone picks; I want help in only the catering services they can avail the catering services through us by paying the service fees or they can choose all the service also; from A to Z. They can choose apparel, jewellery, catering, decoration, mandap, they can avail the suite of services through us. For every service they want to avail through us we charge a service fees and we appoint a relationship manager. We have 4000 plus vendors we have signed up in Tamil Nadu across the categories. By availing the service through us, through relationship managers they get the discount, so they can save up to even 10% of the wedding expenses if they avail all the services through us. If they pick and choose a particular service, the discount will vary from category to category, in jewellery they can save a percentage or so but catering they can even save up to 10% or more percentage as well. We get the commission from the vendors, apart from the service fee. The model is very early stage there are cases we do allow customer to pay after availing the service, there are cases we have got the subscription well in advance so we get around 300 odd subscription on a monthly basis, combination of paid and postpaid. So that is the venture of Matrimony Bazaar. The Matrimony Mandap is a venue booking platform, we





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are over 2000 mandaps across south India listed with us, the customers getting married, they can book a mandap through our platform and helps in saving of time as well as they save money in booking the mandap through us, we get the commission from the venue owners.

Girish Pai: I will come back.

Moderator: Thank you. We take the next question from the line of Sahil Desai from Hornbill Capital. Please go ahead.

Sahil Desai: For the matchmaking revenue both for Q2 and Q1 can you share the price volume metrics in terms of how much was the paid subscription and what was the average realization for each of those?

Murugavel J: Paid subscription for the Q2 was around 1,77,000 paid subscriptions. In terms of ARPU average transaction value it was 4339. Again we have to kind of consider that there is a substantial increase in the average transaction value in spite of this quarter having the 18% GST.

Sahil Desai: Q2 FY2017 was 4002?

Murugavel J: Yes that is right.

Sahil Desai: The subscription number for Q2 FY2017 is?

Murugavel J: 1,70,000.

Sahil Desai: 170,000 and this quarter was 177,000.

Murugavel J: Yes.

Sahil Desai: Thanks. That is it from my side.

Moderator: Thank you. We take the next question from the line of Harit Shah from Reliance Securities. Please go ahead.

Harit Shah: Thank you for the detail on the operating metrics. Sir can you give the active subscriber base – your active subscribers at the end of 2Q this year and 2Q last year please?

Murugavel J: Q2 the active profiles on the website is 3.19 million, Q2, last year it was 2.75 million.

Harit Shah: 2.75 in the year ago quarter right.





Murugavel J: Yes that is right.

Harit Shah: You had mentioned that the marriage services business will report about 3 Crores losses per quarter. So till when do you expect that to happen, maybe for the next two three quarters or maybe more than a year and any kind of indication about that.

Murugavel J: In terms of how long the losses will continue?

Harit Shah: Yes, so you said 3 Crores of quarter the losses that are likely to be incurred right in the segment maybe for the near-term so typically how many more quarters you expect this to continue, is what I am asking.

Murugavel J: We expect this continue for long time considering the opportunity on each of these ventures are very high. Look at the photography you are talking about 10 to 12 million weddings taking place, if we do 100,000 weddings per month that itself can be a 500 Crores opportunity for us. Even the 100,000 weddings per month, we have just covered the 1% number of weddings that takes place in India. So opportunity is big and the photography currently is operating only in southern states. You need to expand it to across India, same is the case for other venture like Matrimony Bazaar or Matrimony Mandap. So since the business in very early stage, operating in limited markets, for us the opportunity is to expand these ventures across India. Don't know when we would be expanding into all these markets because our strategy has been get the business model right before we expand into various markets. So we have to wait and see, while we are looking at definitely very high growth on these ventures but in terms of profitability while one state it may become profitable and by the time we expand into other states. So the combination of the business becoming profitable in particular state but business is in a nascent stage in other states; probably all put together we expect losses to continue. It is too early to comment in terms of what will happen three years down the line. So we are looking at very high growth on these ventures but without losing lot of money; that has been sort of our strategy. That is how we are looking at driving this business.

Harit Shah: My last question on the typically third quarter will that be seasonally strong for you so then can we then expect some higher growth also in the third quarter in both your segments.

Murugavel J: Except for Q2, which is traditionally has been a challenging quarter normally Q3, Q4 the growth definitely gets better.

Harit Shah: Any impact at all of GST on in the next - maybe for the next one or two quarters that we have any kind of deferment or anything of that sort or that is not likely to be the case?

Murugavel J: One thing what we have done is we have not increased the price for the last two years, so after two years we increased the price in the month of October. We increased our basic package by Rs.300 and





the basic package prior to the price increase was Rs.4200, that has been increased to Rs.4500. We have done only the price increase for the three months package. We will be doing the price increase for other packages as well so that will take care of GST increase. But having said that the price increase benefit would happen over a period of couple of quarters because as you may know our paid transaction value includes our first-time transaction as well as renewal transaction. So the benefits of any price increase will take a couple of quarters to get the complete realization. The price increase takes care of GST and we hope that also contributed our growth as well. Again, as I said, the price increase happened after a couple of years.

Harit Shah: Thank you. That is all from my side.

Moderator: Thank you. We take the next question from the line of Saurabh Ginodia from Stewart & Mackertich. Please go ahead.

Saurabh Ginodia: Congratulations for good set of results. Thank you for the opportunity. Sir can you speak a little bit about the competition intensity in both your business segments?

Murugavel J: In terms of the matchmaking business, we believe we have 60% market share, except the northern market we have leadership across all markets. Starting this quarter, we are looking at stepping up our marketing visibility and the efforts in the northern market. Starting this quarter, we will have an intense campaign in the northern market because we want to increase our leadership in the northern market. We want to improve our market share leadership in the northern market and it is going to be one of our focused efforts going forward.

Saurabh Ginodia: And in the marriage services part?

Murugavel J: Coming to the marriage services part, in Matrimony Photography, other than us we do not see any organized player operating in this space and in terms of matrimony mandap again we do not think anybody is at this scale and size, I do not see organized player in the matrimony mandap space. The Matrimony Bazaar again our business model is completely different. The Matrimony Bazaar, assisted commerce model again is very unique, and I do not think anybody is operating in that space. So our advantage is, matrimony.com is a very trusted matrimony brand and we have a 1000's of customers getting married, we have the readymade audience to whom we can offer the services. So there are 52000 reported marriage on account of us in the first half. This is only on account of matrimony.com. But you also have close to 100,000 reported marriages happening on a quarterly basis, which includes people getting married through other channels as well. So we also have that readymade audience of people getting married. Here we have natural advantage of reaching out of these people and offering our wedding services compared to any other player who wants to get into this space; they have the challenge of reaching the readymade audience who are getting married. In a way we are not seeing





any serious competition in the wedding services space. The service we provide is very unique and differentiated and most of the services we provide, we do not see any serious competition. But the thing is that we do not want to aggressively expand. We want to get the model close to profitability before go after the other markets. That is how we have been driving things now. So to answer your question, yes we do not see any serious competition in wedding services space.

Saurabh Ginodia: And at what level of revenue do we breakeven in the marriage services?

Murugavel J: Look at the business, with the photography, every state if we do around 250 to 300 events per month the business becomes profitable.

Saurabh Ginodia: What is the run rate now in the photography?

Murugavel J: Photography last quarter we have done over 1100 weddings put together in all the four markets. So for all the southern states to become profitable we have to do close to 3000 events per quarter so if that happens entire southern states become profitable on the photography venture. Matrimony Bazaar again it is a very early stage it is too early for us to comment so again the model is fine-tuned and improved, so Matrimony Bazaar maybe around 30, 40 lakhs per month so that is the sort of thing.

Saurabh Ginodia: And as management are we thinking of adding any other product extension under marriage services or first we want to grow and be profitable in whatever businesses we are having as of now?

Murugavel J: At this point of time we are not looking at any other new ventures and the ventures which we are operating currently these ventures can be large enough ventures, so at this point of time the focus is to strengthen and grow the ventures already launched so we are not looking at any new ventures at this point of time.

Saurabh Ginodia: In terms of seasonality if you can talk a little bit which of your quarters are strong quarters seasonally?

Murugavel J: Normally Q4 is the best quarter because when the year starts and we see good influx of people getting into the platform because they want to get married and normally Q4 is the best quarter.

Saurabh Ginodia: Linearity wise, which quarter will be the second best quarter?

Murugavel J: Q4 and Q1 are normally the best quarters and Q2 is a challenge quarter, Q3 it gets better, actually it comes back from the slump we normally have in the Q2. Again, it is slight, normally there is couple of percentage it goes down in the Q2 and it is kind of bounces back in the Q3 and Q4 the best quarter and Q1 is the another best quarter.





- Saurabh Ginodia:** In terms of your advertisement and business promotion expenses it stands at around 16% in the half year what number are you targeting as a percentage of sales for this full year and next year.
- Murugavel J:** We are looking at more or less similar percentage.
- Saurabh Ginodia:** Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Devanshu Bansal from Nirmal Bang. Please go ahead.
- Devanshu Bansal:** Can we get the price volume metrics ex of taxes, ex of taxes comparison Y-o-Y comparison?
- Balasubramanian K:** Can you repeat the question please?
- Devanshu Bansal:** We have grown 12% Y-o-Y but that was inclusive of GST can we get that growth number ex of taxes in terms of net number.
- Murugavel J:** In the matchmaking business or enterprise level.
- Devanshu Bansal:** Yes in the matchmaking business.
- Murugavel J:** The matchmaking business, the growth of 12% if not for GST probably we done around 13%, so 1% benefit we would have got if not for GST on a revenue growth.
- Devanshu Bansal:** That is I think based on the numbers provided for volume it was 4% volume and rest 9% is come from realization.
- Murugavel J:** In terms of, you are talking volume versus ARPU metrics? Yes you are right.
- Devanshu Bansal:** That is it from my side.
- Moderator:** Thank you. We take the next question from the line of Sahil Desai from Hornbill Capital. Please go ahead.
- Sahil Desai:** Just wanted to check on your expansion in the non-south markets what are the plans there, how much did you intend to spend over the next couple of years on trying to gain market share over there if you can give us some sense of what your plans there in that space?
- Murugavel J:** The thing is that you have a sufficient marketing budget and most of the markets we have strong leadership so we are going to increase our marketing budget slightly in the matchmaking space and





starting this quarter we are sort of going to allocate a reasonable budget, combination of marketing strategy and the way you are going to allocate the marketing budget so definitely you are looking at having a good traction in the northern market. We are expecting this kind of focus on the marketing efforts in northern markets will continue to be there because that is one market we do not have strong leadership that is going to one of our objectives also. So we are looking at couple of advertisements burst, what I call it as, in the quarter. So far we have been doing sort of one advertising burst a quarter so now starting this quarter we are looking at two advertisement bursts a quarter so that, that will increase our visibility in the northern market and we are already seeing a reasonable growth in the northern market, so we expect that we able to sustain, advertise and we will be able to increase our market share in that market, which will help us to achieve the leadership in that market as well.

Sahil Desai: Our annual spends are in the range of about 50, 52 Crores on advertising and marketing right so how do you see that going up given the plan that you have?

Murugavel J: The marketing budget for this year will be more or less the same but having said that since most of the markets, we are already a market leader and we are able to kind of manage the marketing budget in such a way that we are able to allocate more marketing budget for the northern market and so that is how we are looking at it. Marketing budget for the entire year will be around the number what you have mentioned.

Sahil Desai: So within the same budget we will be shifting from south to non-south markets also?

Murugavel J: Yes that is what I am looking at, some budget may come from south.

Sahil Desai: So you are not looking at a dramatic increase, any material increase in the marketing budget per se, it will be the same.

Murugavel J: Yes absolutely. We are not looking at any substantial increase in marketing budget more or less around 50- 52 Crores that is the kind of number what we are looking at.

Sahil Desai: On the marriage services side this year like you said you are looking at close to a 12 Crores annualized loss run rate, can you talk a little bit about what your thoughts are on if you see some significant traction coming in, in any of the businesses specially photography what kind of burn can we expect if you see better traction coming in are you willing to spend more in terms of burning from more for a couple of years to get more business or how do you look at that piece?

Murugavel J: At this point of time, we are looking at the burn rate will be similar to what we are currently spending, or they will be slightly reduced burn as we progress. While the opportunity is big the way we are seeing the business is - once the business reaches a threshold it becomes profitable, so we believe even with continuous expansion we are able to do that with the current level of the operating losses.





Even tomorrow we expand into other parts of India, by then the south consolidates to a certain level where the operating losses in the southern market may come down so that can support the growth in the northern market. So we are still in an evolving stage so currently the way I see is that we can have a higher growth with a similar kind of losses or little reduced losses. Having said that, the business expands to northern region next couple of years the way you see this loss will be more or less similar to what is the current level of losses. The advantage what we have in the business is that because we have the readymade audience while getting married whom we can reach out and offer our services. That way, we don't have to spend a lot of money in growing our new ventures. But any new venture it takes some kind of the initial set of operating cost in the business before we come to a level of maturity and close to profitability. So to sum it up we expect the higher growth without losing lot of money.

Sahil Desai: If I may just slip in one last question on photography, Tamil Nadu has broken even earlier this year do we remain profitable in Q1, Q2 also or have we slipped back into losses, how is that performed

Murugavel J: Yes Q2, seasonality wise Tamil Nadu has affected the photography and the numbers in the Q2 in Tamil Nadu is a one-off of the quarter and this quarter it can come back to the close to profitability.

Sahil Desai: So on a full year basis we look still be profitable in Tamil Nadu in photography?

Murugavel J: No, full year at this point of time, I would say that starting this quarter possibly can get close to our profitability or become profitable in Tamil Nadu.

Sahil Desai: Thanks. That is all from my side.

Moderator: Thank you. We take the next question from the line of Darshan Shah from MultiAct. Please go ahead.

Darshan Shah: Our press release mentions about the IPO related expenses that we have paid to the tune of 25 Crores and we are about to receive some 21 Crores from the selling share holders have we yet received that sum as of September 2017?

Balasubramanian K: What we have done is basically just recording the accounting transaction we are showing it as a recoverable in September but we have made the remittance to the selling share holders and we have deducted the money in October.

Darshan Shah: The next question is when we compare our revenue per employee with our competitors they are a way ahead in terms of efficiency their revenue per employee is way higher so do we see further scope of improvement from current levels for matrimony?





- Murugavel J:** Are we talking about Jeevansathi which is part of Infoedge group, so I do not know whether that is the comparison, I am not sure. I think among all the internet companies we believe that we are a company which has less employee cost. In fact our employee cost is much less than the other peers in this stage, in fact our employee cost is 39% of the overall revenue and we believe that we are operating efficiently in fact if we come to matchmaking we are more or less operating in terms of the number of the associates for the matchmaking business, pretty much the number has been fairly flat, we are using lot of technology and many things so we believe that we are being a leader and being exclusive focus on matrimony and we have one of the best efficiency with respect to the way we manage the business, with respect to employee cost.
- Darshan Shah:** Thanks. That is it from my side.
- Moderator:** Thank you. We take the next question from the line of Manish Poddar from Renaissance Investments. Please go ahead.
- Manish Poddar:** I just had one small question about your staff expenses should we assume this half yearly rate to continue for the full year, we have got done about 65 odd Crores in the first half on consol basis should we analyze that?
- Murugavel J:** There will be a slight increase but in terms of percentage we believe that the percentage can be more or less, it can come down depends on how the second half is going to pan out.
- Manish Poddar:** If we analyze we are seeing about a 30% odd staff expenses Y-o-Y growth so what should we factor in let us say for 2019 and 2020 I am just trying to understand that?
- Murugavel J:** One thing about the business, because our operating margin is largely driven by the increase in the matchmaking EBITDA margin so what we see in the matchmaking business, the revenue grows we see the corresponding benefit coming both in the employee cost and other costs as well. So the matchmaking business operating margin continue to go up that will reduce the percentage of employee costs, the overall employee cost percentage also come down basically the employee cost as the percentage of revenue as we progress both in matchmaking and overall at the enterprise level it come down because of the operating leverage benefit what we have in the matchmaking business and keeping losses in services at around 3 crores or so.
- Manish Poddar:** One small clarity if I can you said the pricing increased from 4000 to 4339 in this quarter Y-o-Y?
- Murugavel J:** That is right.
- Manish Poddar:** And the GST rate for your category is 18%.





- Murugavel J:** That is right.
- Manish Poddar:** How do you factor this 8%, so you absorb the tax rate increase and you have got a 8% so this is primarily the annualized price increases which were lapping up now or how should I look at price increase let us say so incrementally if you take 7% price increase would I assume next quarter onwards you will have a like at 14%, 15% kind of a pricing growth?
- Murugavel J:** Basically the price increase we have done is the price increase only for the basic three months package. We will be doing price increase for six month and other packages as we progress. The price increase benefit, the benefit takes at least couple of quarters to realize. Because we had a first time payment, we have a renewal payment, first time renewal, second time renewal, third time renewal so it takes much longer time to get the benefit of the price increase. Increase in ATV is basically what you are seeing is the combination of selling higher packages, we have the assistant matchmaking business we have elite matchmaking business, mix of various factors. That is what is driving the average transaction value. Also compared to other players obviously the way you sell the packages we do not give much discounts. All these factors have been driving the average transaction value in the matchmaking business.
- Manish Poddar:** What is the broad breakup between the three months, six months and 12 months just a broad breakup would be helpful?
- Murugavel J:** We are not sharing that information because of competitive reasons.
- Manish Poddar:** But would it be that three months would contribute let us say about two-thirds or three-fourth of your entire pack?
- Murugavel J:** 3 months is one of the largest contributors of revenue, but we are not giving out the specific number.
- Manish Poddar:** Thank you. All the best.
- Moderator:** Thank you. We take the next question from the line of Girish Pai from Nirmal Bang. Please go ahead.
- Girish Pai:** You had a paid subscription growth of 4% in 2Q, is that the kind of volume growth one should be expecting even going forward?
- Murugavel J:** The growth in paid subscription depends on multiple factors because we have a three months package, six months package and a one-year package. Suppose we sell the six months package or one-year package we do not have the corresponding renewal as well, so it depends. We do various strategies to drive the growth and revenue, again the growth in volume is also the function of the increase in the number of profiles. The growth volume can be better as we progress because we are





seeing a good increase in the overall number of profiles getting added so we can expect even a better increase in the number of paid subscription. Again it depends also on the mix changes of one year package, six months package, we may not have the corresponding renewal number of that. The number 177000 includes customer renewal. So if you sell more of six months or one year packages we may not have the corresponding renewal. But having said that we can possibly expect the better number as we progress. The way you look at the revenue it is a combination of the paid subscription as well as our transaction value, so we look at driving all these levers to grow the business.

Girish Pai: In terms of the market size for online matchmaking how would you kind of split that into the various geographies into north, south, west and east?

Murugavel J: Except the northern market we believe that we have a strong leadership across the region.

Girish Pai: My question was different, first of all what is the size of the online matchmaking market and how would we split that from a geography standpoint.

Murugavel J: Again in absence of numbers from the other players would be difficult for us to comment on that but we believe the overall market it is more than 500 Crores. We believe we have a 60% market share, again that we do not know what is that exactly the percentage of mix in the northern market, but I know, that that is one of the markets we need to focus on growth, we do not have any specific numbers of what is the size of the northern market.

Girish Pai: Would you be number three or a number two player in the northern market?

Murugavel J: I believe that there is no strong leadership, at this point of time we do not see anyone as a leader in the northern market. So that is one of the reason we are looking at stepping up and getting to a bit of a leadership in the market. At this point of time we do not see anybody as a leader in the market.

Girish Pai: Now at the segment profit level for matchmaking I think that was some 33.5 or 34 or something like that where do you see this going where do you think it will peak out at?

Murugavel J: The good thing that the segment of matchmaking is at 34%, it is happening in spite of spending at 15% for marketing. So it is almost close to around 50% with the operating margin level. We are looking at continuously spending money and thereby kind of improve our market share and leadership. Just to give some perspective, suppose the matchmaking revenue from 80 Crores moves to 100 Crores, the segment level EBITDA margin in matchmaking business can move close to a 40% or 37-38% kind of range. Basically the increase in revenue the matchmaking business obviously will drive that EBITDA margin. So 100 Crores revenue in matchmaking business probably we can expect around 38%, or close to 40% of the EBITDA margin. When the revenue moves further obviously we consider to increasing EBITDA margin in the matchmaking business, so at 100 plus Crores level yes





we can see that kind of margin. So when the revenue improves further we can expect more margins as well.

Girish Pai: Lastly there is that what is the difference between the standalone, the consolidated numbers to the standalone numbers you seem to be adding some very profitable revenues or very profitable subsidiaries what are those subsidiaries?

Balasubramanian K: There are only two active subsidiaries for us. One is the Consim USA, which is 100% subsidiary for the matrimony.com, which takes care of the NRI operations. The costs are all controlled here and a very little marketing spends happening there hence it is recording a higher profit.

Girish Pai: So that is which the most profitable one is?

Balasubramanian K: Yes for the reasons mentioned..

Girish Pai: You mentioned there is another one?

Balasubramanian K: It is also a 100% subsidiary called Sys India with limited activities. It is acting as an advertising agency company for matrimony..

Girish Pai: Thank you.

Moderator: Thank you. We take the next question from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand S: Thank you so much for the opportunity. I have two questions on the matchmaking business one pertains to the trends in advertising and promotions. Thanks for the explanation on the ad spends but just one follow up there what is the split of the ad revenue right now that we have between the media how much are we spending online versus how much on traditional media and is there a possibility of hiking our spends so that we can gain a greater share of volume and then potentially mining those customers better that is one. Secondly any update that you would like to provide on the mobile app offtake there that would be helpful? Thanks.

Murugavel J: The one thing about in terms of marketing spend the most of the spend on marketing is done on the offline media, which is TV channel by and large. Since we have a sufficient marketing budget we also going to increase the marketing budget slightly as we progress, so the combination of most of the money being spent on the TV channel plus we are going to fine tune the marketing strategy plus we are going to increase our marketing budget, which will help us to have sufficient visibility in the northern market. So again good thing that because the brand value is so strong almost close to a 90% of profiles for us is happening organically, where people come to our website or download our apps





and create a profile; that way the brand has been strong. That is one of the reason we have been continuously advertising and kind of improving our brand, the awareness and the visibility, so that is why we are looking at the marketing piece and in terms of the mobile apps almost close to 80% of registration for us is happening through the mobile apps platform and this quarter more than a million downloads have happened. So mobile is one of the important channel for us and we are witnessing a healthy growth rate and good number of downloads.

Vivekanand S: Thanks for this. Just one follow are most paid transactions also happening through the through the mobile platform or do they happen offline so any color on that will be appreciated

Murugavel J: The payments happen through multiple channels. The one thing about it while the customer may register through mobile people may end up using multiple devices. So not everyone would be with the one single platform, there are people using the exclusive channels or people using the multiple channels. So in terms of payment people use the multiple payment methods, people paying through online or doorstep collection and or through our outlets also and making payment as well. Today most of the payments are happening through the online platform where people themselves are making the payment but we do go to doorstep and collect payment. The method of the payment for us happening through the online platform or customer themselves making the payment. More than 70% payment for us happening through the online platform.

Vivekanand S: Thanks and all the best.

Moderator: Thank you. We take the next question from the line of Saurabh Ginodia from Stewart & Mackertich. Please go ahead.

Saurabh Ginodia: In terms of pricing where do we stand versus our competition?

Murugavel J: I think the price is more or less the same but more than the price, at what discount the package has been sold. So we being a strong leader we do not offer much discount - that is the differentiation for us.

Saurabh Ginodia: In terms of your retail presence you have some 140 self-owned retail outlets across India so what kind of value added services do we provide from the retail network and what is the kind of cost associated with the same?

Murugavel J: Retail, no specific value-added services it is basically connect to customer in the respective region and also provide a service for customer within that region. In terms of the cost, it is almost around a lakh per outlet in terms of all the cost which includes the manpower and the rental cost as well. And the good thing is that retail as an entity it is a profitable entity for us. So it gives us good visibility,





helps in payment collection, it serves the customer in the respective region. We have currently 140 outlets and we intend to kind of operate a similar number of outlets at this point of time.

Saurabh Ginodia: Thank you sir that is all from my side.

Moderator: Thank you. We take the next question from the line of Harit Shah from Reliance Securities. Please go ahead.

Harit Shah: My question has been already answered. Thank you.

Moderator: Thank you. We take the next question from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand S: On the overall cost for the marriage services business just wanted to understand from a longer-term perspective what are the steps that you have taken to kind of improve the margin so meaningfully over the last two to three years because the margin trajectory has been very different in FY2017 and in H1 compared to say FY2013 to 2016 I think at a broader level if you can address that it will be great? Thank you.

Murugavel J: On the marriage services as I said we are creating very large opportunities but again having said...

Vivekanand S: Sorry sir I meant matchmaking services not marriage services?

Murugavel J: The matchmaking revenue which is 500 Crore, we expect and it can move to EBITDA of around 37%, 38% it depends on how the other expenses is going to be at that point of time. Basically the increase in revenue in the matchmaking we definitely see the increase in the margin in the matchmaking business because of the stronger operating leverage. Because employee cost and marketing, admin all the costs are going to come down. So matchmaking business, the continuous improvement in margin is something that is going to happen with increase in revenue because of the nature of the business and inherent operating leverage the business provides. Obviously one can expect a much better margin so it depends on how effectively we grow the business and at this point of time the business growing at certain percentage. If we are able to drive better growth obviously it will reflect in the better operating margins. So in terms of opportunity yes there is opportunity because only 10% of the people have come to online. So the thing is that for us to continuously work on marketing strategy and continuously drive the growth in the profiles. We have to grow and sustain the number of profiles getting added and definitely as it gets better, the growth in the matchmaking business that will result in the better EBITDA margin. So it depends on how effectively we are able to get more profiles and that way drive the EBITDA margin.





- Vivekanand S:** Just one follow up in the northern market let us say if you are to become a serious player would you require more branches and would you need to add more employees to chase growth in those markets and if so can you just give some color on how one should look at your expansion in to the northern markets the strategy there?
- Murugavel J:** Even tomorrow if you are able to get more growth in northern market, it does not warrant for any setting up of new outlets but when the profile increases obviously we need to add some the manpower to support the increase in profiles. That is the natural part of the business growth even the more profile you need to serve the customer there will be a corresponding increase in the profile but in terms of physical infrastructure or setting up more outlets that would not be the case actually in fact we are not looking at increasing more retail outlets.
- Vivekanand S:** This is very clear. Thanks all the best.
- Moderator:** Thank you. Ladies and gentlemen we take the last question from the line of Girish Pai from Nirmal Bang. Please go ahead.
- Girish Pai:** I just wanted to ask you about the capital return to shareholders. This is a business which does not require a lot of capital and it seems to be like growing up so much so have you kind of thought about a dividend policy or even a buyback policy or something like that?
- Balasubramanian K:** It is too premature to think of a buyback as we have just conclude the IPO.. In terms of the dividend policy yes there is a policy. We have to think ahead of the situation and there will be some kind of dividends coming from the company.
- Girish Pai:** Thank you.
- Moderator:** Thank you. That was the last question I would now like to hand the conference over to the management for closing comments.
- Murugavel J:** Thanks and appreciate and thanks for all your support and look forward to continue the good performance. Thank you.
- Moderator:** Thank you very much sir. Ladies and gentlemen, on behalf of Axis Capital 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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